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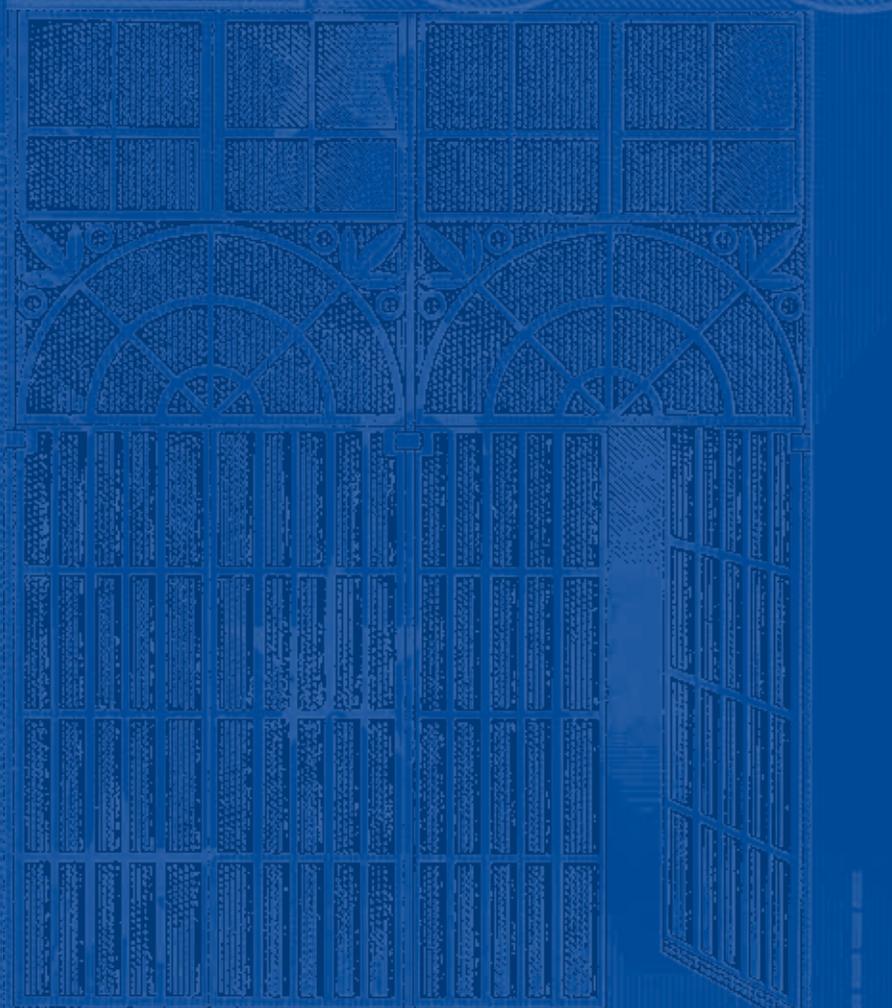
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JUNE



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**Address**

Kaiserstrasse 29  
60311 Frankfurt am Main  
Germany

**Postal address**

Postfach 16 03 19  
60066 Frankfurt am Main  
Germany

**Telephone**

+49 69 1344 0

**Website**

<http://www.ecb.europa.eu>

**Fax**

+49 69 1344 6000

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## ABBREVIATIONS

### COUNTRIES

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

### OTHERS

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

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



## EDITORIAL

At its meeting on 4 June 2009, on the basis of its regular economic and monetary analyses, the Governing Council decided to leave the key ECB interest rates unchanged. The current rates are appropriate taking into account the Governing Council's decisions of early May, including the enhanced credit support measures, and all the information and analyses which have become available since then. The Governing Council reiterated its expectation that price developments over the policy-relevant horizon will remain dampened by the marked weakening of economic activity in the euro area and globally. Recent survey information indicates that, following two quarters of very negative growth, economic activity over the remainder of 2009 is expected to decline at much less negative rates. After a stabilisation phase, positive quarterly growth rates are expected by mid-2010. This assessment incorporates adverse lagged effects, such as a further deterioration in labour markets, which are likely to materialise over the coming months. At the same time, available indicators of inflation expectations over the medium to longer term remain firmly anchored in line with the Governing Council's aim of keeping inflation rates below, but close to, 2% over the medium term. The outcome of the monetary analysis supports the assessment of moderate inflationary pressure, as money and credit growth have further declined on an annual basis. Against this background, the Governing Council expects price stability to be maintained over the medium term, thereby supporting the purchasing power of euro area households.

With regard to the economic analysis, reflecting the impact of the financial market turmoil, and in particular a sharp fall in global demand and trade, economic activity weakened considerably in the first quarter of 2009. According to Eurostat's first estimate, economic activity in the euro area contracted by 2.5% quarter on quarter, after a decline of 1.8% in the fourth quarter of 2008. This will have a significant negative impact on the average growth rate for 2009. However, more recently, there have been improvements in survey data, albeit at very low levels. In line with such evidence, after the

extremely weak first quarter, activity over the remainder of this year is expected to decline at much less negative rates. After a stabilisation phase, positive quarterly growth rates are expected by mid-2010.

This assessment is broadly in line with the June 2009 Eurosystem staff macroeconomic projections for the euro area, according to which annual real GDP growth will range between -5.1% and -4.1% in 2009 and between -1.0% and 0.4% in 2010. Compared with the March 2009 ECB staff macroeconomic projections, the ranges have been revised downwards, in particular for 2009. A substantial negative carry-over effect from the previous year and the very weak result for the first quarter of 2009 significantly contributed to this downward revision. The projected gradual recovery next year, with rates of growth returning to positive levels by mid-2010, reflects the effects of the significant macroeconomic stimulus under way as well as of the measures taken so far to restore the functioning of the financial system both inside and outside the euro area. Forecasts by international organisations are broadly in line with the June 2009 Eurosystem staff projections, taking into account the results of the first quarter.

In the view of the Governing Council, the risks to the economic outlook are balanced. On the positive side, there may be stronger than anticipated effects stemming from the extensive macroeconomic stimulus under way and from other policy measures taken. Confidence may also improve more quickly than currently expected. On the other hand, concerns remain relating to the following potential factors: a stronger impact on the real economy from the turmoil in financial markets, more unfavourable developments in labour markets, the intensification of protectionist pressures and, finally, adverse developments in the world economy stemming from a disorderly correction of global imbalances.

With regard to price developments, annual HICP inflation was, according to Eurostat's flash

estimate, 0.0% in May, compared with 0.6% in April. The further decline in inflation rates was fully anticipated and primarily reflects base effects resulting from the sharp swings in global commodity prices over the past 12 months.

Looking ahead, owing to these base effects, annual inflation rates are projected to decline further and temporarily remain negative over the coming months, before returning to positive territory by the end of 2009. Such short-term movements are, however, not relevant from a monetary policy perspective. Looking further ahead, price and cost developments are expected to remain dampened in the wake of ongoing sluggish demand in the euro area and elsewhere.

This outlook is consistent with the June 2009 Eurosystem staff projections for euro area inflation, in which annual HICP inflation is seen to range between 0.1% and 0.5% in 2009, revised slightly downwards from the March 2009 ECB staff projections. For 2010, Eurosystem staff project annual HICP inflation to range between 0.6% and 1.4%, broadly unchanged from the March 2009 ECB staff projections. Available forecasts from international organisations provide a similar picture.

Against this background, it is again important to stress that the indicators of inflation expectations over the medium to longer term remain firmly anchored in line with the Governing Council's aim of keeping inflation rates below, but close to, 2% over the medium term.

Risks to these projections are broadly balanced. On the downside, these risks relate in particular to the outlook for economic activity, while on the upside they relate to higher than expected commodity prices. Furthermore, increases in indirect taxation and administered prices may be stronger than currently expected owing to the need for fiscal consolidation in the coming years.

Turning to the monetary analysis, the latest data confirm the continued deceleration in the pace

of underlying monetary expansion and thus support the assessment of moderate inflationary pressures. In April, the annual growth rate of M3 declined further to 4.9% and that of loans to the private sector to 2.4%. However, especially with regard to M3 growth, the pace of decline in annual growth rates was slower than in previous months, reflecting a brisk growth in monetary aggregates in April.

The latest developments in M3 components continue to reflect to a large extent the impact of past reductions in key ECB interest rates, which have led to declines both in the levels of different deposit interest rates and in the spreads between them. This has implied, for instance, lower opportunity costs for market participants to shift funds into highly liquid overnight deposits and explains the strengthening of annual M1 growth to 8.4% in April. At the same time, the reduced remuneration of other short-term deposits and marketable instruments continues to foster the allocation of funds to instruments outside M3.

The outstanding amount of MFI loans to the private sector contracted somewhat further in April. This development is again mainly due to a negative flow of short-term lending to non-financial corporations, which partly reflects a lower need for working capital in view of the sharp deterioration in economic activity and business prospects during the first few months of the year, and greater recourse to liquidity buffers in financing such working capital. By contrast, longer-term lending to non-financial corporations remained positive. The past reductions in key ECB rates have continued to be passed on to lending rates to both non-financial corporations and households. The resulting improvement in financing conditions should provide ongoing support for economic activity in the period ahead. However, given the challenges which lie ahead, banks should take appropriate measures to further strengthen their capital bases and, where necessary, take full advantage of the government measures to support the financial sector, in particular as regards recapitalisation.

To sum up, the current key ECB interest rates are appropriate taking into account the Governing Council's decisions of early May, including the enhanced credit support measures, and all the information and analyses which have become available since then. The Governing Council reiterated its expectation that price developments over the policy-relevant horizon will remain dampened by the marked weakening of economic activity in the euro area and globally. Recent survey information indicates that, following two quarters of very negative growth, economic activity over the remainder of this year is expected to decline at much less negative rates. After a stabilisation phase, positive quarterly growth rates are expected by mid-2010. This assessment incorporates adverse lagged effects, such as a further deterioration in labour markets, which are likely to materialise over the coming months. At the same time, available indicators of inflation expectations over the medium to longer term remain firmly anchored in line with the Governing Council's aim of keeping inflation rates below, but close to, 2% over the medium term. A cross-check with the outcome of the monetary analysis supports the assessment of moderate inflationary pressure, as money and credit growth have further declined on an annual basis. Against this background, the Governing Council expects price stability to be maintained over the medium term, thereby supporting the purchasing power of euro area households.

As the transmission of monetary policy works with lags, the Governing Council's policy action will progressively feed through to the economy in full. Hence, with all the measures taken, monetary policy will provide ongoing support for households and corporations. Once the macroeconomic environment improves, the Governing Council will ensure that the measures taken can be quickly unwound and the liquidity provided absorbed. Hence, any threat to price stability over the medium to longer term can be effectively countered in a timely fashion. The Governing Council will continue to ensure a firm anchoring of medium-term inflation expectations. Such anchoring is

indispensable to supporting sustainable growth and employment and contributes to financial stability. Accordingly, the Governing Council will continue to monitor very closely all developments over the period ahead.

Regarding fiscal policies, the latest projections by the European Commission point to a sharp increase in the euro area general government deficit and debt ratios in 2009. The deficit ratio is projected to rise to 5.3% of GDP in 2009 and further to 6.5% in 2010, from 1.9% in 2008, with the debt ratio exceeding 80% of GDP in 2010. A large majority of euro area countries are expected to exceed the 3% of GDP deficit reference value in 2009 and 2010. To ensure trust in the sustainability of public finances, an ambitious and credible adjustment effort will be required to return as soon as possible to sound fiscal positions, supported by a full application of the provisions of the Stability and Growth Pact. The rapid attainment of sound fiscal positions will be necessary to enable countries to deal with the additional fiscal burden owing to demographic ageing as well as the risks arising from government guarantees that were provided to stabilise financial sectors.

Turning to structural policies, there is a strong case for undertaking further efforts to support potential growth in the euro area. It is crucial that the focus is now on strengthening the adjustment capacity and flexibility of the euro area economy in line with the principle of an open market economy. In this respect, the current situation can be seen as a catalyst to accelerate the implementation of necessary domestic reforms, notably labour market reforms to facilitate appropriate wage-setting and labour mobility across sectors and regions, as well as product market reforms to foster competition and speed up restructuring and productivity growth. At the same time, many of the policy measures taken in recent months with a view to supporting specific segments of the economy need to be phased out in a timely manner.





## GOVERNING COUNCIL DECISIONS ON NON-STANDARD MEASURES

On 7 May 2009 the Governing Council of the ECB decided to make a further cut in the rate on the main refinancing operations and the rate on the marginal lending facility, to 1.00% and 1.75% respectively, while keeping the rate on the deposit facility unchanged at 0.25%. This means that since October 2008 the interest rates on the main refinancing operations have been cut by a total of 325 basis points. On 4 June 2009 the Governing Council decided to leave the key ECB interest rates unchanged.

In addition to the reduction in interest rates, on 7 May the Governing Council also decided to proceed with its enhanced credit support. In line with the operations undertaken since October 2008, and in recognition of the central role played by the banking system in financing the euro area economy, the Eurosystem will conduct liquidity-providing longer-term refinancing operations with a maturity of 12 months via fixed rate tender procedures with full allotment. Furthermore, the Governing Council decided that the European Investment Bank (EIB) will become an eligible counterparty in the Eurosystem's monetary policy operations with effect from 8 July 2009 and under the same conditions as any other counterparty. Finally, the Governing Council decided in principle that the Eurosystem will purchase euro-denominated covered bonds issued in the euro area. Further details of this measure were announced following its meeting on 4 June.

### NON-STANDARD MEASURES IMPLEMENTED BETWEEN OCTOBER 2008 AND MAY 2009

Since the intensification of the financial crisis in September 2008, and against the background of rapidly receding inflationary pressures, the ECB has introduced monetary policy and liquidity management measures that are unprecedented in nature, scope and magnitude.

At the onset of the financial crisis the ECB implemented forceful liquidity measures, with a view to protecting the flow of credit to the euro area economy and ensuring that the Governing Council's decisions concerning the stance of monetary policy were reflected in money and

credit market conditions. A key element in this context was the Governing Council's decision in October 2008 to increase the frequency and size of its longer-term refinancing operations (with a maturity of up to six months) and to conduct all liquidity-providing operations through a fixed rate tender procedure with full allotment. In addition, the ECB offered funding in US dollars and Swiss francs through foreign exchange swaps. Given that these changes to the ECB's operational framework are significant, they can be characterised as non-standard.

Overall, the abovementioned non-standard measures appear to have played a vital role in alleviating funding risk and providing financing support to the economy through banks.

As a result, the past few months have witnessed a sizeable fall in term money market and loan interest rates, which have declined even faster than the key policy interest rate. Consequently, the ECB's monetary policy decisions and liquidity measures have been effective in averting a dramatic contraction in credit volumes.

### FURTHER ENHANCEMENT OF NON-STANDARD MEASURES

At its meeting on 7 May the Governing Council decided to further enhance its set of non-standard measures.

First, the ECB will conduct liquidity-providing longer-term refinancing operations with a maturity of 12 months, at a quarterly frequency. This measure is designed to improve banks' liquidity positions on very favourable terms and to further promote the reduction in money market term spreads while encouraging banks to maintain and expand lending to their customers, which is such a central component of the euro area financial system. This measure is fully in line with those undertaken since October 2008, as it too operates through banks. The newly adopted operations will be conducted via fixed rate tender procedures with full allotment. The rate in the first of these operations, to be announced on 23 June 2009, will be the rate

on the main refinancing operations at that time. In subsequent longer-term refinancing operations the interest rate applied may include a spread in addition to the rate on the main refinancing operations, depending on the circumstances at the time. Together with the existing longer-term refinancing operations, the provision of funding, which is in principle unlimited, should contribute to keeping 12-month money market interest rates at low levels.

Second, the Eurosystem will purchase euro-denominated covered bonds issued in the euro area. This measure aims to improve liquidity in the private debt security markets and encourage a further easing of credit conditions given that the deleveraging process in the banking sector, which has recently accelerated, is likely to continue for some time. Specifically, covered bond purchases in both primary and secondary markets should improve the funding conditions for financial institutions that issue covered bonds in the primary market. Covered bond purchases in the secondary market should contribute to improving the depth and liquidity of the market and should further narrow the spreads of covered bond yields over those on government bonds. This should improve the risk profile of institutions holding covered bonds and thereby help to spur credit growth. Furthermore, covered bond purchases could encourage new issuances in the primary market and contribute to activity in the secondary market, which has remained subdued.

This will complement and reinforce the ECB's support to the banking system.

Details of the covered bond purchases were decided at the Governing Council's meeting on 4 June 2009. Direct purchases, for an amount of €60 billion, will be conducted in both the primary and secondary markets. They will include covered bonds compliant with the Directive on undertakings for collective investment in transferable securities (UCITS) and non-UCITS-compliant structured covered bonds that are eligible for use in monetary operations and which are considered to offer similar

safeguards as UCITS-compliant covered bonds. The pool of eligible covered bonds will contain exposures to private and public entities, subject to compliance with the restrictions stipulated in Article 101 of the Treaty establishing the European Community. The minimum size of eligible covered bonds will, as a rule, be about €500 million and, in any case, not less than €100 million. The minimum rating will, as a rule, be AA or equivalent, as given by at least one of the major rating agencies (Fitch, Moody's, S&P or DBRS) and, in any case, not lower than BBB-/Baa3 for covered bonds issued in the euro area by euro area institutions. Monetary policy counterparties and counterparties accepted by Eurosystem members for the purposes of their euro-denominated portfolio investments will be eligible as counterparties accepted for covered bond purchases. The purchases will start in July 2009 and are expected to be concluded by the end of June 2010.

Third, the EIB will become an eligible counterparty in the Eurosystem's monetary policy operations with effect from 8 July 2009 and under the same conditions as any other counterparty. By widening the range of eligible counterparties in Eurosystem operations, the ECB has supplemented its measures to support lending in the euro area. This will further enhance the contribution of the EIB, a key European credit institution that is particularly active in lending to small and medium-sized businesses in the euro area.

## CONCLUSION

All non-standard measures adopted by the Governing Council seek to maintain price stability over the medium term and to ensure that inflation expectations remain firmly anchored in line with price stability. The measures support financing conditions above and beyond what could be achieved through reductions in key ECB interest rates alone.

As there are lags in the transmission of these measures, and the transmission channel has increasingly been affected by the strains in the financial sector, it will take some time for them to feed through to the economy in full.

# ECONOMIC AND MONETARY DEVELOPMENTS

## I THE EXTERNAL ENVIRONMENT OF THE EURO AREA

*While the world economy is still in a severe and highly synchronised downturn, the latest indicators signal a decline in the rate of contraction, albeit not yet the beginning of a firm recovery. Global inflationary pressures have rapidly diminished in recent months owing to rising spare capacity and lower commodity prices. Global economic prospects remain subject to exceptionally high uncertainty, but the risks to global activity have become somewhat more balanced, as suggested by slowly subsiding risk aversion in global financial markets.*

### I.1 DEVELOPMENTS IN THE WORLD ECONOMY

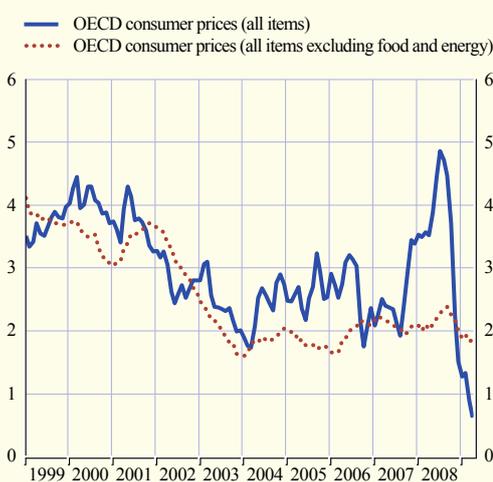
While the world economy is still in a severe and highly synchronised downturn, recent indicators point to a deceleration in the pace of decline in economic activity. Following a contraction in the fourth quarter of 2008, economic activity across the globe remained very weak in the first quarter of 2009. In advanced economies, falling asset prices and the need for financial firms and households to adjust their balance sheets generated adverse wealth effects and had a negative effect on confidence, which hampered consumption and investment. Emerging markets were affected by the downturn in advanced economies. World trade registered an unprecedented and synchronised drop towards the end of 2008 and in early 2009, in parallel with the downturn in economic activity.

The latest indicator-based evidence signals a slowdown in the pace of global economic contraction but not yet the beginning of a firm recovery. Over the past six months, the Global Purchasing Managers' Index (PMI) has continuously risen from the trough recorded in November 2008. However, the indicator remains below the expansion-contraction threshold in all categories, suggesting that global industries continue to scale back activity somewhat. Partly in response to decisive policy action that has had increasing effect around the world over recent months, the extreme risk aversion among market participants has subsided a little, although financing conditions in key market segments have remained relatively tight overall, notwithstanding the low level of interest rates.

At the same time, global inflationary pressures have rapidly diminished in recent months. Headline CPI inflation in the OECD area stood at 0.6% in the year to April 2009, down from almost 5% at its peak in July 2008. In several major advanced economies annual rates of inflation have turned negative. The global retreat in inflation can be attributed mainly to rising spare capacity as a result of the downturn in global economic activity and to lower commodity prices. Although oil prices have risen over the past three months, their annual rate of decline is still substantial. In May, for instance, the price of Brent crude oil was less than half the levels recorded a year earlier. The importance of commodity price developments for current inflationary trends is also reflected in the OECD inflation rate excluding food and energy, which stood at 1.9% in the year to April 2009 and thus close to the levels observed in recent years. Inflation expectations continue to be anchored

Chart I International price developments

(monthly data; annual percentage changes)



Source: OECD.

well within positive territory, suggesting that the global disinflationary pressures are largely perceived as a transitory phenomenon.

### UNITED STATES

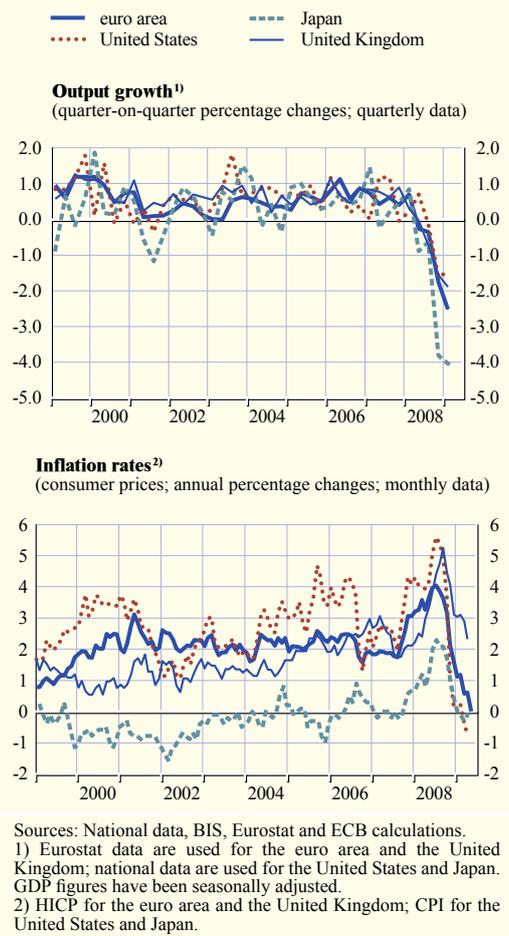
In the United States, economic activity has remained weak. The economy continued to contract in the first quarter of 2009, but at a slower pace than previously thought. According to preliminary estimates, real GDP decreased by 5.7% in annualised terms, after 6.3% in the preceding quarter. Due to a less negative assessment of inventories and a narrowing trade gap, the decline was less pronounced than the previously published advance estimate (-6.1%). Exports, inventories and private fixed investment continued to be a drag on the economy in the first quarter of 2009 and were only partly compensated by lower imports and an increase in consumer spending.

As regards price developments, annual CPI inflation moved deeper into negative territory, falling to -0.7% in the year to April 2009 from -0.4% in March. The decline in headline inflation was driven in large part by base effects stemming from the pronounced drop in energy prices. The annual rate of inflation excluding food and energy increased to 1.9% in April from 1.8% in March.

The outlook for US economic activity remains clouded. Deteriorating labour market conditions and the efforts of households to rebuild their savings and scale down debt levels accumulated over previous years are likely to put substantial downward pressure on consumption. Business investment is expected to remain subdued in view of restrained credit and uncertainty about economic prospects. In addition, the contribution of foreign demand to US growth is likely to be weak in the period ahead owing to faint world economic activity. However, a gradual stabilisation in recent data on, for example, consumer spending, housing activity and consumer confidence appears to indicate a slowdown in the pace of economic deterioration. Domestic demand should be supported by the sizeable fiscal stimulus under way. In addition, the fast reduction in stockpiles may be seen as a positive sign for the prospects of a gradual recovery. As regards price developments, base effects stemming from the large drop in energy prices should temporarily lead to even deeper negative readings in annual headline inflation than observed in past months. Sizeable slack in productive capacity should limit upward pressure on prices.

The overall weakness of the economic environment is reflected in the range of projections by members of the US Federal Open Market Committee, as published with the minutes of their meeting of 28-29 April 2009. While the Federal Reserve System policy-makers saw “some signs pointing

Chart 2 Main developments in major industrialised economies



to economic stabilisation”, the central tendency of their projections for US real GDP growth lay in the range of -2.0% to -1.3% for 2009, 2.0% to 3.0% for 2010 and 3.5% to 4.8% in 2011 (measured as fourth quarter year-on-year growth rates). This represents a noticeable downward revision to the January projections, which put real GDP growth at -1.3% to -0.5% in 2009 and 2.5% to 3.3% in 2010.

## JAPAN

According to the first preliminary data release from Japan’s Cabinet Office, the drop in GDP deepened in the first quarter of 2009 to -4.0% quarter on quarter. This is the biggest contraction on record and marks a fourth consecutive quarter of negative growth. The weak economic performance in the first quarter was mainly due to a fall in exports (-26% quarter on quarter), private investment (-10.4%), housing investment (-5.4%) and consumption (-1.1%). In addition, the Cabinet Office revised real GDP growth in the fourth quarter of 2008 downwards to -3.8% (quarter on quarter) from -3.2%, which now constitutes the second largest contraction on record. This outcome reflects downward revisions in private consumption, private investment and exports.

Consumer prices have continued to decline since the start of 2009 owing to falling energy prices and increasing economic slack. Overall annual CPI inflation remained negative at -0.1% in April, compared with -0.3% in March. CPI inflation excluding food and energy declined to -0.4% on an annual basis in April, and core CPI inflation, i.e. excluding fresh food, remained at -0.1%.

On 22 May 2009 the Bank of Japan decided to keep its target for the uncollateralised overnight call rate at around 0.1%.

Looking ahead, the outlook for the Japanese economy remains subdued, albeit with the pace of contraction expected to moderate. Exports are expected to have bottomed out in the first quarter, and economic recovery is likely to stem from a resumption of foreign demand growth.

## UNITED KINGDOM

In the United Kingdom, real GDP has contracted in recent quarters, while inflation decreased markedly in April 2009 after being somewhat elevated in previous months. According to the Office for National Statistics’s preliminary release, real GDP declined by 1.9% quarter on quarter in the first quarter of 2009, after falling by 1.6% in the previous quarter. The drop was especially pronounced in manufacturing activity, at 6.2%. Looking ahead, real GDP is expected to contract further, as falling employment, lower housing and financial wealth and tight credit conditions are likely to continue to weigh on consumer spending in the near term. House prices have been falling since the outset of the financial crisis in mid-2007, and the annual change in the Halifax House Price Index was -17.7% in April 2009. HICP inflation declined sharply to 2.3% in April, from 2.9% in March, following a slight increase at the beginning of 2009, possibly reflecting a larger than expected pass-through of the exchange rate depreciation to consumer prices. Looking ahead, inflation is expected to decrease further and to fall below the Government’s 2% target. In recent months, the Bank of England has moved to a policy of quantitative easing. In particular, in March the Monetary Policy Committee decided to undertake a programme of asset purchases of GBP 75 billion (increased to GBP 125 billion in May) financed by the issuance of central bank reserves.

## OTHER EUROPEAN COUNTRIES

In most other non-euro area EU countries, weak economic activity in recent quarters has been accompanied by a decrease in inflation. In both Sweden and Denmark GDP has continued to decline. In Sweden, real GDP contracted by 0.9% quarter on quarter in the first quarter of 2009, owing

to tighter financial conditions, weaker external demand and more cautious household spending behaviour. These factors also dampened economic activity in Denmark, where output contracted by 1.9% in the fourth quarter of 2008. Short-term indicators point to further weakness of economic activity in both countries. In recent months HICP inflation has decreased to fairly low levels in both countries: in April, it decreased to 1.8% in Sweden and to 1.1% in Denmark. On 21 April Sveriges Riksbank decided to cut the repo rate by 0.5 percentage point to 0.5%. On 2 April and on 7 May 2009 Danmarks Nationalbank decided to lower its main policy rate by a total of 60 basis points to 1.65%.

Real GDP growth has also deteriorated significantly in the largest central and eastern European EU countries in recent quarters. Inflation has moderated in recent months, although in some countries the lagged effect of earlier exchange rate depreciation may have exerted upward pressure on recent inflation figures. In Hungary real GDP contracted by 2.3% quarter on quarter in the first quarter of 2009. Real GDP also declined in the Czech Republic, by 0.9% quarter on quarter in the fourth quarter of 2008, and is expected to have contracted further in the first quarter. In Romania the decline in economic activity has been especially deep in recent quarters, with a quarter-on-quarter decrease of 2.6% in real GDP in the first quarter of 2009. Economic activity has held up best in Poland, where quarter-on-quarter growth was still positive in the first quarter of 2009 at 0.4%, owing to still strong domestic demand growth compared with other countries in the region. Short-term indicators point to continued weakness of economic activity in these countries. Annual HICP inflation rates have decreased in recent months in most countries, with the notable exception of Poland, where annual HICP inflation increased to 4.3% in April, reflecting inter alia the impact of the recent exchange rate depreciation. In Hungary, it also increased somewhat in April, reaching 3.2% year on year. In the Czech Republic and Romania annual HICP inflation decreased to 1.1% and 6.5% respectively in April. On 6 May Banca Națională a României reduced its main policy rate by 50 basis points to 9.5%. On 7 May Česká národní banka cut its key interest rate by 25 basis points to 1.5%. Finally, on 27 May Narodowy Bank Polski reduced its main policy rate by 50 basis points to 3%.

Among the smaller non-euro area EU countries, the Baltic States have experienced an especially marked decline in economic activity, reflecting both the consequences of the global crisis and an ongoing domestic economic adjustment. GDP declined by 10.5%, 11.2% and 6.5% quarter on quarter in Lithuania, Latvia and Estonia respectively in the first quarter of 2009. Annual HICP inflation has been on a steady downward trend in recent months in all of the smaller non-euro area EU countries. On 13 May Latvijas Banka cut its main refinancing rate from 5.0% to 4.0%.

In Russia, real GDP contracted by 9.5% (in seasonally adjusted quarter-on-quarter terms) in the first quarter of 2009. A preliminary breakdown into expenditure components shows that both private consumption and investment declined at an exceptional pace. Industrial production figures for April suggest that the contraction in economic activity has not come to a halt. While output growth is expected to remain weak in 2009, the recovery in commodity prices, a fiscal stimulus and improving external financing conditions might contribute to a gradual recovery. Despite increasing economic slack, inflation has remained high (13.2% year on year in April), mainly owing to the lagged impact of the depreciation of the Russian rouble in late 2008 and early 2009. Since early March depreciation pressures on the Russian rouble have decreased, so inflationary pressures are expected to moderate somewhat later this year.

## EMERGING ASIA

In emerging Asia, economic activity was very weak in the first quarter of 2009. Especially the small, open economies suffered from the global economic downturn owing to their high level of dependence on external demand. In addition to the collapse in foreign trade, domestic private demand was weak in many countries. Consumer price inflation has declined markedly in most countries.

In China, there are signs that activity may have already bottomed out. According to preliminary estimates, in quarterly terms output growth was stronger in the first quarter of 2009 than in the last few months of 2008. In annual terms, however, real GDP growth fell to 6.1% in the first quarter from 6.8% in the last quarter of 2008. Exports contracted significantly in the first quarter of 2009; the main engine behind the rebound in economic growth was strong public investment growth, boosted by the fiscal package approved in November 2008. The package is also offering some support to consumption, which so far seems to have remained relatively resilient despite the rise in unemployment. On the other hand, indicators show that private investment growth is still weak. Turning to bank loans, the amount outstanding was up nearly 30% year on year at the end of April owing to the fact that a large share of new public investment is being financed through loans from state-owned commercial banks rather than directly from the central budget. The loosening of the monetary policy stance has been accompanied by falling consumer prices, which in April were 1.5% lower than a year previously. Slower economic growth and decreasing corporate profits contributed to a fall in tax revenues by nearly 10% in the period from January to April 2009 compared with the corresponding period of 2008. This compares with an increase in public expenditure by more than 30% year on year.

In Korea, real GDP contracted at an annual rate of 4.3% in the first quarter of 2009 after falling by 3.4% in the previous quarter. Nevertheless, short-term data indicate a bottoming out of the economy and a positive impact from the fiscal stimulus introduced at the end of last year. Annual CPI inflation moderated further to 3.6% in April from 4.1% at the beginning of the year, mainly owing to lower commodity prices. Economic activity has also slowed slightly in India. Annual GDP growth was 5.8% in the first quarter of 2009, compared with 7.3% for 2008 as a whole. Wholesale price inflation, the Reserve Bank of India's main inflation measure, decreased rapidly from a peak of 12.5% in July 2008 to 0.6% in May 2009.

Overall, economic activity has contracted considerably in many emerging Asian countries. Although the decrease in output is mainly due to the collapse in external demand, factors such as rising unemployment, reduced inward foreign direct investment, the retrenchment in other capital inflows and property sector sluggishness are hampering domestic demand. However, economic growth seems to be already rebounding in the area as a whole, especially in the countries that either were the first to experience a severe downturn at the end of last year or have been in a position to adopt substantial counter-cyclical policy measures.

## LATIN AMERICA

In Latin America, economic activity continued to weaken in the first quarter of 2009, especially in Mexico, while inflationary pressures remained elevated. In Mexico, real GDP contracted by 8.2% compared with a year earlier, after falling by 1.6% in the fourth quarter of 2008. Annual consumer price inflation averaged 6.2% in the first quarter, up from 5.5% in the final quarter of 2008. In Argentina, economic activity contracted somewhat in the first quarter of 2009 according to official estimates, with industrial production falling at an average rate of 2.3% year on year, after increasing by 1.7% in the fourth quarter of 2008. Inflationary pressures eased somewhat, with annual CPI

inflation averaging 6.6% in the first quarter of 2009, down from 7.8% in the final quarter of 2008. In Brazil, available indicators suggest that economic activity remained weak in the first quarter, with industrial production contracting by almost 15% on average, after having fallen by 6.7% in the fourth quarter of 2008.

Overall, output growth is expected to remain weak throughout 2009, mainly owing to weak external demand. Domestic demand is also expected to remain subdued, owing to tight financing conditions, rising unemployment and negative wealth effects.

## 1.2 COMMODITY MARKETS

In recent months oil prices fluctuated around USD 50 amid reduced volatility, but displayed strong signs of recovery in May. The price of Brent crude oil stood at USD 67.8 on 3 June, which was about 72% higher than at the beginning of 2009 (in euro terms the increase was around 69%). Looking ahead, market participants expect higher prices in the medium term, with futures contracts for December 2011 trading at around USD 79.

The recent increase in oil prices has been associated with less pessimistic expectations for the global macroeconomic environment and has been supported by evidence of stock draws in the United States. Looking at fundamentals, in recent months the International Energy Agency has repeatedly revised down its demand projections for 2009; expected demand in the second quarter is now 3.5 million barrels per day lower than a year earlier. On the supply side, OPEC countries have shown a high degree of compliance with the agreed cuts, and global oil supply is now around 3 million barrels per day lower than a year ago.

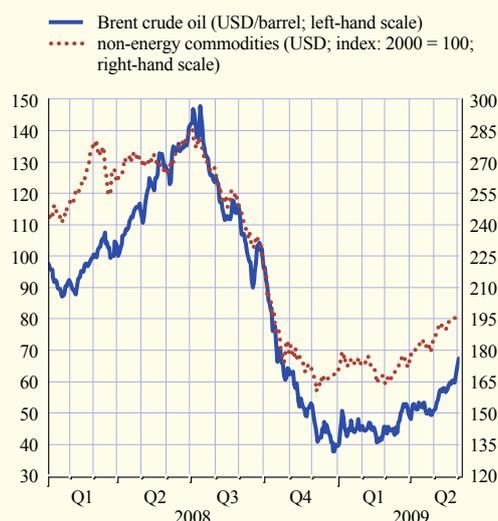
The prices of non-energy commodities have also recovered in the past few months. The stimulus package introduced by the Chinese government, which includes sizeable investment in infrastructure, has helped to support metal prices, in particular prices for copper and zinc. Agricultural commodity prices have also increased, above all prices for soybeans, which have been supported by social unrest in Latin America and buoyant demand from China.

In aggregate terms, the price index for non-energy commodities (denominated in US dollars) was approximately 17% higher at the end of May than at the beginning of the year.

## 1.3 OUTLOOK FOR THE EXTERNAL ENVIRONMENT

The downturn in global economic activity has been accompanied by an unprecedented and synchronised decline in global trade (see Box 10 entitled “The downturn in euro area trade”). The depth of this decline has been magnified by the disruptions in global financial markets and

Chart 3 Main developments in commodity markets



Sources: Bloomberg and HWWI.

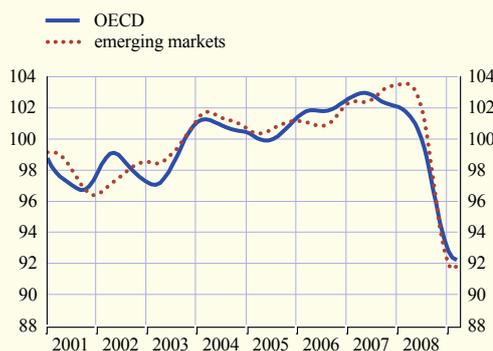
deteriorating confidence, while its synchronicity can be partly attributed to the propagation of shocks through interconnected global supply chains. Although this suggests relatively unfavourable conditions for foreign demand for euro area goods and services, some indicators suggest that the momentum in global trade is turning. For instance, the PMI new export orders index rose from its trough at the end of 2008 to 47 in May 2009, although it remains below the 50 threshold between expansion and contraction. The Baltic Dry Index – a measure of shipping costs for commodities and an indicator for global economic activity – has rebounded strongly from the troughs recorded towards the end of 2008.

The OECD composite leading indicator (CLI) for March 2009 continues to point to a marked slowdown in the OECD area, but the pace of contraction is easing (see Chart 4). Some advanced economies are showing tentative signs of at least a pause in the economic slowdown. For other OECD countries, the CLIs continue to point to a deterioration in the business cycle, but at a decelerating rate. In non-OECD countries the economies still face deteriorating conditions, except for China, which is showing signs of a turnaround. Tentative signs of a stabilisation of global economic prospects are also evidenced by the Ifo World Economic Climate Indicator, which recorded a recovery in the second quarter of 2009 as a result of more favourable expectations for the coming six months, although the assessment of the current economic situation worsened again.

Although global economic prospects remain subject to exceptionally high uncertainty, the risks to global activity have become more balanced. On the positive side, there may be stronger than anticipated effects stemming from the extensive macroeconomic stimulus under way and from other policy measures taken. Confidence may also improve more quickly than currently expected. On the other hand, concerns remain relating to the following potential factors: a stronger impact on the real economy from the turmoil in financial markets, more unfavourable developments in labour markets, the intensification of protectionist pressures and, finally, adverse developments in the world economy stemming from a disorderly correction of global imbalances.

Chart 4 OECD composite leading indicator

(monthly data; amplitude-adjusted)



Source: OECD.

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

## 2 MONETARY AND FINANCIAL DEVELOPMENTS

### 2.1 MONEY AND MFI CREDIT

The latest monetary and credit data confirm the decline in the pace of underlying monetary expansion and support the assessment of moderate inflationary pressures. The recent dynamics of M3 and its components largely reflect developments in opportunity costs, combined with the current economic and financial uncertainty. This, in particular, encourages shifts into the most liquid components of M3, as reflected in the substantial strengthening of M1 growth. On the counterpart side, the flow of loans to the non-financial private sector has continued to decline, largely reflecting the sharp deterioration in economic activity. The deleveraging process in the financial sector seems to be continuing, as the total assets of credit institutions have decreased further, reflecting the shedding of external assets and, especially in April, a decline in credit to the euro area private sector.

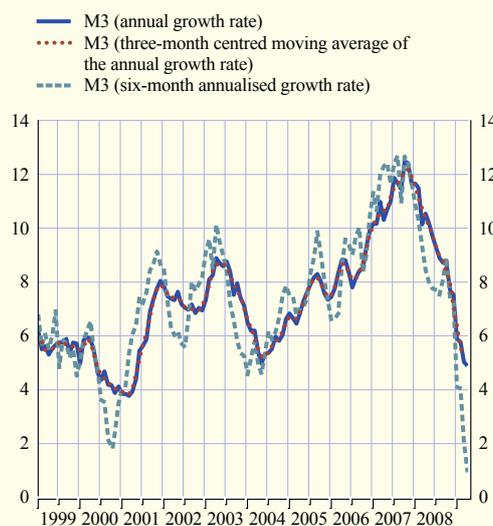
#### THE BROAD MONETARY AGGREGATE M3

The annual growth rate of the broad monetary aggregate M3 moderated further in April 2009, standing at 4.9% in that month, down from 6.0% in the first quarter of 2009 and 8.2% in the fourth quarter of 2008 (see Chart 5). Some volatility continued to be observed in shorter-term monetary dynamics, with the month-on-month growth rate strongly positive at 0.9% in April, having alternated between negative and positive values in previous months. By contrast, the six-month annualised rate of growth declined further in April, standing at 1.1%, the lowest level since the start of Stage Three of EMU.

The slowdown in monetary dynamics observed in the first four months of 2009 is accounted for by developments in specific components and counterparts of M3. In particular, the recent further reductions in the ECB's key interest rates have led to a steepening of the yield curve, which, together with the increased uncertainty and declining confidence, has tended to encourage shifts into the most liquid components of M3. At the same time, the steeper yield curve has also had some countervailing effects, encouraging shifts out of M3 and into riskier, less liquid assets. At the sectoral level, the deceleration of M3 deposit growth reflects a significant decline in the annual growth rate of the M3 deposit holdings of both non-monetary financial intermediaries and non-financial corporations. In the case of the former, this development is probably linked to portfolio adjustments resulting in shifts into asset classes with higher yields, while for the latter it is probably related to the deterioration in economic activity and the fact that a high degree of uncertainty still surrounds the economic outlook.

Chart 5 M3 growth

(percentage changes; adjusted for seasonal and calendar effects)



Source: ECB.

**MAIN COMPONENTS OF M3**

The shifts observed in the components of M3 in the first quarter of 2009 continued in April. Both in the first quarter and in April the deceleration observed in the annual growth rate of M3 was driven mainly by declines in the contributions of short-term deposits other than overnight deposits (i.e. M2-M1) and marketable instruments (i.e. M3-M2), while the contribution of M1 continued to increase (see Table 1).

In the first quarter of 2009 the annual growth rate of M1 increased to 5.3%, up from 2.7% in the previous quarter. In April it increased significantly further, to stand at 8.4%. This stronger growth in M1 reflected robust growth in both of its sub-components. The annual rate of growth of currency in circulation remained elevated at 13.2% in April, having increased to 13.6% in the first quarter of 2009, up from 12.4% in the previous quarter. The annual growth rate of overnight deposits rose to 3.7% in the first quarter of 2009, up from 0.8% in the previous quarter. It then increased further in April, standing at 7.4% in that month.

The strong flows into overnight deposits in the first four months of this year are consistent with an environment of low consumer confidence and heightened uncertainty. In such a situation, overnight deposits may be used to park funds on a temporary basis when transferring them between other asset classes. Furthermore, an increased preference for more liquid forms of investment is in line with the ongoing decline in the opportunity costs of holding such assets compared with other monetary assets. Indeed, according to data on interest rates available up to March, the remuneration of short-term time deposits (i.e. deposits with an agreed maturity of up to two years) fell considerably in the first quarter of 2009 and the spreads vis-à-vis the interest rates paid on overnight deposits and short-term savings deposits (i.e. deposits redeemable at notice of up to three months) narrowed significantly. This triggered shifts out of short-term time deposits into assets such as overnight deposits.

**Table 1 Summary table of monetary variables**

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

	Outstanding amount as a percentage of M3 <sup>1)</sup>	Annual growth rates					
		2008 Q2	2008 Q3	2008 Q4	2009 Q1	2009 Mar.	2009 Apr.
<b>M1</b>	<b>44.3</b>	<b>2.3</b>	<b>0.7</b>	<b>2.7</b>	<b>5.3</b>	<b>5.9</b>	<b>8.4</b>
Currency in circulation	7.7	7.7	7.5	12.4	13.6	13.8	13.2
Overnight deposits	36.6	1.3	-0.6	0.8	3.7	4.4	7.4
M2 - M1 (= other short-term deposits)	41.8	19.6	19.1	15.8	9.2	6.3	3.4
Deposits with an agreed maturity of up to two years	24.2	40.5	37.6	29.0	12.8	6.2	0.3
Deposits redeemable at notice of up to three months	17.6	-2.1	-1.7	-0.5	4.5	6.6	8.0
<b>M2</b>	<b>86.1</b>	<b>10.2</b>	<b>9.2</b>	<b>8.9</b>	<b>7.2</b>	<b>6.1</b>	<b>5.9</b>
M3 - M2 (= marketable instruments)	13.9	10.4	8.9	4.1	-0.9	-1.1	-0.9
<b>M3</b>	<b>100.0</b>	<b>10.2</b>	<b>9.1</b>	<b>8.2</b>	<b>6.0</b>	<b>5.0</b>	<b>4.9</b>
<b>Credit to euro area residents</b>		<b>9.7</b>	<b>9.1</b>	<b>7.4</b>	<b>5.9</b>	<b>5.2</b>	<b>4.4</b>
Credit to general government		-1.3	0.6	1.7	5.7	7.7	8.0
Loans to general government		0.8	2.1	2.9	2.4	1.4	1.3
Credit to the private sector		12.0	10.9	8.6	6.0	4.7	3.7
Loans to the private sector		10.5	9.1	7.4	4.6	3.2	2.4
Loans to the private sector adjusted for sales and securitisation		11.6	10.3	8.7	6.4	5.0	4.1
<b>Longer-term financial liabilities (excluding capital and reserves)</b>		<b>4.4</b>	<b>3.3</b>	<b>1.2</b>	<b>1.8</b>	<b>2.5</b>	<b>2.3</b>

Source: ECB.

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

Indeed, a significant decline was recorded in the annual growth rate of short-term time deposits, which fell further to stand at 0.3% in April, down from 12.8% in the first quarter of 2009 and 29.0% in the previous quarter. By contrast, short-term savings deposits grew at an annual rate of 8.0% in April, up from -4.7% and -0.5% in the first quarter of 2009 and the fourth quarter of 2008 respectively. Overall, the annual growth rate of short-term deposits other than overnight deposits declined further to stand at 3.4% in April, down from 9.2% and 15.8% in the first quarter of 2009 and the fourth quarter of 2008 respectively (see Chart 6).

The annual growth rate of marketable instruments included in M3 stood at -0.9% in April, unchanged from the first quarter of 2009 and down from the 4.1% recorded in the fourth quarter of 2008. This reflects the marked declines observed in the annual growth rates of debt securities with a maturity of up to two years

and of repurchase agreements. By contrast, the annual growth rate of money market fund shares/units, the largest sub-component of marketable instruments, increased in the first quarter of 2009 and remained broadly unchanged in April. However, this development conceals volatile monthly flows into and out of this instrument. In September 2008 significant outflows were recorded for money market fund shares/units in the aftermath of Lehman Brothers' default, reflecting investors' concerns regarding the quality of some of the assets on money market funds' portfolios and thus the capital certainty of their investments. Subsequently, despite the fact that the enhanced deposit guarantee schemes announced did not cover this instrument, a series of inflows were recorded for these assets, suggesting renewed confidence in money market funds on the part of euro area residents. By contrast, in April an outflow was recorded, reflecting the fact that money market funds are finding it difficult to generate attractive returns in the presence of historically low levels of interest rates.

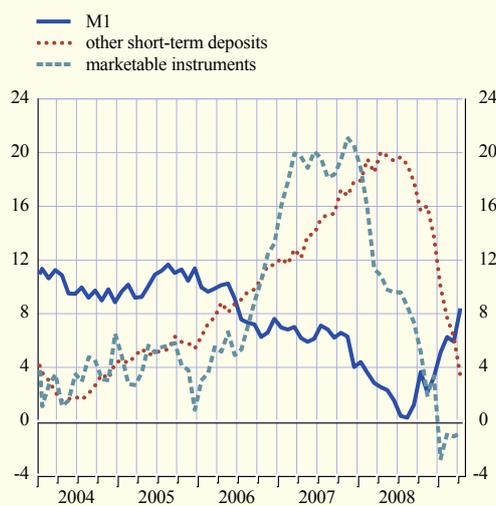
The annual growth rate of M3 deposits – which comprise short-term deposits and repurchase agreements and represent the broadest monetary aggregate for which reliable information is available on a sectoral level – fell to 7.0% in the first quarter of 2009, down from 9.3% in the previous quarter. This decline continued in April, with the annual growth rate decreasing to 5.4% in that month, down from 5.7% in March.

The annual growth rate of households' M3 deposits, which make the largest contribution to the annual growth rate of total M3 deposits, decreased to 8.6% in the first quarter of 2009, down from 9.6% in the previous quarter. It then declined further to stand at 7.3% in April, down from 7.8% in March (see Chart 7).

A further moderation was also visible in the annual growth rate of M3 deposits held by non-financial corporations, which declined to zero in the first quarter of 2009, down from 3.5% in the previous quarter, before decreasing further to stand at -1.1% in April. The deceleration observed in recent quarters in non-financial corporations' accumulation of liquid holdings is likely to reflect their

Chart 6 Main components of M3

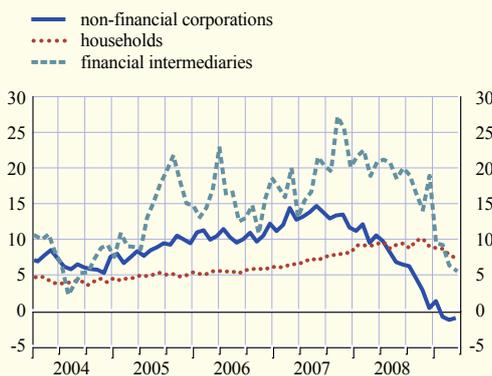
(annual percentage changes; adjusted for seasonal and calendar effects)



Source: ECB.

**Chart 7 Short-term deposits and repurchase agreements**

(annual percentage changes; not adjusted for seasonal or calendar effects)



Source: ECB.

Note: MFI sector excluding the Eurosystem.

increased recourse to liquidity buffers in the context of the scaling down of inventories, lower expected production levels and, potentially, the reduced availability of external and internal sources of funding.

The most notable sectoral development in M3 holdings was observed for M3 deposits held by non-monetary financial intermediaries, the annual growth rate of which fell to 10.3% in the first quarter of 2009, down from 16.4% in the previous quarter, before declining significantly further to stand at 5.9% in April. This moderation reflected, in particular, a decline in the annual growth rate of the M3 deposits of non-monetary financial intermediaries other than insurance corporations and pension funds (OFIs). These developments are consistent with the steepening of the yield curve, which

may have prompted some portfolio adjustments, resulting in shifts into asset classes with higher yields, as well as some deleveraging by the OFI sector and the reduced securitisation activity observed since the turn of the year.

### MAIN COUNTERPARTS OF M3

As regards the counterparts of M3, the annual growth rate of total MFI credit to euro area residents continued to decline in the first quarter of 2009, falling to 5.9%, down from 7.4% in the previous quarter, before decreasing further to stand at 4.4% in April (see Table 1). This development was driven by a significant decline in the annual growth rate of MFI credit to the private sector, which was only partially offset by a marked increase in the annual growth rate of credit to general government.

In the first quarter of 2009 the annual growth rate of MFI credit to general government increased significantly to stand at 5.7%, up from 1.7% in the previous quarter. It then increased further, to stand at 8.0% in April. These increases mainly reflect the robust inflows observed for the MFI sector's holdings of government securities (for more details, see the box below).

### Box 1

#### RECENT DEVELOPMENTS IN MFIS' PURCHASES OF DEBT SECURITIES ISSUED BY THE EURO AREA GENERAL GOVERNMENT SECTOR

Purchases of government debt securities are part of the overall flow of MFI credit granted to euro area residents. MFIs hold these securities – which are nearly all denominated in euro – for both investment and liquidity purposes, given that they can easily be traded in the market and can be used in secured refinancing operations. Purchases of these securities typically display a cyclical pattern which runs counter to that of short-term market interest rates and often implies

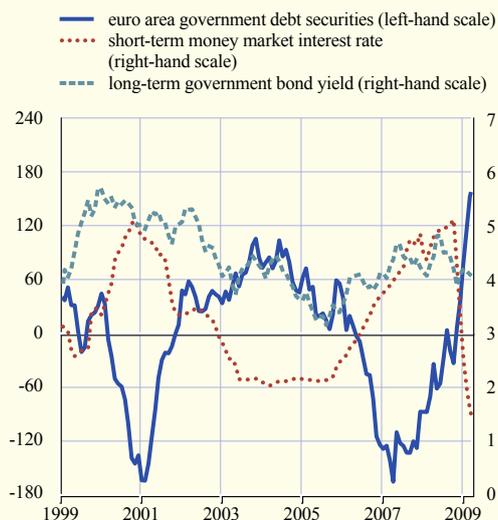
some rebalancing of MFIs' total assets, with shifts from private to public sector credit.<sup>1</sup> This box examines recent developments in the purchases of government debt securities against the background of the specific turmoil-related interest rate developments of the past few months.

### MFIs' purchases of government bonds and the level of interest rates

Between October 2008 and April 2009 MFIs' net purchases of debt securities issued by the euro area general government sector totalled €217 billion in the context of rapidly declining short-term interest rates. This entirely reversed the net sales of €191 billion observed between December 2005 and September 2008 in the context of rising short-term interest rates. As Chart A shows, situations in which purchases of government debt securities and short-term interest rates

**Chart A MFIs' purchases of government debt securities and the level of interest rates**

(annual flows in EUR billions; adjusted for seasonal and calendar effects; percentages per annum)

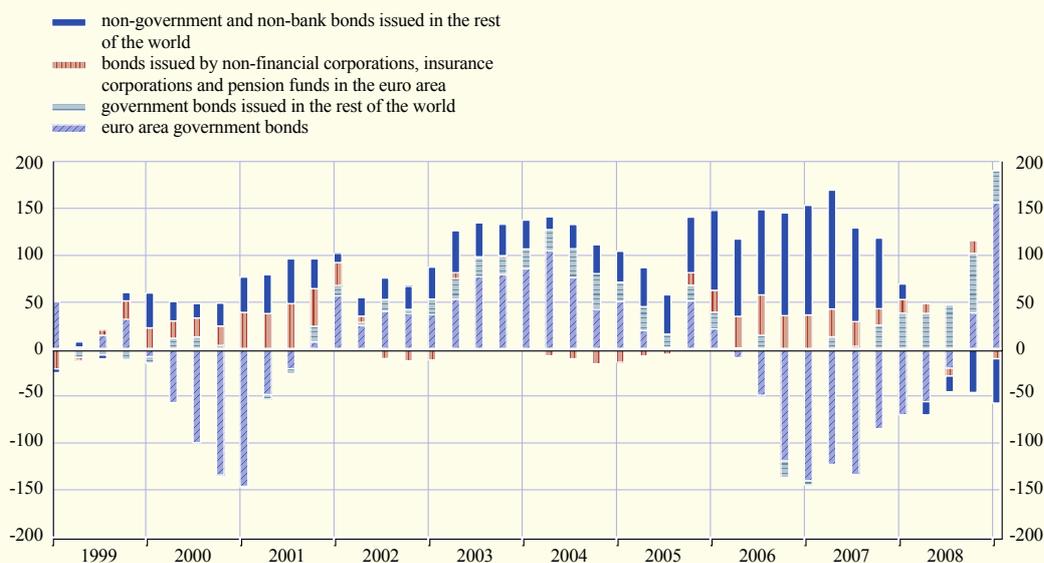


Source: ECB.  
Note: MFI sector excluding the Eurosystem.

1 For previous analysis of developments in credit to euro area residents, see the box entitled "Recent changes in the composition of growth in credit to euro area residents" in the April 2007 issue of the Monthly Bulletin.

**Chart B Purchases of debt securities by euro area MFIs**

(annual flows; EUR billions; not adjusted for seasonal or calendar effects)



Source: ECB.  
Notes: MFI sector excluding the Eurosystem. Securities purchased from domestic OFIs have been omitted, as the strong retained securitisation activity observed during the financial turmoil has heavily distorted the series.

move in opposite directions are a regular feature of the interest rate cycle and essentially reflect the impact that changes in short-term interest rates have on the slope of the yield curve, as measured by the spread between the yield on long-term government bonds and short-term money market interest rates.<sup>2</sup> A steepening of the yield curve – when the funding costs implied by short-term rates are low relative to the yield that can be achieved on government bonds – allows MFIs to achieve a stable return, without much impact in terms of capital charges and without having to take on credit risk in the presence of weak economic activity. Chart B shows that government bonds – mainly euro area bonds, but also bonds issued in the rest of the world – see their share in MFIs’ total purchases of debt securities increase rapidly in such periods. This does not necessarily imply the crowding out of private sector securities and may, instead, simply reflect the fact that, in a period where lending to the private sector is weak owing to the adverse economic environment, the funding accumulated by banks warrants channelling into other profitable assets.

#### Additional factors related to the interest rate structure in recent quarters

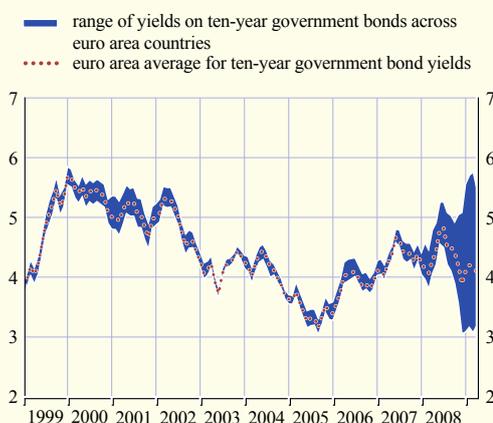
The relatively regular patterns described above for purchases of government bonds over the interest rate cycle may have been affected by specific factors related to the intensification of the financial tensions in September 2008.

First, the spread between government bonds of euro area countries with the lowest and highest yields has widened, after remaining at very low levels for several years (see Chart C). This reflects, among other things, a deterioration in the fiscal outlook for some euro area countries and increased risk aversion on the part of investors. On the one hand, government bonds with higher yields are particularly attractive if their current yield is considered to reflect excessive financial market risk aversion that is expected to diminish over time. On the other hand, the AAA-rated bonds with lower yields may be attractive because they have experienced short-term capital gains, which arise on account of higher valuations as interest rates decline. Both considerations would tend to increase the general attractiveness of the government bonds issued by various euro area countries.

Second, in normal circumstances banks that wish to earn interest at the long-term rate often engineer such payment flows through swap arrangements, rather than holding long-term debt instruments on their balance sheets, owing to swap arrangements’ greater liquidity. Furthermore, the spread between receiving the ten-year fixed swap rate and paying the standard six-month EURIBOR rate normally exceeds the spread between receiving government bond yields and paying the six-month EURIBOR rate, reflecting the slightly higher level of counterparty risk embedded in the swap

Chart C Yields on ten-year government bonds in the euro area

(percentages per annum)



Source: ECB.

<sup>2</sup> While this consideration appears to be the main factor driving MFIs’ demand for these securities, governments’ issuance activity could in principle constrain MFIs’ purchases of such securities. Although this would ultimately still be reflected in the yield curve, it would, however, arise from changes in long-term yields, rather than changes in short-term interest rates.

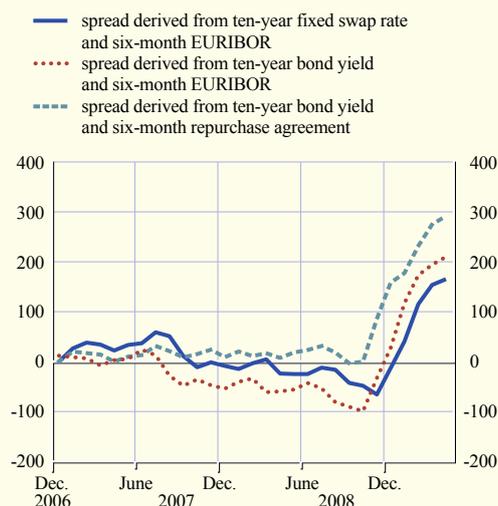
transaction (see Chart D). In the current situation, banks may prefer to purchase government bonds directly, as owning those bonds has the additional advantage that they can be used as collateral in banks' funding operations. Thus, banks may currently be reacting to the fact that secured money market rates, such as the rate on a six-month repurchase agreement, are much lower than the corresponding unsecured EURIBOR rates.

Third, the period of financial turmoil has, at times, seen money market funds experiencing strong redemption activity and being forced to reallocate their portfolios. In addition, several newly launched money market funds resident in the euro area have specific mandates requiring that they invest only in government bonds. Consequently, these entities have limited credit risk. This shift in terms of the approach adopted is visible in the increased purchases of government bonds by money market funds, which, together with increased purchases by credit institutions, have contributed strongly to the overall purchases of the MFI sector (see Chart E).

Overall, the euro area MFI sector's recent strong purchases of government bonds are in line with historical regularities over the interest rate cycle, but have additionally been affected by the specific interest rate developments and risk considerations observed during the period of financial turmoil.

**Chart D Spreads between long and short-term interest rates**

(basis points)



Sources: ECB and ECB estimates.  
Note: The ten-year bond yield refers to AAA-rated euro area government bonds.

**Chart E Sectoral breakdown of MFIs' purchases of debt securities issued by the euro area general government sector**

(annual flows; EUR billions; not adjusted for seasonal or calendar effects)



Source: ECB estimates.

By contrast, the annual growth rate of MFI credit to the private sector continued to decline in the first quarter of 2009, standing at 6.0%, down from 8.6% in the fourth quarter of 2008, before declining further to stand at 3.7% in April. This reflected declines in the annual growth rates of all of its sub-components. The annual growth rate of MFIs' holdings of private sector securities other than shares declined slightly, from 31.6% in the fourth quarter of 2008 to 31.0% in the first quarter of 2009 and 27.2% in April. This decline reflected subdued monthly flows throughout the first quarter and can be explained by the recent weakening of retained securitisation activity following the very high levels observed in the fourth quarter of 2008.

The annual growth rate of MFIs' holdings of shares and other equity declined further to stand at -6.0% in the first quarter of 2009, down from -0.7% in the previous quarter, before falling further to stand at -9.0% in April. The ongoing decline in MFIs' holdings of these instruments is likely to be related to banks' deleveraging. It may, in part, also reflect the fact that banks expect limited dividend payments from shares in the current environment.

A significant decline was also observed in the annual growth rate of MFI loans to the private sector – the largest component of credit to the private sector – which fell to 4.6% in the first quarter of 2009, down from 7.4% in the fourth quarter of 2008, before declining further to stand at 2.4% in April (see Table 1). As in previous quarters the annual growth rate of loans to the private sector has been distorted downwards by the impact of true-sale securitisation activity, although this activity has been more subdued since the turn of the year. Once the effect of securitisation activity has been corrected for, the annual growth rate of loans to the private sector stands at 4.1% in April, around 1.8 percentage points higher than the unadjusted figure.

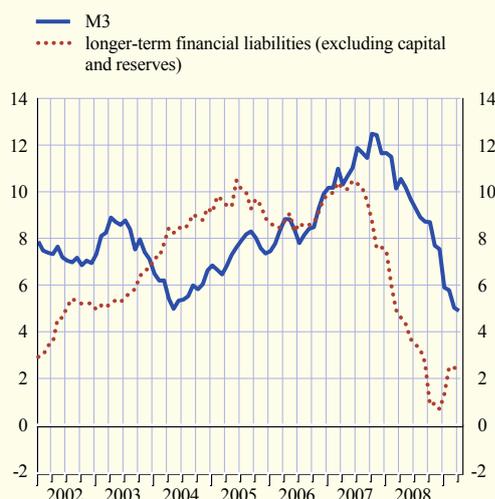
The deceleration observed in loan dynamics in the first few months of 2009 was visible across all borrowing sectors. The annual growth rate of loans to OFIs declined significantly to stand at 7.5% in the first quarter of 2009, down from 14.7% in the fourth quarter of 2008, before falling further to stand at 0.8% in April. The monthly outflows recorded since February could be related to the overall slowdown in financial intermediation, since this may affect OFIs more than banks.

The annual growth rate of loans to non-financial corporations declined significantly to stand at 8.2% in the first quarter of 2009, down from 11.3% in the previous quarter, before declining further to stand at 5.2% in April. Looking at shorter-term dynamics, the three-month annualised growth rate declined even more sharply to stand at around -1.9% in April, down from 0.9% in March and 4.7% in December 2008. Monthly outflows have been recorded since February, mainly for the shorter maturities (i.e. maturities of up to one year). This decline is primarily a reflection of the reduced need to finance working capital in the presence of worsening economic activity and a sharp reduction in inventory holdings in line with cyclical developments. It may also reflect non-financial corporations' increased use of their liquidity buffers. At the same time, non-financial corporations seem still to have access to loans with longer maturities, although the annual growth rate of such loans has declined (standing at 8.0% in April, down from 9.9% in the first quarter of 2009 and 12.2% in the previous quarter). The annual growth rate of loans to households has also declined, falling to 0.1% in April, down from 0.9% in the first quarter of 2009 and 2.8% in the previous quarter (see Sections 2.6 and 2.7 for more details on sectoral loan developments).

Turning to the other counterparts of M3, the annual growth rate of MFI longer-term financial liabilities (excluding capital and reserves) increased slightly to stand at 2.3% in April, up from 1.8% in the first quarter of 2009 and 1.1% in the fourth quarter of 2008, following the general decline recorded as of mid-2007 (see Chart 8). This development conceals some divergence

**Chart 8 M3 and MFI longer-term financial liabilities**

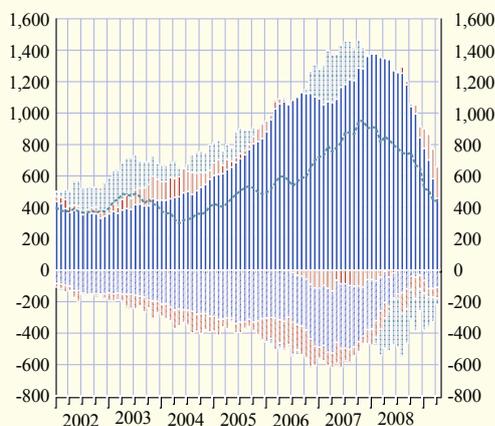
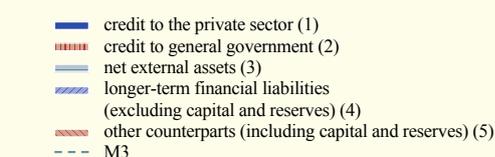
(annual percentage changes; adjusted for seasonal and calendar effects)



Source: ECB.

**Chart 9 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.

across the various components. Indeed, that increase reflected, in particular, stronger growth in deposits with an agreed maturity of over two years. At the same time, the annual growth rate of debt securities with a maturity of over two years, having remained broadly unchanged in the first quarter of 2009 by comparison with the previous quarter, declined and turned negative in April, thereby reflecting MFIs' continued inability to obtain funding through this instrument from outside the MFI sector. The net issuance of such debt securities (i.e. net of redemptions) has been positive, largely reflecting the support provided by government guarantees, but the bulk of purchases was made by the MFI sector itself.

The annual growth rate of capital and reserves was 10.4% in April, unchanged from the first quarter of 2009. Continued strong inflows reflect, to varying degrees, the public and private capital injections observed for credit institutions in the past few months.

Finally, the annual outflow from MFIs' net external asset position remained significant at €188.9 billion in the first quarter of 2009, broadly unchanged from the previous quarter. These large outflows reflect the fact that MFIs' external assets have declined by more than their external liabilities. In April, however, the annual outflow declined to €40.5 billion, following a sizeable monthly inflow of €65.1 billion in that month (see Chart 9).

Overall, these developments indicate that although the MFI sector's declining business activities with non-euro area residents were the main contributor to the ongoing deleveraging of credit institutions in the first quarter of 2009, in April this deleveraging stemmed mainly from the reduction of credit to euro area residents, especially in the form of shares, rather than from external assets. At the same time, while lending to the private sector remained subdued, this is in line with the current cyclical situation and is not necessarily the consequence of forced deleveraging in the banking sector.

## GENERAL ASSESSMENT OF MONETARY LIQUIDITY CONDITIONS IN THE EURO AREA

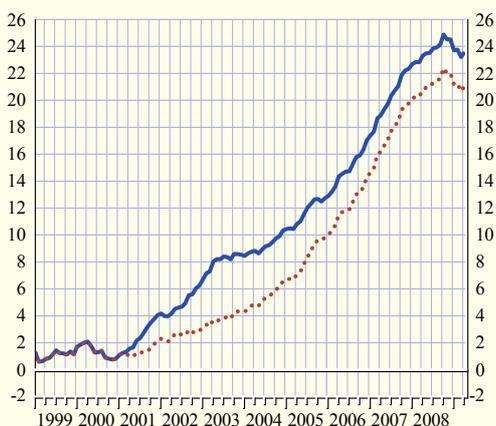
On the basis of developments in the nominal and real money gaps, the accumulation of monetary liquidity declined in the euro area in the first quarter of 2009. At the same time, a slight reversal was observed in both gap measures in April (see Charts 10 and 11). Such measures of the liquidity situation need to be interpreted with caution, as they rely on an assessment of equilibrium money holdings, which is always uncertain and especially so at present. Indeed, the differences between the various money gap measures may be taken as an indication of the considerable uncertainty surrounding the liquidity situation in the euro area at the current juncture. These caveats notwithstanding, the evidence points, overall, to a clear accumulation of monetary liquidity in recent years.

Summing up, the most recent data confirm that monetary expansion in the euro area has, on balance, been markedly weaker than it was prior to the intensification of the financial turmoil in September 2008, although some volatility continues to be observed in short-term developments. Consequently, monetary trends support the view that inflationary pressures are moderate. In the shorter term, given the uncertainty currently surrounding business and income prospects, the accumulated monetary liquidity is unlikely to be used for excessive spending that could give rise to inflationary pressures. However, over longer horizons the re-emergence of risks to price stability will depend on the extent to which the liquidity accumulated over this protracted period of strong monetary expansion is absorbed during the deleveraging process and the extent to which this liquidity remains present when confidence increases again.

Chart 10 Estimates of the nominal money gap<sup>1)</sup>

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

- nominal money gap based on official M3
- ..... nominal money gap based on M3 corrected for the estimated impact of portfolio shifts<sup>2)</sup>



Source: ECB.

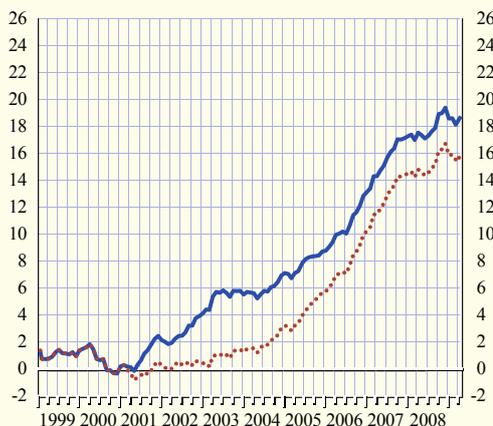
1) The nominal money gap is defined as the difference between the actual level of M3 and the level of M3 that would have resulted from constant M3 growth at its reference value of 4½% since December 1998 (taken as the base period).

2) Estimates of the magnitude of portfolio shifts into M3 are constructed using the general approach discussed in Section 4 of the article entitled "Monetary analysis in real time" in the October 2004 issue of the Monthly Bulletin.

Chart 11 Estimates of the real money gap<sup>1)</sup>

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

- real money gap based on official M3
- ..... real money gap based on M3 corrected for the estimated impact of portfolio shifts<sup>2)</sup>



Source: ECB.

1) The real money gap is defined as the difference between the actual level of M3 deflated by the HICP and the deflated level of M3 that would have resulted from constant nominal M3 growth at its reference value of 4½% and HICP inflation in line with the ECB's definition of price stability, taking December 1998 as the base period.

2) Estimates of the magnitude of portfolio shifts into M3 are constructed using the general approach discussed in Section 4 of the article entitled "Monetary analysis in real time" in the October 2004 issue of the Monthly Bulletin.

## 2.2 FINANCIAL INVESTMENT OF THE NON-FINANCIAL SECTORS AND INSTITUTIONAL INVESTORS

The annual growth rate of total financial investment by the non-financial sectors increased in the fourth quarter of 2008, having declined continuously since mid-2007. This increase was entirely due to the increased contribution of the general government sector, while the contributions of other sectors continued to decline. Annual outflows from investment funds increased strongly further in the fourth quarter of 2008, driven by sizeable withdrawals, mainly from equity funds. The annual growth rate of financial investment by insurance corporations and pension funds rebounded in the same quarter, mainly owing to investment in deposits.

### NON-FINANCIAL SECTORS

In the fourth quarter of 2008 (the most recent quarter for which data are available) the annual growth rate of total financial investment by the non-financial sectors increased to 3.8%, up from 3.3% in the previous quarter, having declined continuously since mid-2007 (see Table 2).

A breakdown by investment instrument suggests that this increase reflects, inter alia, increases in the annual growth rates of currency and deposits, shares and other equity, "other" financial instruments (which includes items such as derivatives and trade credit) and, albeit to a lesser extent, debt securities. By contrast, the annual growth rates of insurance technical reserves and mutual fund shares declined in the fourth quarter of 2008.

A breakdown by non-financial sector indicates that the rebound in the annual growth rate of total financial investment was driven entirely by the stronger growth of financial investment by general government, while the growth of financial investment by other sectors weakened further (see Chart 12). More precisely, the annual growth rate of financial investment by the general

Table 2 Financial investment of the euro area non-financial sectors

	Outstanding amount as a percentage of financial assets <sup>1)</sup>	Annual growth rates									
		2006 Q3	2006 Q4	2007 Q1	2007 Q2	2007 Q3	2007 Q4	2008 Q1	2008 Q2	2008 Q3	2008 Q4
<b>Financial investment</b>	<b>100</b>	<b>5.2</b>	<b>5.3</b>	<b>5.3</b>	<b>5.3</b>	<b>4.9</b>	<b>4.4</b>	<b>3.9</b>	<b>3.4</b>	<b>3.3</b>	<b>3.8</b>
Currency and deposits	26	7.2	7.0	7.3	8.0	7.4	7.1	6.8	5.6	5.7	6.7
Debt securities, excluding financial derivatives	6	4.9	7.6	5.5	3.7	2.4	2.9	2.5	2.8	3.4	4.4
of which: short-term	1	14.1	25.8	15.8	14.2	21.3	25.4	25.0	6.8	-7.3	0.6
of which: long-term	5	4.0	6.0	4.5	2.6	0.5	0.7	0.1	2.3	4.8	4.8
Shares and other equity, excluding mutual fund shares	27	2.3	2.2	2.3	2.5	2.9	3.0	3.2	3.2	3.1	3.8
of which: quoted shares	6	0.6	0.1	1.2	1.8	1.8	2.9	3.2	3.5	3.8	3.3
of which: unquoted shares and other equity	21	2.9	3.0	2.7	2.7	3.3	3.0	3.2	3.1	2.8	4.0
Mutual fund shares	5	0.0	-0.5	0.1	0.4	-1.5	-3.3	-5.4	-6.6	-6.6	-7.3
Insurance technical reserves	16	7.7	7.1	6.7	6.5	6.1	5.7	5.2	4.7	4.4	3.6
Other <sup>2)</sup>	21	8.1	8.5	9.1	8.4	7.6	6.3	4.6	3.6	3.2	4.0
M3 <sup>3)</sup>		8.4	9.9	11.0	11.0	11.4	11.6	10.1	9.7	8.7	7.5

Source: ECB.

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

2) Other financial assets comprise loans, financial derivatives and other accounts receivable, which in turn include trade credit granted by non-financial corporations.

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

government sector increased strongly to stand at 11.4% in the fourth quarter of 2008, up from 1.8% in the previous quarter, thereby reaching its highest level since the start of Stage Three of EMU. This can be explained by governments' acquisition of stakes in credit institutions in order to ensure the stability of the banking system following the intensification of financial market tensions in September 2008. By contrast, the annual growth rates of financial investment by households and non-financial corporations declined further, continuing the downward trend observed since early 2007, with both standing at their lowest levels since the start of Stage Three of EMU. For more detailed information concerning developments in the financial investment of the private sector, see Sections 2.6 and 2.7.

#### INSTITUTIONAL INVESTORS

The value of the total assets of euro area investment funds (excluding money market funds) fell strongly further in the fourth quarter of 2008, declining by 26.6% year on year (compared with a fall of 20.0% year on year in the third quarter).<sup>1</sup> As in the previous quarter, that year-on-year decline resulted mainly from a fall in the value of investment funds' holdings of shares and other equity and, albeit to a lesser extent, from a fall in the value of those funds' holdings of shares in investment funds. Data on transactions suggest that the year-on-year decline observed in the total value of investment funds' assets in the fourth quarter of 2008 can be ascribed to both negative valuation effects and a decline in transactions, with these two factors being of broadly equal importance.

Data provided by EFAMA<sup>2</sup> for the net sales of different types of investment fund in the fourth quarter of 2008 point to a continuation of the large net annual outflows observed from bond funds and equity funds (see Chart 13). Moreover, larger annual outflows were observed from mixed/balanced funds in the fourth quarter, following marginal outflows in the previous two quarters. By contrast, the annual inflow for money market funds increased further by comparison with the previous quarter. Overall, these developments suggest that 2008 was characterised by an unwinding of the relatively strong inflows observed for investment funds in 2005 and 2006, especially for equity and bond funds.

The annual growth rate of financial investment by insurance corporations and pension funds recovered to stand at 4.6% in the fourth quarter of 2008, up from 4.0% in the previous quarter

Chart 12 Financial investment of non-financial sectors

(annual percentage changes; contributions in percentage points)

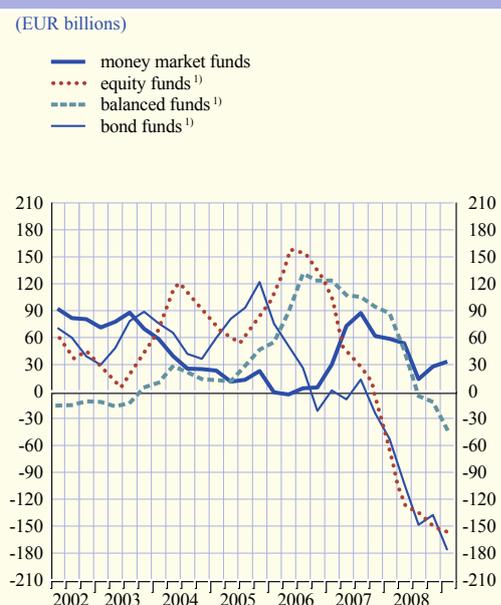


Source: ECB.

1 It should be noted that the December 2008 data include a number of unsupervised investment funds that were not previously covered, resulting in an increase in total assets of around €120 billion. Were this amount to be subtracted from the December 2008 figure, the fall in the value of the total assets of euro area investment funds in the fourth quarter of 2008 would be even stronger, with a year-on-year decline of 28.7%.

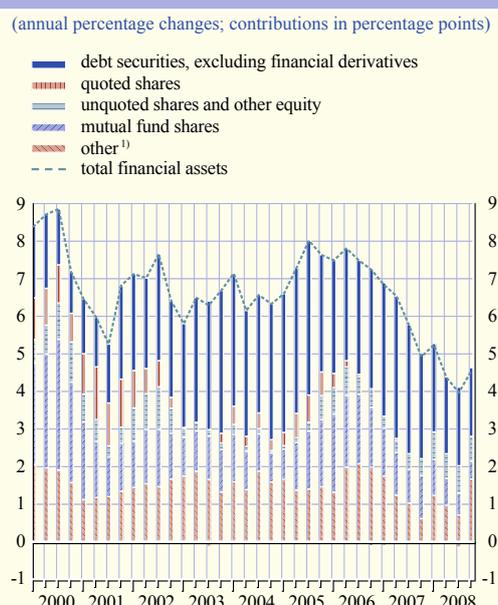
2 The European Fund and Asset Management Association (EFAMA) provides information on net sales (or net inflows) of publicly offered open-ended equity and bond funds for Germany, Greece, Spain, France, Italy, Luxembourg, the Netherlands, Austria, Portugal and Finland. See the box entitled "Recent developments in the net flows into euro area equity and bond funds" in the June 2004 issue of the Monthly Bulletin for further information.

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



Sources: ECB and EFAMA.  
1) ECB calculations based on national data provided by EFAMA.

**Chart 14 Financial investment of insurance corporations and pension funds**



Source: ECB.  
1) Includes loans, deposits, insurance technical reserves, other accounts receivable and financial derivatives.

(see Chart 14). In terms of instruments, this was due mainly to stronger investment in deposits (included in “other” financial investment), which more than compensated for the reduced investment in debt securities and in shares and other equity.

### 2.3 MONEY MARKET INTEREST RATES

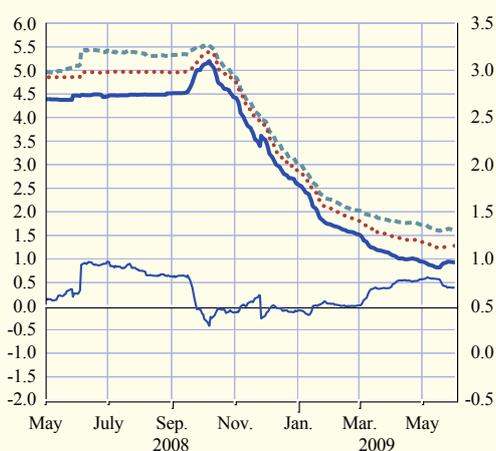
*All money market rates have continued to decline over the past three months. Both secured and unsecured market rates have declined across all maturities in line with the reduction in key ECB interest rates. This is consistent with a gradual normalisation of conditions in money markets following the intensification of financial market tensions in September 2008, a view supported by the fact that the spread between secured and unsecured market rates declined further between March and early June. However, that spread remains elevated by comparison with the levels observed prior to the financial market turmoil.*

Unsecured money market interest rates have continued to decline over the past three months across all maturities, as a result of both the reduction in key ECB interest rates and the progressive unwinding of tensions in money markets. On 3 June the one-month, three-month, six-month and twelve-month EURIBOR rates stood at 0.92%, 1.26%, 1.46% and 1.62% respectively, i.e. 60, 55, 46 and 41 basis points lower respectively than the levels observed on 2 March. Overall, the slope of the money market yield curve steepened slightly over that period, as indicated by the spread between the twelve-month and one-month EURIBOR rates, which rose from 51 basis points on 2 March to 70 basis points on 3 June (see Chart 15).

Chart 15 Money market interest rates

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

- one-month EURIBOR (left-hand scale)
- ... three-month EURIBOR (left-hand scale)
- - - twelve-month EURIBOR (left-hand scale)
- spread between twelve-month and one-month EURIBOR (right-hand scale)

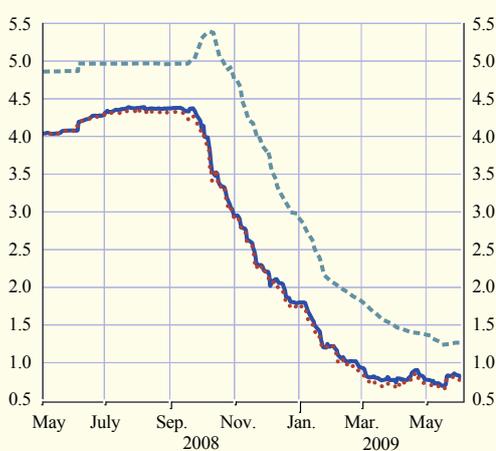


Sources: ECB and Reuters.

Chart 16 Three-month EUREPO, EURIBOR and overnight index swap

(percentages per annum; daily data)

- three-month EUREPO
- ... three-month overnight interest swap
- - - three-month EURIBOR



Sources: ECB, Bloomberg and Reuters.

The spread between the unsecured EURIBOR and secured rates (such as the EUREPO or those derived from the EONIA swap index) has declined further since March. At the three-month maturity, this spread stood at 48 basis points on 3 June, a marked decline by comparison with the 97 basis points observed on 2 March. Although these spreads remain at a relatively elevated level by comparison with those prevailing prior to the financial market turmoil, this recent decline is consistent with the view that money markets have slowly improved (see Chart 16).

On 3 June the interest rates implied by the prices of three-month EURIBOR futures maturing in September 2009, December 2009 and March 2010 stood at 1.080%, 1.185% and 1.275% respectively, representing decreases of around 44, 50 and 49 basis points respectively by comparison with the levels observed on 2 March (see Chart 17). The implied volatility derived from options on three-month EURIBOR futures contracts maturing in September 2009 declined slightly in the course of April, before broadly stabilising in May (see Chart 18).

Chart 17 Three-month interest rates and futures rates in the euro area

(percentages per annum; daily data)

- three-month EURIBOR
- ... futures rates on 2 March 2009
- - - futures rates on 3 June 2009



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

**Chart 18 Implied volatility derived from options on three-month EURIBOR futures contracts maturing in September 2009**

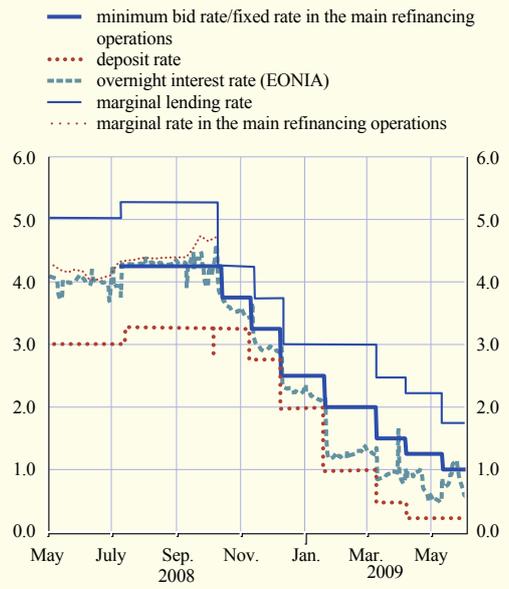
(percentages per annum; basis points; daily data)



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

**Chart 19 ECB interest rates and the overnight interest rate**

(percentages per annum; daily data)



Sources: ECB and Reuters.

As regards very short-term interest rates, the EONIA has declined significantly since March, largely as a consequence of the Governing Council cutting key ECB interest rates further on 5 March, 2 April and 7 May. Thus, the interest rate on the main refinancing operations of the Eurosystem has now been reduced by a total of 325 basis points since 8 October 2008. The decline in the EONIA is also a result of the provision of abundant amounts of liquidity in the Eurosystem's refinancing operations, especially in view of the decision to conduct weekly main refinancing operations as fixed rate tender procedures with full allotment as of 15 October 2008. However, there is still a relatively high level of volatility. After increasing significantly in the last two weeks of May and standing above the rate on the main refinancing operations on four consecutive days between 22 and 27 May 2009, the EONIA then returned to levels below the main refinancing rate (see Chart 19). This temporary increase in the EONIA was partly explained by a decline in the amount of excess liquidity in the market, with banks reducing their bidding volumes in the main refinancing operations, while having stable – but limited – recourse to the deposit facility. Overall, the EONIA declined from 1.28% on 2 March to 0.58% on 3 June.

## Box 2

**LIQUIDITY CONDITIONS AND MONETARY POLICY OPERATIONS IN THE PERIOD FROM 11 FEBRUARY TO 12 MAY 2009**

This box describes the ECB's liquidity management in the three reserve maintenance periods ending on 10 March, 7 April and 12 May 2009. In these periods the ECB continued to apply most of the measures that were introduced in October 2008 in response to the intensification of the financial market turmoil. In particular, all refinancing operations in euro and US dollars continued to be conducted via tender procedures with a fixed rate (equal to the ECB's policy rate in the case of operations denominated in euro) and full allotment (i.e. all bids were satisfied), and a wider range of collateral continued to be accepted for these open market operations.

In March 2009 the ECB announced that the use of the fixed rate tender procedure with full allotment for all refinancing operations in euro would be prolonged again – this time until the end of 2009. It was originally announced in October 2008 that this procedure would be used for all main refinancing operations until at least 20 January 2009 and for all longer-term refinancing operations until March.

In May the ECB decided to proceed with its enhanced credit support approach and announced the introduction of liquidity-providing longer-term refinancing operations with a maturity of one year (in addition to the existing maturities of the length of a maintenance period, three months and six months); the first of these one-year operations is scheduled to take place in June. At the same time, the temporary expansion of the list of assets eligible as collateral, which was first announced in October 2008, was prolonged until the end of 2010. The Governing Council also decided in principle that the Eurosystem would engage in a programme of purchasing euro-denominated covered bonds issued in the euro area. Moreover, the European Investment Bank will become an eligible counterparty in the Eurosystem's monetary policy operations with effect from 8 July and under the same conditions as any other counterparty.

In April the ECB broadened its cooperation with other central banks by entering into a swap arrangement with the US Federal Reserve System, according to which the ECB will offer liquidity of up to €80 billion to the Federal Reserve System until 30 October 2009. The Federal Reserve System did not make use of this swap arrangement in the period under review. The ECB also extended its provision of Swiss francs to counterparties via swap operations until the end of July.

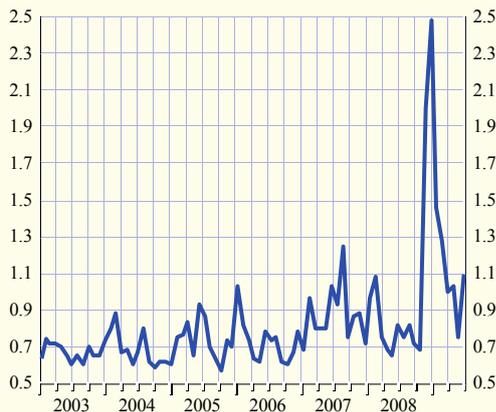
During the period under review the euro money market continued to show signs of improvement. For instance, the three-month spread between the EURIBOR and the EONIA swap rate, which captures the level of prevailing credit and liquidity risk, declined steadily and by the end of the period under review it was broadly the same as the level observed before the intensification of the turmoil in mid-September 2008.

**Liquidity needs of the banking system**

In the three maintenance periods under review banks' average daily liquidity needs – defined as the sum of autonomous factors, reserve requirements and excess reserves (i.e. current account holdings in excess of reserve requirements) – amounted to €612.0 billion, an increase of €18.1 billion compared with the average for the previous three maintenance periods.

### Chart A Banks' current account holdings in excess of reserve requirements

(EUR billions; average level in each maintenance period)

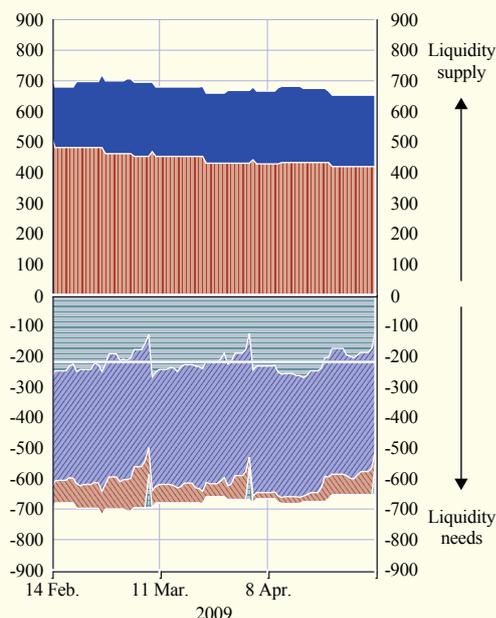


Source: ECB.

### Chart B Liquidity needs of the banking system and liquidity supply

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

- main refinancing operations: €232.1 billion
- longer-term refinancing operations: €445.9 billion
- current account holdings: €220.4 billion (excess reserves: €1.0 billion)
- reserve requirements: €219.4 billion
- autonomous factors: €391.6 billion
- net recourse to deposit facility: €62.5 billion
- fine-tuning operations: €3.5 billion



Source: ECB.

This was primarily due to an increase of €18.6 billion in average autonomous factors, while average reserve requirements and excess reserves were respectively €0.1 billion and €0.3 billion lower than in the previous three maintenance periods (see Chart A). The increase in average autonomous factors mainly reflected higher levels of government deposits and, to a lesser extent, higher levels of banknotes in circulation. As in previous maintenance periods, autonomous factors included the effect, in terms of euro liquidity, of the foreign exchange swap operations that were conducted in cooperation with other central banks. In the three maintenance periods under review the average daily liquidity needs resulting from reserve requirements amounted to €219.4 billion, while average autonomous factors and average excess reserves made contributions of €391.6 billion and €1.0 billion respectively (see Chart B).

Since many banks continued to cover their liquidity needs via Eurosystem refinancing operations, the use of tender procedures with full allotment resulted in large, albeit declining, amounts of excess liquidity in the banking system overall. This led to significant use of the deposit facility. Net recourse to the deposit facility in the maintenance periods ending on 10 March, 7 April and 12 May averaged respectively €93.9 billion, €56.6 billion and €41.9 billion per day, down from the peak of €235.5 billion reached in the maintenance period ending on 20 January 2009.

#### Liquidity supply and interest rates

The volume of outstanding open market operations continued to decline in line with the trend which started at the beginning of 2009. In the maintenance period ending on 12 May the average volume of outstanding open market operations was €663 billion, which is much lower than the historical high of €857 billion observed around the end of 2008. This was mainly due to a decline in the volume of outstanding

longer-term refinancing operations, while the volume of outstanding main refinancing operations was more stable and even increased slightly (see Chart B). Therefore, main refinancing operations accounted for 36% of total outstanding refinancing in the maintenance period ending on 12 May, which is a substantial increase from the 25% observed in the maintenance period which covered the end of 2008.

Reflecting the demand for excess liquidity on the part of counterparties (i.e. liquidity in excess of the amount needed to cover reserve requirements, autonomous factors and excess reserves), the EONIA remained between the rate on the main refinancing operations (i.e. the policy rate) and the rate on the deposit facility in the three maintenance periods under review (see Chart C), as has been the case since October 2008. At the same time, in parallel with the decline in the use of the deposit facility, the EONIA moved closer to the rate on the main refinancing operations. In the maintenance period ending on 12 May the EONIA averaged around 50 basis points below the rate on the main refinancing operations, compared with around 70 basis points in the maintenance period ending on 10 March.

Moreover, the EONIA displayed calendar effects throughout the period under review, being higher on the last day of each month (in particular at the end of the quarter) and on the last day of each maintenance period when the ECB carried out its regular liquidity-absorbing fine-tuning operations. It was also at an elevated level in the period around Easter.

Chart C The EONIA and the ECB interest rates

(daily interest rates in percentages)



Source: ECB.

## 2.4 BOND MARKETS

*Over the last three months global bond markets saw a general improvement in market sentiment and risk appetite. Compared with their end-February levels, long-term government bond yields across the major economies have been increasing. Implied bond market volatility fell in the euro area and in Japan, whereas it rose in the United States. Corporate bond spreads in the euro area declined, but remained at high levels by historical standards.*

The last three months were characterised by a general improvement in market sentiment and risk appetite, associated with portfolio shifts towards riskier assets. In the bond markets, the level of ten-year government bond yields increased from about 3.0% in late February to 3.6% in early June in the United States, while in the euro area long-term government bond yields rose moderately, to around 4%. Accordingly, the ten-year nominal interest rate differential between US and euro area government bonds decreased markedly to about -40 basis points in early June. In Japan, the ten-year government bond yield remained broadly unchanged, hovering around 1.6% in early June.

During the past three months market participants' uncertainty about short-term developments in bond yields, as measured by implied bond market volatility, declined in the euro area and in Japan, whilst remaining broadly unchanged in the United States.

Overall, since the end of February global financial markets have been characterised by a growing sense of stabilisation that was broadly felt across market segments supported, in particular, by better than expected consumer and corporate sentiment on both sides of the Atlantic. During this period, tentative signs of improvements in some sectors of the economy were compounded by the continued support from major central banks through interest rate cuts and non-standard policy measures. The general easing of the uncertainty has led to downward pressure on long-term government bond prices and upward pressure on yields. Overall, investors' increased willingness to return to riskier assets also led to portfolio shifts which generally affected bond yields during this period.

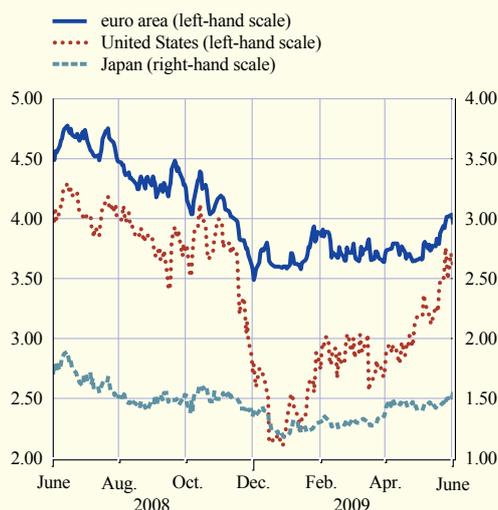
At the same time, intra-euro area sovereign bond spreads narrowed over the review period, mainly reflecting an increase in German government bond yields – a sign that investors might have been returning to riskier assets amid a general reduction of flight-to-safety flows.

Despite an improvement in the longer-term outlook for economic activity, from end-February to early June, euro area real yields on government inflation-linked bonds at the five-year maturity declined further, by around 60 basis points, thereby still pointing to a deterioration in investors' perception of the short-term outlook for macroeconomic activity. To this perception, current weak economic activity, overall declining employment and concerns about the fiscal sustainability of the public finances of euro area countries over the next few years have also contributed. Real yields at the ten-year maturity, however, declined much less, by about 25 basis points over the period under review, and even increased from the end of April, hovering around 1.9% in early June. At the same time, the five-year forward real yield five years ahead also increased and stood at about 2.7% in early June, consistent with a more positive perception of the longer-term economic outlook (see Chart 21).

In combination with the developments in nominal yields, the decline in real yields over the past three months led to an increase in the five-year and ten-year spot break-even inflation rates in the euro area by about 90 and 60 basis points respectively. The implied five-year forward break-even inflation rate five years ahead increased by about 30 basis points and stood at about 2.6% at the end of the review period. However, the comparable forward break-even rate derived from inflation swaps remained broadly unchanged and thus the recent increase in forward break-even inflation rates may partly reflect special developments in the bond market, rather than a genuine increase in inflation expectations. Caution is required, however, when interpreting

Chart 20 Long-term government bond yields

(percentages per annum; daily data)



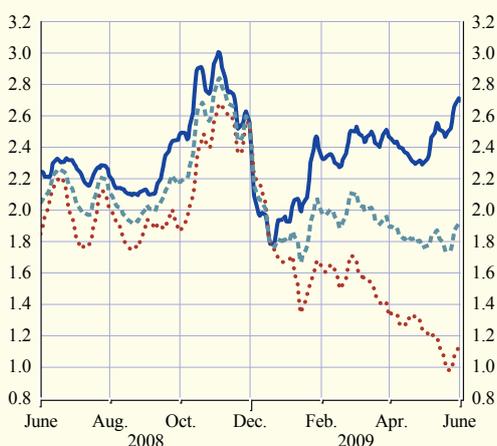
Sources: Bloomberg and Reuters.

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

**Chart 21 Euro area zero coupon inflation-linked bond yields**

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

- five-year forward inflation-linked bond yield five years ahead
- five-year spot inflation-linked bond yield
- - - ten-year spot inflation-linked bond yield

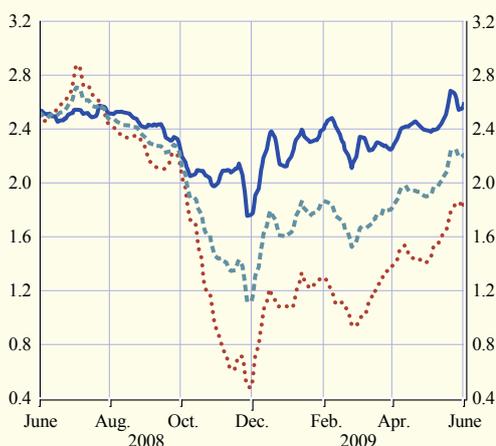


Sources: Reuters and ECB calculations.

**Chart 22 Euro area zero coupon break-even inflation rates**

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

- five-year forward break-even inflation rate five years ahead
- five-year spot break-even inflation rate
- - - ten-year spot break-even inflation rate



Sources: Reuters and ECB calculations.

inflation-linked yields and break-even inflation rates as activity has overall remained impaired in the euro area inflation-linked bond market.

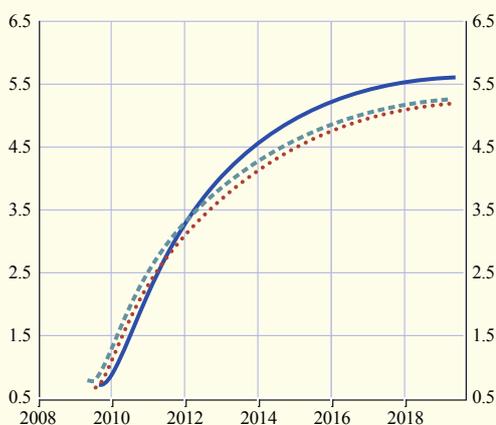
The term structure of forward rates in the euro area shows how the overall behaviour of euro area long-term yields can be decomposed into changes in interest rate expectations (and related risk premia) at different horizons (see Chart 23). Between end-February and early June the implied forward overnight interest rate curve for euro area government bonds generally steepened. The downward shift at short to medium-term horizons mainly reflected the Governing Council's decisions to lower policy rates in three consecutive months, i.e. March, April and May. During this period the interest rate on the main refinancing operations of the Eurosystem was lowered by 100 basis points overall, to 1%.

Over the last three months, corporate bond spreads in the euro area declined further, both in the non-financial and the financial sectors. While the decline was general across rating

**Chart 23 Implied forward euro area overnight interest rates**

(percentages per annum; daily data)

- 3 June 2009
- 30 April 2009
- - - 27 February 2009



Sources: ECB, EuroMTS (underlying data) and Fitch Ratings (ratings).

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

classes for financial and non-financial corporations, for lower-rated financial (triple-B and single-A) and non-financial (triple-B and single-A) corporations, bond spreads declined markedly. Together with a continued increase in corporate debt issuance (see Section 2.6), these developments point to a less pessimistic mood of market participants and an increase in risk appetite. However, corporate bond spreads remained at high levels: spreads on triple-B non-financial corporations were around 275 basis points, while those for bonds of financial corporations were around 1,600 basis points in early June.

## 2.5 EQUITY MARKETS

*In early June broad equity price indices in the euro area and the United States were about 25% higher than their end-February levels, reversing the downward trend observed since autumn 2008. Increased risk appetite among investors was triggered by a growing market perception that a turning point in the global crisis was approaching. Stock market uncertainty, as measured by implied volatility, declined considerably, while remaining somewhat higher than pre-crisis levels on both sides of the Atlantic.*

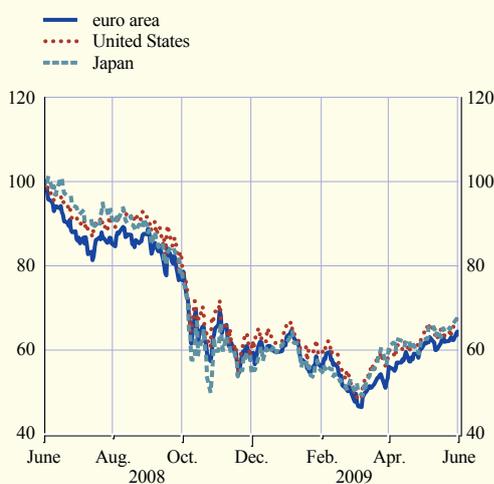
Between end-February and 3 June broad-based stock price indices in the euro area and in the United States, as measured by the Dow Jones EURO STOXX index and the Standard and Poor's 500 index respectively, increased by about 25%. Over the same period, Japanese stock prices, as measured by the Nikkei 225 index, increased by about 30% (see Chart 24).

During the past three months stock markets were characterised by a decline in market uncertainty, as measured by the implied volatility extracted from stock options, which returned close to the levels observed before Lehman Brothers filed for bankruptcy in September 2008 (see Chart 25). Since its peaks in early autumn 2008, stock market volatility has declined and, while stabilising at still elevated levels earlier this year, the decline has somewhat accelerated during the past three months. Overall, although it is still above the long-term average, the decline in stock market volatility suggests that markets are stabilising.

Market sentiment appeared to be influenced by incoming data generally pointing towards stronger financial market conditions. Surveys and anecdotal evidence pointing to a pick-up in business and household confidence, which nonetheless remained at low levels, also contributed to the general positive sentiment. During the past three months market expectations of a gradual improvement in economic activity later this year also somewhat increased. In addition, in the euro area the results of the April bank lending survey pointed to a gradual easing

**Chart 24 Stock price indices**

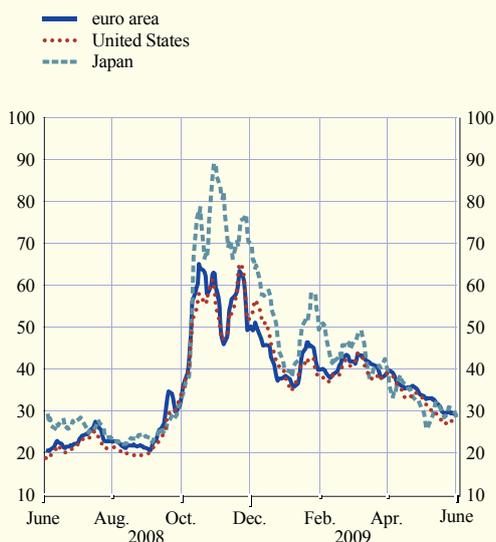
(index: 1 June 2008 = 100; daily data)



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

Chart 25 Implied stock market volatility

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

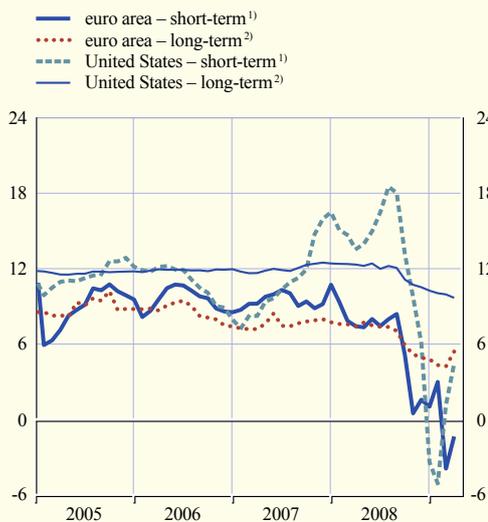


Source: Bloomberg.

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

Chart 26 Expected growth in corporate earnings per share in the United States and the euro area

(percentages per annum; monthly data)



Sources: Thomson Financial Datastream and ECB calculations.  
 Notes: Expected earnings growth of corporations in the Dow Jones EURO STOXX index for the euro area and in the Standard & Poor's 500 index for the United States.  
 1) "Short-term" refers to analysts' earnings expectations 12 months ahead (annual growth rates).  
 2) "Long-term" refers to analysts' earnings expectations three to five years ahead (annual growth rates).

of restrictive credit conditions, which in turn may have positively affected household and business confidence.

The positive stock market trend during the past three months was partly reflected in earnings developments (see Chart 26). For companies listed in the Standard & Poor's 500 index, there was a sharp upward revision to earnings expectations 12 months ahead, which have been positive again since the beginning of April. Longer-term earnings expectations for US companies, however, continue to be revised downwards. For euro area companies, long-term expectations (three to five years ahead), computed in terms of the earnings per share of companies included in the Dow Jones EURO STOXX index, increased in May. However, earnings per share 12 months ahead of euro area companies decreased, while actual annual earnings growth fell to about -33% in the same month.

Turning to sectoral developments, over the past three months share prices of the financial sector in the euro area and in the United States increased by about 55%. Over the same period share prices of the non-financial sector in the euro area and in the United States increased by about 15-20%. Reflecting investors' increased willingness to return to riskier assets, as well as the slowing of the global economic downturn, stock prices in some non-financial sectors with a cyclical activity, such as basic materials, industrial and technology, performed better than those in sectors less sensitive to the cycle, for example healthcare and utilities (see Table 3).

**Table 3 Price changes in the Dow Jones EURO STOXX economic sector indices**

(percentages of end-of-period prices)

	EURO STOXX	Basic materials	Consumer services	Consumer goods	Oil and gas	Financial	Health-care	Industrial	Tech-nology	Tele-communications	Utility
<b>Share of sector in market capitalisation</b> (end-of-period data)	100.0	7.9	6.6	12.0	8.4	25.8	4.1	11.9	4.9	7.9	10.5
<b>Price changes</b> (end-of-period data)											
Q1 2008	-16.4	-9.1	-16.2	-13.7	-15.2	-16.6	-17.9	-18.1	-22.2	-20.8	-16.5
Q2 2008	-7.3	7.9	-13.9	-14.7	12.7	-14.8	-0.2	-7.0	-10.7	-5.8	0.6
Q3 2008	-12.1	-25.0	-5.9	0.1	-22.9	-11.1	-6.3	-17.4	-9.9	-1.3	-14.6
Q4 2008	-21.2	-26.0	-7.7	-19.1	-17.8	-35.0	-9.2	-18.5	-22.8	-2.1	-13.5
Q1 2009	-14.0	-13.6	-8.3	-11.5	-5.9	-20.1	-7.4	-14.0	-9.5	-8.8	-21.0
April 2009	15.0	16.4	8.7	14.8	7.7	28.8	4.2	21.0	18.4	-3.7	9.2
May 2009	3.3	8.1	0.2	0.9	6.3	6.0	2.5	-0.2	0.5	1.4	2.7
27 Feb. 2009-3 June 2009	25.1	30.5	8.9	24.5	14.3	55.0	7.6	29.9	34.5	-4.0	12.6

Sources: Thomson Financial Datastream and ECB calculations.

## 2.6 FINANCIAL FLOWS AND THE FINANCIAL POSITION OF NON-FINANCIAL CORPORATIONS

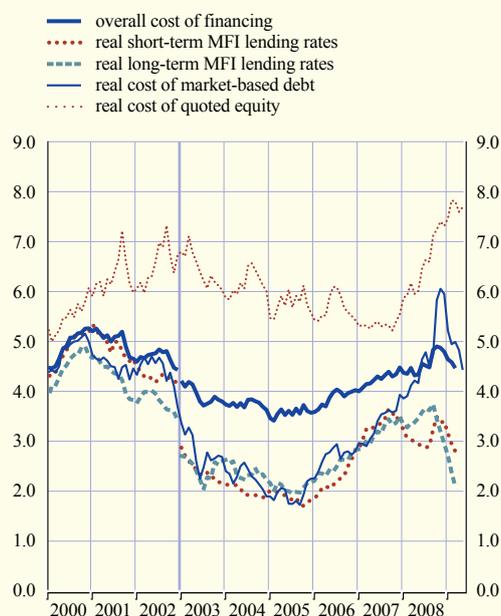
The real average cost of financing of euro area non-financial corporations declined significantly in the first quarter of 2009. Most of the decline was accounted for by a pronounced decrease in the real cost of bank lending and in the real cost of market-based debt. In this context, non-financial corporations' debt securities issuance continued on the increasing trend observed since December 2008, while the growth of bank financing decreased. Indeed, this suggests a further recovery of corporate debt markets, but may also point to some companies experiencing difficulties in obtaining sufficient funds via banks.

### FINANCING CONDITIONS

The real cost of external financing for euro area non-financial corporations – as calculated by weighting the cost of different sources of financing on the basis of their amounts outstanding, corrected for valuation effects<sup>3</sup> – declined to 4.4% in the first quarter of 2009, almost 30 basis points lower than in the last quarter of 2008 (see Chart 27). While bank lending rates declined markedly in real terms,

**Chart 27 Real cost of the external financing of euro area non-financial corporations**

(percentages per annum; monthly data)



Sources: ECB, Thomson Financial Datastream, Merrill Lynch and Consensus Economics forecasts.

Notes: The real cost of external financing of non-financial corporations is calculated as a weighted average of the cost of bank lending, the cost of debt securities and the cost of equity, based on their respective amounts outstanding and deflated by inflation expectations (see Box 4 in the March 2005 issue of the Monthly Bulletin). The introduction of the harmonised MFI lending rates at the beginning of 2003 led to a break in the statistical series.

3 For a detailed description of how the real cost of the external financing of euro area non-financial corporations is measured, see Box 4 in the March 2005 issue of the Monthly Bulletin.

non-financial corporations' real cost of equity continued on its upward trend in the first quarter of 2009, reflecting depressed earnings expectations in a context of continued concerns about the economic outlook. The reductions in key ECB interest rates further contributed to the declines in the real short-term MFI interest rates. MFIs' real long-term rates dropped substantially, by 85 basis points, in the first quarter. The cost of market-based debt also declined in the course of the first quarter of 2009 by around 95 basis points. However, when taking a longer perspective, the real overall cost of financing for non-financial corporations in the euro area, when compared with the situation before the outbreak of the financial turmoil in summer 2007, remained elevated.

In order to enable the monetary policy transmission to work effectively, it is important that changes in key ECB interest rates influence bank lending rates both for households and corporations. Table 4 depicts movements in retail bank interest rates and three-month money market interest rates (EURIBOR), as well as in two and five-year government bond yields. Developments in banks' short-term funding costs are, in normal times, affected primarily by movements in the three-month EURIBOR, while banks' longer-term lending rates normally reflect movements in government bond yields. As seen in the table, bank lending rates at shorter maturities decreased by 135 and 145 basis points for small (i.e. of up to €1 million) and large (i.e. of over €1 million) loans respectively between December 2008 and March 2009. At the same time, short-term money market rates dropped by 165 basis points partly reflecting the ongoing reduction of tensions in the interbank markets. This incomplete pass-through indicates that banks' margins widened over the same period.

During the same period yields on both two and five-year government bonds decreased sharply, by 90 and 30 basis points respectively, in the context of both declining market concerns about the inflation outlook and flight-to-quality portfolio shifts on the part of investors in the first months of the year. Corresponding movements in long-term bank lending rates were less pronounced. While the interest rates on small long-term loans declined by around 60 basis points, bank lending rates on loans to non-financial corporations of over €1 million dropped by 90 basis points in the first quarter of 2009. However, the April 2009 bank lending survey<sup>4</sup> reported that the net percentage of

4 For a detailed description of the April 2009 bank lending survey results, see Box 2 in the May 2009 issue of the Monthly Bulletin.

**Table 4 MFI interest rates on new loans to non-financial corporations**

(percentages per annum; basis points)

							Change in basis points up to March 2009 <sup>1)</sup>		
	2008 Q1	2008 Q2	2008 Q3	2008 Q4	2009 Feb.	2009 Mar.	2007 Dec.	2008 Dec.	2009 Feb.
<b>MFI interest rates on loans</b>									
Bank overdrafts to non-financial corporations	6.55	6.67	6.91	6.26	5.40	5.12	-149	-114	-28
Loans to non-financial corporations of up to €1 million									
with a floating rate and an initial rate fixation of up to one year	5.91	6.16	6.34	5.38	4.32	4.03	-205	-135	-29
with an initial rate fixation of over five years	5.23	5.43	5.64	5.32	4.96	4.75	-55	-57	-21
Loans to non-financial corporations of over €1 million									
with a floating rate and an initial rate fixation of up to one year	5.19	5.35	5.62	4.29	3.10	2.83	-252	-146	-27
with an initial rate fixation of over five years	5.34	5.52	5.64	4.77	4.23	3.87	-161	-90	-36
<b>Memo items</b>									
Three-month money market interest rate	4.60	4.94	5.02	3.29	1.94	1.64	-321	-165	-30
Two-year government bond yield	3.54	4.72	4.09	2.62	1.80	1.74	-232	-88	-6
Five-year government bond yield	3.65	4.75	4.21	3.29	3.00	3.00	-114	-29	0

Source: ECB.

1) Figures may not add up due to rounding.

banks reporting a tightening of credit standards for loans to enterprises was slightly higher for large enterprises than for small and medium-sized enterprises.

Euro area corporations' market-based debt financing conditions can be assessed on the basis of corresponding corporate bond spreads (measured as the difference between the yields on corporate bonds and the yields on government bonds). In the first quarter of 2009 spreads declined across all rating classes. This declining trend continued in April and May 2009. The overall declines during this period were more pronounced for bonds with low credit ratings. Euro area BBB-rated bonds, for instance, decreased by 60 basis points, while AA-rated bonds declined by a lesser amount, namely 20 basis points (see Chart 28).

#### FINANCIAL FLOWS

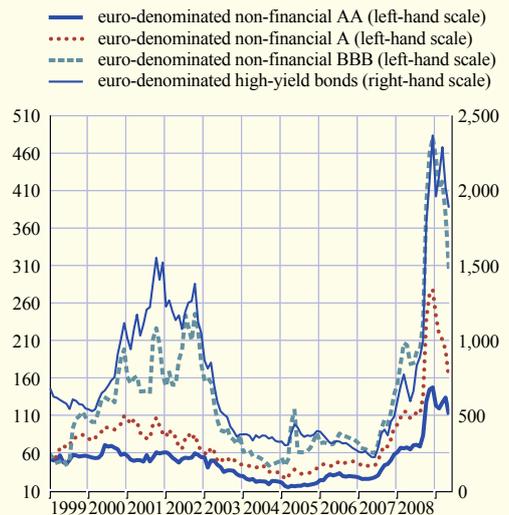
Most indicators of euro area firms' profitability point towards a further deterioration in the first quarter of 2009. As can be seen in Chart 29, the annual growth rate of earnings per share for listed non-financial corporations in the euro area declined from -6.1% at the end of 2008 to -24.1% in May 2009. Looking ahead, available data on earnings expectations provided by financial market analysts suggest that non-financial firms' earnings per share will remain in negative territory over the next 12 months.

The real annual rate of growth of non-financial corporations' external financing (including MFI loans, debt securities and quoted shares) declined to stand at around 1.6% in the first quarter of 2009, compared with 2.6% in the preceding quarter (see Chart 30). As usual, the contribution from MFI loans made up the bulk of the external financing, recording an annual growth rate of 1.3% in the same period, which was 1.1 percentage points lower than in the previous quarter. The contribution of financing from the issuance of quoted shares increased slightly, while the contribution of financing via debt securities remained broadly unchanged at 0.3 percentage point.

Looking at broader aggregates included in the euro area accounts, Chart 31 illustrates the components that make up euro area firms' saving, financing and investment, which are

**Chart 28 Corporate bond spreads of non-financial corporations**

(basis points; monthly averages)



Sources: Thomson Financial Datastream and ECB calculations. Note: Non-financial bond spreads are calculated against the AAA government bond yields.

**Chart 29 Earnings per share of listed non-financial corporations in the euro area**

(percentages per annum)

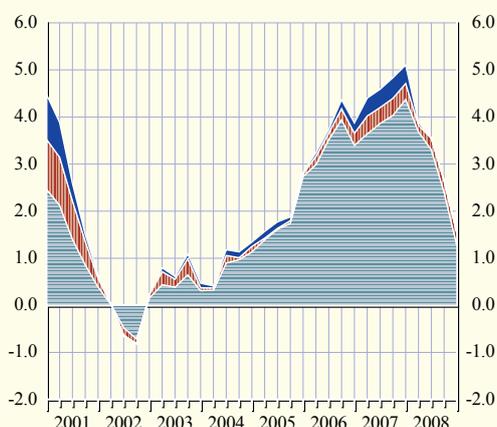


Source: Thomson Financial Datastream.

**Chart 30 Breakdown of the real annual growth rate of external financing to non-financial corporations <sup>1)</sup>**

(annual percentage changes)

- quoted shares
- debt securities
- MFI loans



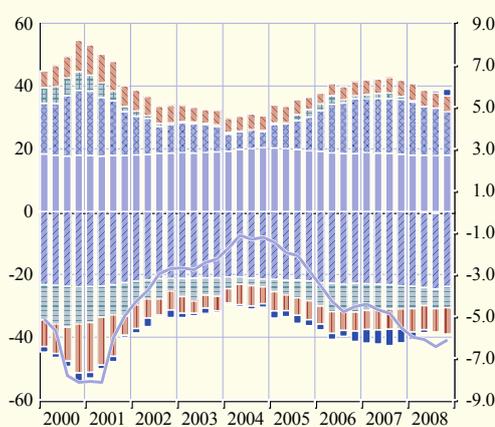
Source: ECB.

1) The real annual growth rate is defined as the difference between the actual annual growth rate and the growth rate of the GDP deflator.

**Chart 31 Saving, financing and investment of non-financial corporations**

(four-quarter moving totals; percentages of gross value added)

- other
- net acquisition of equity
- net acquisition of financial assets excluding equity
- gross capital formation
- unquoted equity issuance
- quoted equity issuance
- debt financing
- gross saving and net capital transfers
- financing gap (right-hand scale)



Source: Euro area accounts.

Notes: Debt includes loans, debt securities and pension fund reserves. "Other" includes financial derivatives, other accounts payable/receivable netted out and adjustments. Inter-company loans are netted out. The financing gap is the net lending/net borrowing position which is broadly the difference between gross saving and gross capital formation.

available up to the fourth quarter of 2008. This measure shows that euro area firms have made significantly more outlays, on aggregate, for real and financial investment than could be covered by funds generated internally. This net figure is generally referred to as the "financing gap" and has broadly increased in magnitude since mid-2004. In the fourth quarter of 2008 the financing gap stood at 6.1% of the total value added in the non-financial sector. As shown by the chart, most of the internal and external funds were used to finance real investment (gross fixed capital formation), whereas financial investment was a smaller component. Net acquisition of financial assets including equity declined in the fourth quarter of 2008, driven by a drawing-down of liquid assets (debt securities and mutual fund shares/units) and a slower accumulation of deposits. The negative financing gap, together with heightened difficulties for firms in tapping the banking system for funds, point to some vulnerability in the non-financial corporate sector, which may have contributed to a sharp downward adjustment in investment plans in this sector. At the same time, the share of bank financing in the total external financing of non-financial corporations increased in the fourth quarter of 2008, mainly owing to hampered conditions for market-based financing. Box 3 below shows similar trends in the United States, with a decline in the annual growth of the external financing of non-financial businesses and an increase in the relative importance of bank loan financing.

Although still showing robust growth rates, MFI loan growth has declined steadily since the first quarter of 2008 (see Table 5). Most recent available monthly data show that MFI loan growth

**Table 5 Financing of non-financial corporations**

	Annual growth rates (percentage changes; end of quarter)				
	2008	2008	2008	2008	2009
	Q1	Q2	Q3	Q4	Q1
<b>MFI loans</b>	<b>15.0</b>	<b>13.7</b>	<b>12.2</b>	<b>9.6</b>	<b>6.3</b>
Up to one year	14.0	12.0	9.9	6.9	0.2
Over one and up to five years	22.3	20.0	17.6	14.0	10.4
Over five years	12.8	12.3	11.4	9.5	8.3
<b>Debt securities issued</b>	<b>7.4</b>	<b>3.4</b>	<b>5.9</b>	<b>7.1</b>	<b>8.9</b>
Short-term	22.3	9.4	14.3	16.3	-11.1
Long-term, <i>of which</i> : <sup>1)</sup>	4.8	2.2	4.4	5.4	12.9
Fixed rate	3.4	2.6	5.1	6.7	17.5
Variable rate	12.9	2.8	4.7	2.1	-0.9
<b>Quoted shares issued</b>	<b>1.0</b>	<b>0.1</b>	<b>0.0</b>	<b>-0.1</b>	<b>0.4</b>
<b>Memo items</b> <sup>2)</sup>					
Total financing	4.4	3.9	3.9	3.6	-
Loans to non-financial corporations	10.7	9.9	9.3	8.1	-
Insurance technical reserves <sup>3)</sup>	0.1	0.3	0.4	0.0	-

Sources: ECB, Eurostat and ECB calculations.

Notes: Data shown in this table (with the exception of the memo items) are reported in money and banking statistics and in securities issuance statistics. Small differences compared with data reported in financial accounts statistics may arise, mainly as a result of differences in valuation methods.

1) The sum of fixed rate and variable rate data may not add up to total long-term debt securities data because zero coupon long-term debt securities, which include valuation effects, are not shown.

2) Data are reported from quarterly European sector accounts. Total financing of non-financial corporations includes loans, debt securities issued, shares and other equity issued, insurance and technical reserves, other accounts payable and financial derivatives.

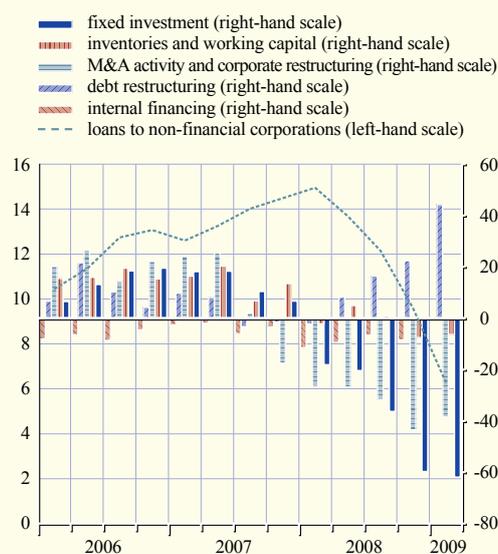
3) Includes pension fund reserves.

continued to decrease in early 2009. In April the growth rate fell further to 5.2%. The decline has been more pronounced for shorter maturities. As regards the maturity structure of MFI lending, the annual growth rates for loans with maturities of up to one year, over one and up to five years and over five years in April 2009 were -1.4%, 9.9% and 7.2% respectively. By comparison, in December 2008, the growth rates had stood at 6.9%, 14.0% and 9.5% respectively.

Looking forward, credit growth can be expected to continue to slow down further. A decline in credit growth is consistent with the economic downturn and the gradual tightening of financing conditions reported in the recent rounds of the euro area bank lending survey. As shown by empirical evidence, the dynamics of loan growth typically respond to a change in credit standards with a lag in the order of three to four quarters. In addition, reduced merger and acquisition (M&A) activity and the fact that euro area firms' leverage stands at relatively high levels should put further downward pressure on firms' financing needs.

**Chart 32 Loan growth and factors contributing to non-financial corporations' demand for loans**

(annual percentage changes; net percentages)



Source: ECB.

Notes: The net percentages refer to the difference between the percentage of banks reporting that the given factor contributed to an increase in demand and the percentage reporting that it contributed to a decrease. See also the January 2009 bank lending survey.

The euro area bank lending survey also asks banks which factors contribute to non-financial firms' demand for loans. As can be seen in Chart 32, two factors – namely fixed investment and M&A activity – were the main contributors to lower demand for loans.

In addition to financing via MFI loans, firms can tap financial markets directly as a source of funding. Recent data on the issuance of debt securities by non-financial corporations suggest a further increase in market-based debt financing, with the annual growth rate increasing to 8.9% in the first quarter of 2009, compared with rates of 7.1% and 5.9% in the fourth and third quarters of 2008 respectively. The trend towards higher debt securities issuance and the slowdown in bank financing point to possible difficulties experienced by firms in obtaining funding via banks which instead secured financing directly in financial markets.

The annual rate of growth of quoted equity issued by non-financial corporations increased marginally in the first quarter of 2009, to 0.4%. The positive performance of stock markets supported the issuance of quoted shares by non-financial corporations.

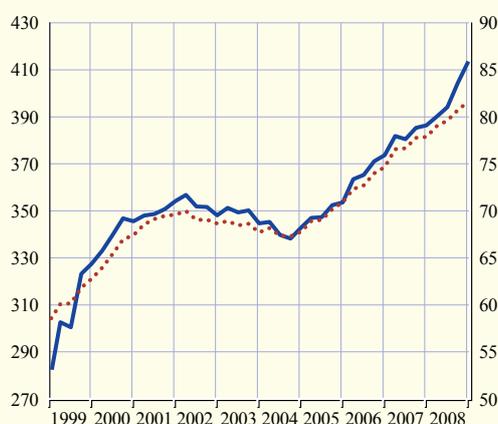
### FINANCIAL POSITION

The continued expansion of debt financing by non-financial corporations, together with a decline in gross operating surplus and GDP, resulted in a further slight increase in companies' ratios of debt to GDP and debt to gross operating surplus in the first quarter of 2009 (see Chart 33). Reflecting the significant declines in bank lending growth and market interest rates, the interest burden of non-financial corporations fell in the first quarter of 2009 (see Chart 34). Overall, the high level of debt and the associated heavy interest burden mean that non-financial firms remain vulnerable to future shocks.

**Chart 33 Debt ratios of non-financial corporations**

(percentages)

— ratio of debt to gross operating surplus (left-hand scale)  
 ..... ratio of debt to GDP (right-hand scale)



Sources: ECB, Eurostat and ECB calculations.

Notes: Debt is reported on the basis of the quarterly European sector accounts. It includes loans, debt securities issued and pension fund reserves. Data up to the first quarter of 2009.

**Chart 34 Net bank interest burden of non-financial corporations**

(basis points)

— net bank interest burden (left-hand scale)  
 ..... weighted average lending rates (right-hand scale)  
 - - - weighted average deposit rates (right-hand scale)



Source: ECB.

Note: The net bank interest burden is defined as the difference between weighted average lending rates and weighted average deposit rates for the non-financial corporate sector and is based on outstanding amounts.

### EXTERNAL FINANCING OF NON-FINANCIAL CORPORATIONS IN THE EURO AREA AND THE UNITED STATES

This box analyses the main developments in and the composition of the external financing of non-financial corporations in the euro area and the United States, mainly based on the euro area accounts and the US flow of funds accounts.<sup>1</sup> External financing is defined broadly in this box and includes all liabilities of the non-financial corporate sector. At the same time, some adjustments have been made in order to facilitate the comparison between the euro area and the United States.<sup>2</sup>

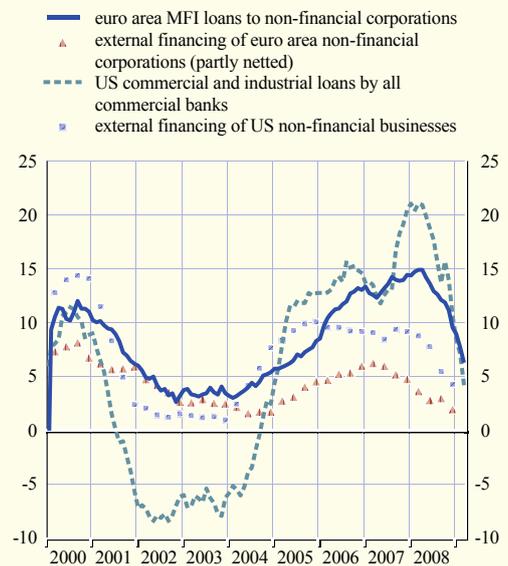
#### External financing growth developments

Growth in the external financing of non-financial corporations has slowed down considerably in the euro area and the United States during recent quarters, broadly in parallel with the decline in economic activity. For non-financial businesses in the United States, the annual growth rate of external financing declined from 9.4% in the third quarter of 2007 to 4.3% in the fourth quarter of 2008. Similarly, the annual growth rate of the external financing of euro area non-financial corporations declined from a peak of 6.3% in the first quarter of 2007 to 2.0% in the fourth quarter of 2008. This compares with an average annual growth rate of external financing from 2000 until 2008 of 7.0% for US non-financial businesses and of 4.4% for euro area non-financial corporations.

The decline in the external financing growth of euro area non-financial corporations was mainly related to the strong decrease in the annual growth rate of bank lending, which dropped from a peak of 14.9% in early 2008 to 6.3% in March 2009. In the United States, bank loans are overall less important for the total external financing of non-financial businesses (see the next section of this box). However, similar developments to those in the euro area were observed, with the

**Chart A External financing growth of non-financial corporations in the euro area and the United States**

(annual percentage changes)



Sources: Board of Governors of the Federal Reserve System and ECB.

Notes: External financing refers to the total liabilities of non-financial corporations. In order to facilitate the comparison with the United States, shares and other equity have been consolidated by netting out non-financial corporations' equity investment for euro area non-financial corporations. In addition, inter-company loans have been consolidated by netting out intra-euro area loans granted by non-financial corporations.

1 See also the article entitled "The external financing of households and non-financial corporations: a comparison of the euro area and the United States" in the April 2009 issue of the Monthly Bulletin and the box entitled "Integrated euro area accounts for the fourth quarter of 2008" in the May 2009 issue of the Monthly Bulletin. For the United States, the non-financial business sector is referred to, as this is the sector which is most comparable with the euro area non-financial corporate sector. See the box in the above-mentioned Monthly Bulletin article for further explanations of statistical differences between the euro area and the United States.

2 In order to facilitate the comparison with the United States, shares and other equity have been consolidated by netting out non-financial corporations' equity investment for euro area non-financial corporations. In addition, inter-company loans have been consolidated by netting out intra-euro area loans granted by non-financial corporations.

annual growth of commercial and industrial loans dropping from a peak of 21.1% in early 2008 to 4.3% in March 2009. This compares with an average annual growth rate from 2000 until 2008 of 8.5% for MFI loans to euro area non-financial corporations and of 5.7% for commercial and industrial loans in the United States. The strong decline in bank loan growth in both economic areas was related to the sharp slowdown in economic activity and a significant tightening of credit standards in the course of the financial turmoil, whereas financing conditions for non-financial corporations had been very favourable over an extended period before the turmoil. In addition to the deterioration in the economic outlook, banks' balance sheet conditions and the increase in their cost of funding during the financial turmoil contributed to the tightening of credit standards for bank loans to enterprises. At the same time, the acceleration of the annual growth rate of bank loans until early 2008, especially in the United States, is likely to have been related to substitution effects, as market-based financing has been seriously hampered during the financial turmoil (see also the next section).

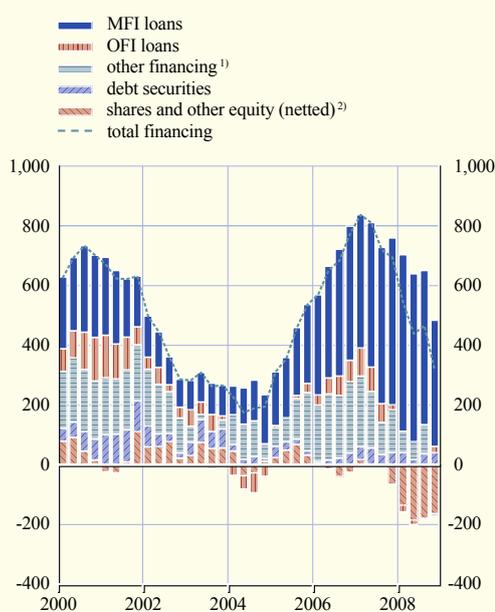
### Composition of external financing

When breaking down the external financing of non-financial corporations into the financing components, major differences can be detected between the external financing of non-financial corporations in the euro area and non-financial businesses in the United States.

Starting with the euro area, MFI loans traditionally account for the bulk of the external financing of non-financial corporations (see Chart B). In an environment of favourable bank lending conditions, their share stood at 60% (based on annual transactions) in the second quarter of 2007, i.e. before the onset of the financial turmoil, and at 56% on average from 2000 to 2008. Compared with MFI loans, debt securities issued by non-financial corporations and loans by other financial intermediaries (OFIs) are of more limited importance for the external financing of euro area non-financial corporations, representing a share of 10% and 6% of external financing on average from 2000 to 2008, respectively. In order to facilitate the comparison with the United States, the accounting convention of netting the issuance of equity by euro area non-financial corporations with their equity investment has been applied. This consolidation considerably reduces the importance of equity, to a relatively low proportion of the external financing of the non-financial corporate sector, as non-financial corporations are important holders of equity issued by the same sector. By comparison, in the unconsolidated view, shares and other equity account for 32% of the total liabilities

**Chart B Breakdown of the financing of non-financial corporations in the euro area**

(four-quarter moving sum of transactions; EUR billions)



Source: ECB.

1) "Other financing" includes other accounts payable, financial derivatives and financing through direct pension commitments. In order to facilitate the comparison with the United States, inter-company loans have been consolidated by netting out intra-euro area loans granted by non-financial corporations.

2) In order to facilitate the comparison with the United States, shares and other equity have been consolidated by netting out non-financial corporations' equity investment.

of non-financial corporations, mainly owing to unquoted equity. “Other financing” of euro area non-financial corporations, largely made up of “other accounts payable”, which also includes trade credit, accounted for 28% of external financing on average from 2000 to 2008.

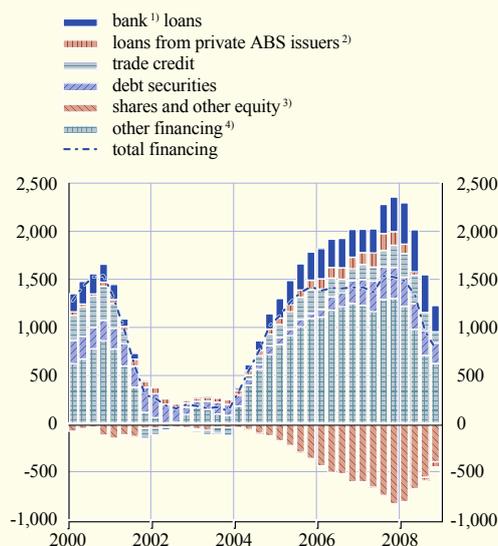
From the third quarter of 2007 to the fourth quarter of 2008 (the latest period for which data are available for the euro area accounts), when the financial turmoil intensified after the Lehman Brothers bankruptcy, market-based funding of non-financial corporations, including securitisation, was seriously hampered. This led to a further increase in the importance of MFI loans in the external financing of euro area non-financial corporations, to a ratio of more than 100% (based on annual transactions) on average over this period, which was related to negative net transactions in other financing instruments. The decrease in the importance of OFI loans (which accounted for an average share of 1.5% of external financing in the period under review) to, in some quarters, negative net transactions is likely to have been related to

the decline in the true-sale securitisation activity and syndicated lending activity of non-financial corporations during the financial turmoil. While the issuance of debt securities by non-financial corporations was also negatively affected by the financial turmoil, transactions remained mostly positive at relatively low levels (with an average share of 7% from the third quarter of 2007 to the fourth quarter of 2008). Net equity issuance turned strongly negative, owing to an increase in equity acquisitions, whereas equity issuance declined over the period. Moreover, there was a downward shift in the share of “other financing” of euro area non-financial corporations to 14% on average. Both trade credit between non-financial corporations, which declined broadly in parallel with the economic slowdown, and financial derivatives, which were considerably affected by the financial turmoil, decreased between the third quarter of 2007 and the fourth quarter of 2008.

Turning to the United States, bank loans are of considerably lower importance in the external financing of non-financial businesses than in the euro area (see Chart C). On average from 2000 to 2008, bank loans accounted for a share of 14% of the external financing of US non-financial businesses. Compared with the euro area, debt securities issued by non-financial businesses play a much larger role in external financing (31% on average from 2000 to 2008), indicating that the United States has a more market-based financial system compared with the bank-based financial system in the euro area. In addition, loan securitisation and loan syndication gained considerable importance for US non-financial businesses during the years up to the financial turmoil. First, this is indicated by the share of loans from private issuers of asset-backed securities (11% in the second quarter of 2007, compared with 6% on average from 2000 to 2008). Second, “other financing”, which includes among other items non-bank loans to non-financial businesses, increased in the few years prior to the financial turmoil. In part, the considerable importance

**Chart C Breakdown of the financing of non-financial businesses in the United States**

(four-quarter moving sum of transactions; USD billions)



Source: Board of Governors of the Federal Reserve System.  
 1) Commercial banks, savings institutions and credit unions.  
 2) Loans from private asset-backed securities issuers.  
 3) Net issuance of shares and other equity minus net acquisition of shares and other equity.  
 4) No further breakdown available.

of “other financing” in the external financing of US non-financial businesses may reflect the importance of securitisation, possibly related to accounting standards which, by comparison with the euro area, allow an easier removal (derecognition) of loans from bank balance sheets when loans are sold to non-banks during the securitisation process, as well as syndicated lending. At the same time, such differences in external financing between the euro area and the United States also reflect different financial market structures in the two economic areas. Finally, owing to equity acquisitions in the context of share buybacks and mergers and acquisitions, the equity issuance of US non-financial businesses was negative over the period under review.

As in the euro area, bank loans gained in importance in the external financing of US non-financial businesses during the financial turmoil, related to the more difficult environment for market-based funding, including securitisation. The ratio of bank loans to the total external financing of non-financial businesses rose to 30% on average from the third quarter of 2007 to the fourth quarter of 2008, up from 18% in the second quarter of 2007. Substitution effects are likely to be more relevant in the United States than in the euro area, owing to the greater importance of debt securities issued by US non-financial corporations than those issued by euro area non-financial corporations. In addition, loans from private issuers of asset-backed securities and “other financing” (based on annual transactions) declined considerably over this period, reflecting the seriously hampered market conditions for securitisation and syndicated lending. As in the euro area, trade credit between non-financial businesses fell considerably towards the end of 2008, related to the decline in economic activity. Finally, the equity issuance of non-financial businesses remained negative, but to a lesser extent, which may be related to less favourable conditions for share buybacks and mergers and acquisitions in an environment of reduced corporate profitability.

### Conclusion

Overall, the financial turmoil has had a considerable impact both on the size and the composition of the external financing of non-financial corporations in the euro area and the United States. In both economic areas, bank loans gained in importance as a ratio of total external financing, owing to the more seriously hampered market conditions for market-based financing, notably securitisation. This development may have been more pronounced in the United States than in the euro area, owing to the higher importance of debt securities issued and the easier conditions for derecognising loans from banks’ balance sheets in the US.

## 2.7 FINANCIAL FLOWS AND FINANCIAL POSITION OF THE HOUSEHOLD SECTOR

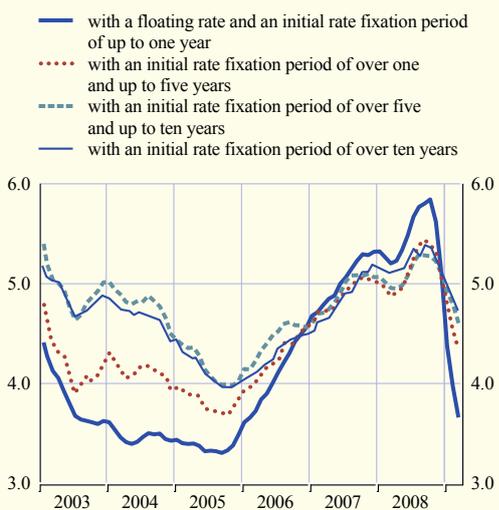
*In the first quarter of 2009 the financing conditions facing households were shaped by a marked decline in bank lending rates and a more moderate net tightening of credit standards for loans. The dynamics of household borrowing were particularly weak from a historical perspective, resulting in the stabilisation of indebtedness, while households’ interest payment burden eased. This further slowdown in household borrowing is in line with the continued marked slowdown in housing market dynamics, the weakness of economic activity and the uncertainty regarding income prospects.*

### FINANCING CONDITIONS

As a result of the further reductions in key ECB interest rates during the first quarter of 2009, MFI interest rates on loans to households for house purchase continued to decline sharply (see Chart 35). This was observed for both short and long-term lending rates. However, it was more pronounced

**Chart 35 MFI interest rates on loans to households for house purchase**

(percentages per annum; excluding charges; rates on new business)



Source: ECB.

for loans with a floating rate and an initial rate fixation period of up to one year. Indeed, in March 2009 the rate on such loans stood approximately 220 basis points below the peak witnessed in October 2008, reaching levels last recorded in the first quarter of 2006. The fact that short-term lending rates have declined more sharply has changed the term structure of interest rates on loans for house purchase, re-establishing a positive spread between the rates on loans with long (i.e. over ten years) and short (i.e. up to one year) periods of initial rate fixation.

The first quarter of 2009 also saw a decline – albeit of a considerably smaller magnitude – in MFI rates on consumer credit. Although broadly based, that decline was also larger for short-term rates (i.e. rates on loans with a floating rate and an initial rate fixation period of up to one year), which tended, as a result, to be lower than long-term rates (i.e. rates on loans

with an initial rate fixation period of over five years) in that quarter. Nevertheless, rates on loans with an initial rate fixation period of over one and up to five years remain markedly lower than those on other types of consumer credit.

Spreads between short-term rates on new loans for house purchase and comparable market interest rates increased further in the first quarter of 2009. By contrast, the corresponding spread for long-term rates narrowed somewhat. In the case of consumer credit, spreads continued to increase in the first quarter of 2009, rising across all rate categories. Overall, the elevated level of these spreads indicates that MFI rates on loans to households are still adjusting to the decline in market rates following the sharp reduction in key ECB interest rates, with the pace of that adjustment broadly in line with past regularities.

The results of the April 2009 bank lending survey suggest that the net percentage of banks reporting a tightening of credit standards declined somewhat in the first quarter of 2009, both as regards loans for house purchase and as regards consumer credit and other loans. This further tightening was implemented mainly through the widening of margins, particularly on riskier loans in the case of loans for house purchase. The tightening of non-price terms and conditions such as loan-to-value ratios and collateral requirements was less important than it had been in the previous quarter. The deterioration of expectations regarding general economic activity continued to be an important factor underpinning the tightening of credit standards for all loans to households. In the case of loans for house purchase, this was complemented by concerns regarding housing market prospects, while in the case of consumer credit and other loans, banks reported that the deterioration in the creditworthiness of consumers and the risk on collateral demanded were the other main factors. In both cases, a marked reduction was reported in the role played by the cost of funds and balance sheet constraints.

## FINANCIAL FLOWS

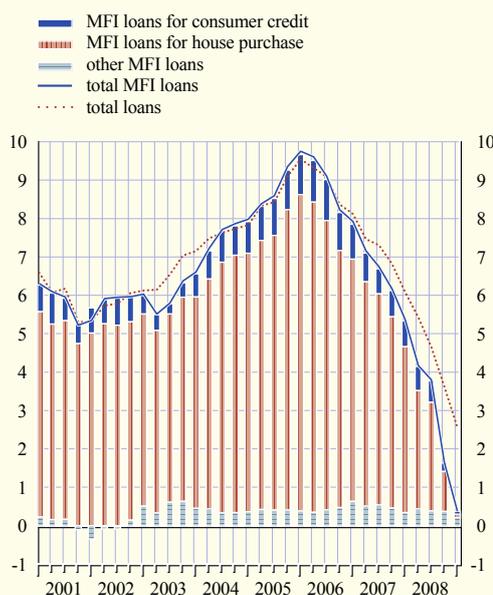
The annual growth rate of total loans granted to households declined further to stand at 3.6% in the fourth quarter of 2008 (the most recent quarter for which data from the euro area integrated accounts are available), down from 4.7% in the previous quarter. The decline in the growth rate of total lending to households was smaller than that observed for loans from MFIs, as the growth rate of non-MFI loans to households remained high, despite declining somewhat to stand at 14.4% in the fourth quarter of 2008, down from 15.7% in the previous quarter. To a large extent, however, that high growth rate does not reflect new lending originated by non-MFIs, but rather the impact of true-sale securitisation activity, where loans are derecognised and thereby removed from MFI balance sheets, subsequently being recorded as loans from OFIs. Such activity was particularly strong in the fourth quarter of 2008. The data on MFI loans suggest that the downward trend in the annual growth rate of total loans to households has continued in the first quarter of 2009 (see Chart 36).

In April 2009 the amount of outstanding MFI loans to households was more or less the same as it had been one year earlier, as the annual growth rate stood at a mere 0.1%, down from 0.9% and 2.8% in the first quarter of 2009 and the fourth quarter of 2008 respectively. The short-term dynamics measured by the three-month annualised growth rate remained negative in April. However, when taking into account the effect of the derecognition of loans from MFI balance sheets owing to securitisation (which in the euro area mainly affects loans for house purchase), monthly net loan flows to households are estimated to have remained positive, albeit only moderately so. While the decline seen in the annual growth rate of MFI loans to households over the past few months is in line with the downward trend observed since early 2006, the current growth rates are well below those recorded during the previous trough in MFI lending to households in the fourth quarter of 2001. These weak borrowing dynamics are in line with the further marked slowdown in housing market dynamics, the weakness of economic activity and the uncertainty regarding income prospects. They must also be seen in context, taking into account the fact that the level of household indebtedness is generally higher than it has been in previous cycles, which may imply that at least some parts of the household sector may need to deleverage. At the same time, the results of the April 2009 bank lending survey indicate that considerations relating to the condition of the banking sector, such as balance sheet constraints, may have continued to influence households' access to credit.

The decelerating annual growth of MFI loans to households reflects developments in both borrowing for house purchase, which is the largest sub-component of loans to households, and consumer credit. The annual growth rate of loans for house purchase turned negative in April, standing at -0.2%,

Chart 36 Total loans granted to households

(annual percentage changes; contributions in percentage points; end of quarter)



Source: ECB.

Notes: Total loans comprise loans to households from all institutional sectors, including the rest of the world. For the first quarter of 2009, total loans to households have been estimated on the basis of transactions reported in money and banking statistics. For information on differences between MFI loans and total loans in terms of the calculation of growth rates, see the relevant technical notes.

down from 0.7% and 2.9% in the first quarter of 2009 and the fourth quarter of 2008 respectively. The annual growth rate of consumer credit also entered negative territory in April, standing at -0.4%, down from 1.3% and 3.2% in the first quarter of 2009 and the fourth quarter of 2008 respectively.

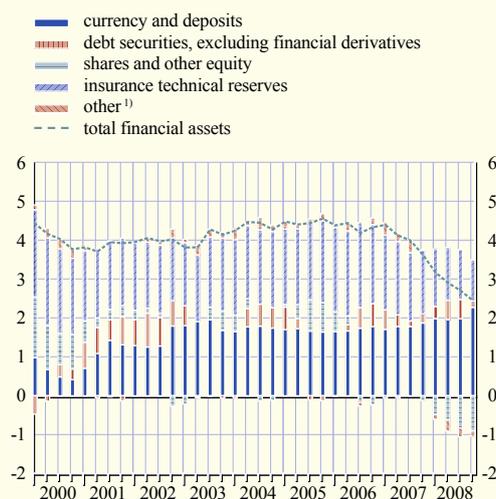
Turning to the asset side of the euro area household sector's balance sheet, the annual growth rate of total financial investment continued to follow the downward trend observed as of 2007, standing at 2.4% in the fourth quarter of 2008, down from 2.7% in the previous quarter (see Chart 37). This was driven mainly by stronger net sales of shares and other equity, as well as a decline in the net accumulation of debt securities and insurance technical reserves. By contrast, households' investment in currency and deposits remained robust, reflecting their preference for safe and liquid assets given the heightened uncertainty and deteriorating confidence at the end of 2008. Investment in these assets accounted for around 90% of the annual growth rate of households' financial investment.

### FINANCIAL POSITION

The continued slowdown in household borrowing has led to household indebtedness stabilising in recent quarters. Households' debt-to-disposable income ratio has hovered around 93% since the first quarter of 2008 and is estimated to have remained broadly unchanged in the first quarter of 2009 (see Chart 38). Similarly, households' debt-to-GDP ratio is estimated to have remained broadly unchanged at 61% in the first quarter of 2009, following a slight increase in 2008. More pronounced movements have been observed in the household sector's interest payment burden, which is estimated to have declined further to stand at 3.5% of disposable income in the first quarter of 2009, down from 3.8% in the fourth quarter of 2008. This reflects the impact of declining interest rates, particularly in the case of variable rate loans.

**Chart 37 Financial investment of households**

(annual percentage changes; contributions in percentage points)

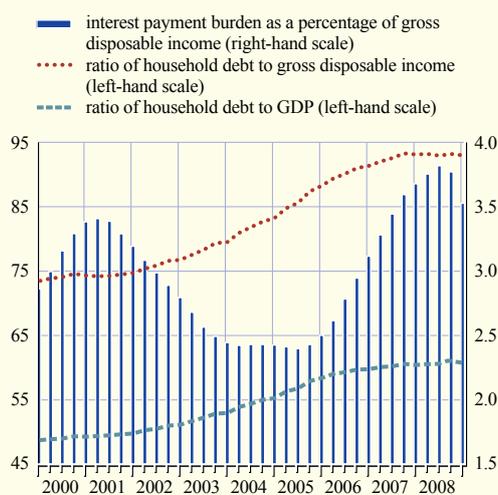


Sources: ECB and Eurostat.

1) Includes loans, other accounts receivable and financial derivatives.

**Chart 38 Household debt and interest payments**

(percentages)



Sources: ECB and Eurostat.

Notes: Household debt comprises total loans to households from all institutional sectors, including the rest of the world. Interest payments do not include the full financing costs paid by households, as they exclude the fees for financial services. Data for the last quarter shown have been partly estimated.

### 3 PRICES AND COSTS

According to Eurostat's flash estimate, euro area annual HICP inflation dropped in May to 0.0%, from 0.6% in April. The further decline in inflation rates was fully anticipated and primarily reflects base effects resulting from the sharp swings in global commodity prices over the past 12 months. Signs of a more broad-based reduction in inflationary pressures are increasingly emerging. According to available indicators, the strong decline in inflation has so far not been met by a comparable rate of decline in labour costs. The annual rate of growth in negotiated wages remained elevated at 3.2% in the first quarter of 2009, compared with 3.6% in the last quarter of 2008.

Owing to base effects, annual inflation rates are projected to decline further and temporarily remain negative over the coming months, before returning to positive territory by the end of 2009. Looking further ahead, price and cost developments are expected to remain dampened in the wake of ongoing sluggish demand in the euro area and elsewhere. According to the June 2009 Eurosystem staff projections, euro area annual HICP inflation is seen to range between 0.1% and 0.5% in 2009 and between 0.6% and 1.4% in 2010. Risks to these projections are broadly balanced.

#### 3.1 CONSUMER PRICES

The euro area has been characterised by a rapid disinflation process since late summer 2008, which has been driven mainly by a sharp decline in the energy and food components of the euro area HICP. Having peaked at 4.0% in July 2008, headline HICP inflation has been on a steady decline ever since. According to Eurostat's flash estimate, euro area annual HICP inflation dropped in May to its lowest level since the start of EMU, to 0.0% from 0.6% in April (see Table 6). Although official estimates of the breakdown of the HICP for May have not yet been published, available evidence suggests that the energy price component dampened annual HICP inflation last month, on the back of a sizeable downward base effect and despite a recent increase in the price of crude oil. It is expected that the annual rate of change in overall euro area HICP inflation will turn negative and remain below zero for some months before raising again, mainly on account of base effects in the energy component of the HICP.

In contrast to developments in headline HICP inflation, the annual rate of change in the HICP excluding energy and total food has remained broadly stable since early 2007, despite significant changes in the macroeconomic environment. In April 2009, the most recent month for which data

Table 6 Price developments

(annual percentage changes, unless otherwise indicated)

	2007	2008	2008 Dec.	2009 Jan.	2009 Feb.	2009 Mar.	2009 Apr.	2009 May
<b>HICP and its components</b>								
Overall index <sup>1)</sup>	2.1	3.3	1.6	1.1	1.2	0.6	0.6	0.0
Energy	2.6	10.3	-3.7	-5.3	-4.9	-8.1	-8.8	.
Unprocessed food	3.0	3.5	2.8	2.6	3.3	2.4	1.6	.
Processed food	2.8	6.1	3.5	2.7	2.0	1.6	1.2	.
Non-energy industrial goods	1.0	0.8	0.8	0.5	0.7	0.8	0.8	.
Services	2.5	2.6	2.6	2.4	2.4	1.9	2.5	.
<b>Other price indicators</b>								
Industrial producer prices	2.7	5.9	1.2	-0.6	-1.6	-2.9	-4.6	.
Oil prices (EUR per barrel)	52.8	65.9	32.1	34.3	34.6	36.5	39.0	42.8
Non-energy commodity prices	9.2	4.4	-17.1	-20.7	-24.5	-24.9	-19.5	-18.7

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

1) HICP inflation in May 2009 refers to Eurostat's flash estimate.

are available, it stood at a level close to the averages of the last two years. Overall, measures of underlying inflation that exclude either (i) energy or (ii) unprocessed food and energy or (iii) all food and energy have declined to a much lesser extent in recent months, to levels that are not particularly low from a historical perspective. Box 4 discusses in greater detail developments in measures of underlying inflation in the euro area.

#### Box 4

### RECENT DEVELOPMENTS IN SELECTED MEASURES OF UNDERLYING INFLATION FOR THE EURO AREA

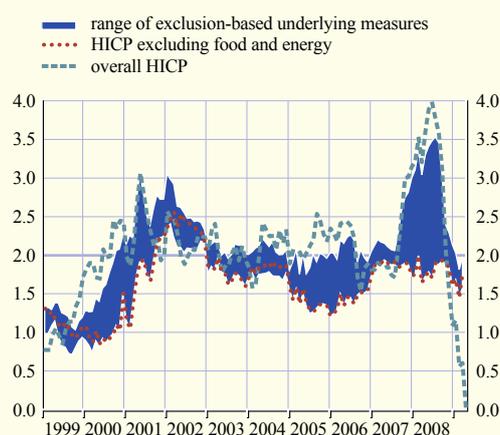
Since July 2008 the euro area has witnessed a sharp decline in the annual rate of change in the overall HICP. This decline has been driven mainly by marked falls in oil and other commodity prices. In order to look through the impact of these strong commodity price developments and focus on medium-term price trends, as well as on the nature and sources of the forces driving overall price dynamics, it is helpful to consider measures of underlying inflation. This box reviews recent developments in some commonly used measures of underlying inflation.

Various types of measures of underlying inflation have been proposed in the economic literature.<sup>1</sup> One frequently used set of such indicators comprises those which exclude certain HICP items. These indicators can be classified into two groups: permanent exclusion-based measures (which always exclude the same items, such as the HICP excluding food and energy) and statistical exclusion-based measures (which exclude outliers at any given point in time, such as trimmed means).<sup>2</sup>

Recently there has been significant divergence in the patterns of headline HICP inflation and exclusion-based measures of underlying inflation (see Chart A and the table). Having hit its record peak of 4.0% in July 2008, overall HICP inflation has since fallen markedly, standing at 0.6% in March and April 2009. In May 2009 it is estimated by Eurostat to have reached 0.0%. The considered measures of underlying inflation have also generally fallen from their peaks in the summer of 2008, albeit less markedly, to levels that are not particularly low from a historical

Chart A Measures of underlying inflation in the euro area

(annual percentage changes)



Sources: Eurostat and ECB calculations.

Note: The range of exclusion-based measures of underlying inflation covers the HICP excluding energy, the HICP excluding unprocessed food and energy, the HICP excluding food and energy, the 10% trimmed mean, the 30% trimmed mean and the weighted median.

1 The concept of underlying inflation, while intuitively appealing as a way to identify and illustrate longer-term price trends and the nature and sources of the forces driving headline price dynamics, has proven to be an elusive concept in practical applications. For a detailed analysis, see the article entitled "Measures of underlying inflation in the euro area" in the July 2001 issue of the Monthly Bulletin.

2 Exclusion-based measures are calculated by excluding the prices of certain individual items from the index, because they are deemed to be particularly volatile. Permanent exclusion-based measures involve the exclusion of selected HICP components, whereas statistical exclusion-based measures exclude the highest and lowest price changes. The set of goods and services prices excluded from statistical measures can therefore vary over time.

### Measures of underlying inflation in the euro area

(annual percentage changes)

	2007	2008	2009 Jan.	2009 Feb.	2009 Mar.	2009 Apr.	2009 May
<b>HICP inflation<sup>1)</sup></b>	2.1	3.3	1.1	1.2	0.6	0.6	0.0
<b>Selected measures of underlying inflation</b>							
<b>Permanent exclusion-based measures</b>							
HICP excluding energy	1.5	2.5	1.8	1.8	1.6	1.7	.
HICP excluding unprocessed food and energy	2.0	2.4	1.8	1.7	1.5	1.7	.
HICP excluding food and energy	1.9	1.8	1.6	1.7	1.4	1.8	.
<b>Statistical exclusion-based measures</b>							
Trimmed mean (10%)	2.2	3.1	1.8	1.9	1.6	1.6	.
Trimmed mean (30%)	2.2	2.7	2.1	2.0	1.8	1.9	.
Weighted median	2.2	2.5	2.1	2.0	1.8	2.0	.

Sources: Eurostat and ECB calculations.

Note: Statistical exclusion-based measures exclude a stipulated portion of percentage changes in prices that rank among the smallest and largest changes for the month (in numerical terms); for example, the 10% trimmed mean excludes the smallest 5% and largest 5% of price changes from the weighted distribution of HICP items.

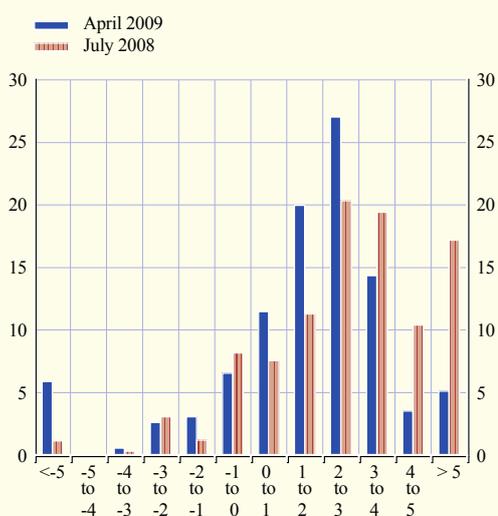
1) HICP inflation in May 2009 refers to Eurostat's flash estimate.

perspective. In April 2009 they stood within a narrow range of between 1.6% and 2.0%, thus significantly above the overall HICP inflation rate. Such a large negative gap between headline inflation and measures of underlying inflation has not been observed in the past and can be attributed to the rather unusual developments in specific components and items of the HICP, such as food and energy.

The special role of the energy and food components is best illustrated by analysing developments in the annual rate of change in the HICP excluding energy and total food (both unprocessed and processed). This measure of underlying inflation has generally marked the lower bound of the range of underlying measures of inflation. Over the course of 2007 and 2008, it was rather stable and therefore did not follow the trend of other measures of underlying inflation. This highlights the important role in overall HICP developments played by movements in processed food prices, in addition to those in energy prices. The rather similar levels of HICP inflation excluding either i) energy or ii) unprocessed food and energy or iii) all food and energy that have been observed over more recent months indicate that food price developments are currently not one of the main drivers of short-term dynamics in annual inflation but that energy prices continue to play an important role, due partly also to base effects.

**Chart B Distribution of the annual rates of change of HICP items**

(percentages)



Sources: Eurostat and ECB calculations.

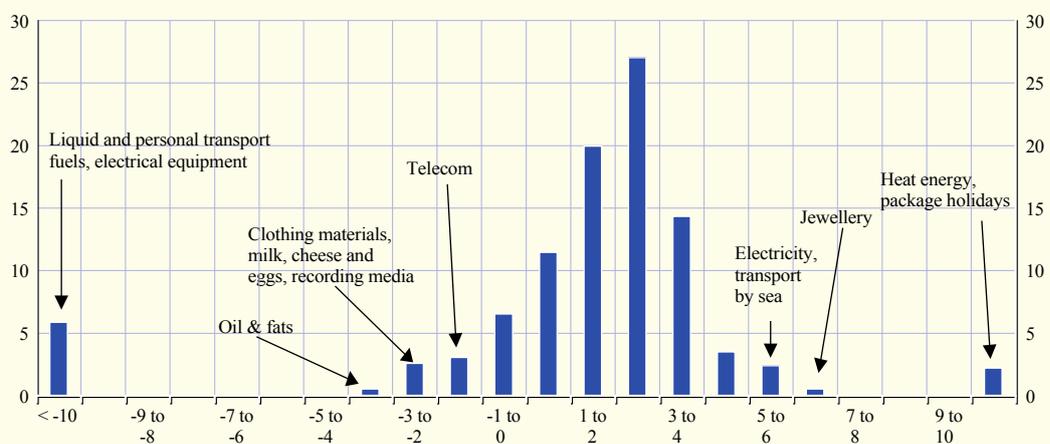
Notes: The chart shows the distribution of the annual price change in the 93 HICP items, weighted according to their expenditure share, for July 2008 and April 2009. Each bar reports the share of HICP items whose annual rates of change fall within the respective range.

Statistical exclusion-based measures symmetrically remove extreme values from the cross-sectional distribution of the HICP items. Hence, the observed decline in these measures since mid-2008, in line with that in the permanent exclusion-based measures, suggests that the cross-sectional distribution of the HICP has shifted to the left, i.e. towards lower rates of inflation. This disinflation process is evident from a comparison of the weighted distribution of the annual rates of change in all 93 HICP items in July 2008 with that in April 2009 (see Chart B). In July 2008, when the commodity price shock had its greatest impact on headline inflation, the bulk of the distribution (almost 70%) exhibited annual rates of change above 2%, with 17% running at rates above 5%. By contrast, about 14% of the weighted items exhibited rates below 0%. For the 30% trimmed mean, which excludes the largest 15% and smallest 15% of price changes from the weighted distribution, this implies that items with rates of change above 5% and all items with negative rates of change were omitted from the calculation. In April 2009 only half of the HICP items (weighted according to their expenditure share) recorded annual rates of change above 2%, with only 5% running at rates above 5%, while about 18.5% recorded rates of change below 0%. Consequently, the 30% trimmed mean for April 2009 excluded neither all items with negative rates at the lower tail of the distribution nor all items with rates above 3% at the upper tail of the distribution. Although the share of items with negative annual rates of change is currently higher than the historical average share of about 13% seen over the period 1999-2008, there is no indication of generalised price declines.

The observed shift in the distribution towards a lower inflation outcome reflects primarily the reversal of the direct impact of the past commodity price increases, as well as the gradual fading out of related indirect effects. In other words, the shift in the distribution is attributable mainly to the waning impact of relative price movements in some specific goods. A closer look at the cross-sectional distribution in April 2009 (see Chart C) reveals that the items with strongly negative annual rates of change were mainly those directly related to oil price developments (liquid fuels, which cover domestic heating oil and fuels for personal transportation). Some food items (oil and fats, milk, eggs and cheese) were also among those with annual rates of change below 0%, owing to the correction of previous increases in agricultural commodity prices and related base

**Chart C Cross-sectional distribution of the annual rates of change of HICP items in April 2009**

(percentages)



Sources: Eurostat and ECB calculations.

Notes: The chart shows the distribution of the annual price change in the 93 HICP items, weighted according to their expenditure share, for April 2009. Each bar reports the share of HICP items whose annual rates of change fall within the respective range.

effects. In addition, certain items, such as personal computers (PCs), audio and photo equipment (summarised as “electrical” equipment) and recording media were at the lower tail of the distribution. These items are subject to strong competition, as well as significant technical progress and quality improvements, and this is reflected in a persistent fall in relative prices. The upper tail of the distribution in April 2009 included items still affected by past increases in commodity prices, such as heat energy and electricity, as well as jewellery. However, this static analysis focusing on the April 2009 data conceals the fact that the annual rates of change in these items have declined gradually over recent months on account of easing supply chain pressure. By contrast, the outlier position of package holidays reflects only an idiosyncratic calendar effect that is related to the late timing of Easter 2009 (and the associated peak in holiday-related business) as compared with 2008. This had an upward impact on the year-on-year comparison of the prices of package holidays in April 2009. It is noteworthy that the largest part of the distribution (more than 70%) recorded values between 0% and 4% in April.

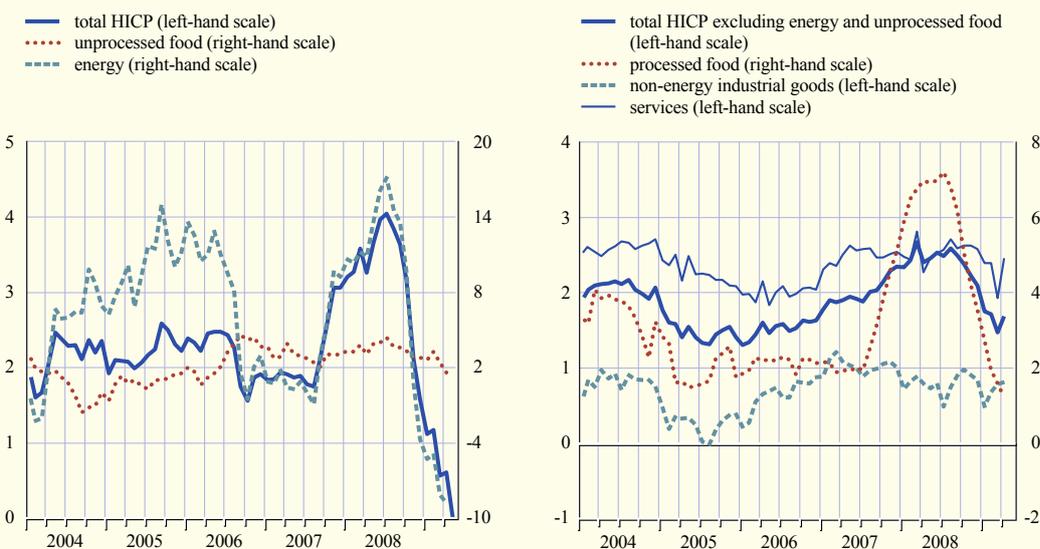
Summing up, over recent months, commonly used measures of underlying inflation have remained at levels which suggest that medium-term trends in HICP inflation are broadly consistent with the Governing Council’s objective of keeping HICP inflation rates at levels below, but close to, 2% over the medium term. Over the same period, the very low headline inflation was driven largely by the abatement of the impact of relative price movements in some specific goods. However, measures of underlying inflation cannot provide a comprehensive picture of medium-term inflationary pressures and need to be supplemented with other available data. Furthermore, they do not necessarily predict future inflation trends. Nevertheless, the fact that they currently stand at levels significantly above overall HICP inflation gives little indication of emerging generalised price declines. This is also confirmed by the distribution of the annual rates of change in the 93 HICP items for April, weighted according to their expenditure share, which shows that annual price declines are rather concentrated in some well identified groups – namely oil-related items or certain types of IT goods.

At the sectoral level, the movements in global commodity prices have led to volatility in the energy and food components of euro area HICP inflation. The annual rate of change in the energy component of the HICP fell from over 17% in July 2008 to -8.8% in April 2009 (see Chart 39). This drop was driven by a sharp decline in crude oil prices from last summer, as well as by downward base effects related to the strong increase in crude oil prices up to mid-2008 that have affected the profile of the energy component of HICP inflation. The fall in energy inflation has been driven mostly by considerable price decreases in HICP items such as petrol, diesel and heating oil, which are closely linked to global crude oil prices. However, price movements in these items have also been affected by volatility in refining margins for liquid fuels (petrol, diesel and heating oil). Since the beginning of 2009 diesel refining margins have fallen significantly, whereas more recently petrol margins have risen slightly. Over the same period falling annual rates of growth in the non-oil energy items of the HICP, such as electricity and gas, which normally show a lagged response to changes in crude oil prices, have also contributed to the drop in energy inflation in the euro area.

The annual growth rate of the processed food component of the euro area HICP has shown a similar profile to that of the energy component. It peaked in the summer of 2008, when global food commodity prices also peaked, and has since fallen steadily, declining to 1.2% in April. Unprocessed food prices have also eased from the high annual rates of growth observed in the middle of last year. The annual rate of growth in unprocessed food stood at 1.6% in April. Overall, the progressive easing in food prices observed thus far can essentially be attributed to the pass-through

Chart 39 Breakdown of HICP inflation: main components

(annual percentage changes; monthly data)



Source: Eurostat.

to consumers of the past falls in food commodity prices, as well as to downward base effects. Looking at food prices in more detail, much of the easing has occurred on account of developments in sub-components that are more exposed to commodity price changes, such as meat within unprocessed food, and cereals, dairy products, oils and fats within processed food.

The annual rate of change in non-energy industrial goods prices stood at 0.8% in April, the same rate as in the previous month and in line with its 2008 average. It therefore appears that the recession affecting the euro area economy has not yet exerted a particularly strong downward effect on overall non-energy industrial goods prices. More explicitly, the annual rate of change in semi-durable goods prices, which account for a large part of non-energy industrial goods and largely mirror developments in clothing and footwear prices, has remained broadly stable since mid-2008, looking through the volatility arising from seasonal discounts. In April 2009 textile prices increased broadly at the same annual rate of change as in September 2008. The annual rate of change in durable goods prices edged down slightly, from about -0.5% in mid-2008 to -0.7% in April 2009, owing to the fading out of indirect effects related to past increases in commodity prices, which had had a notable upward impact on furniture and jewellery prices up to the third quarter of 2008, and to weak consumer demand that urged firms to offer price discounts in order to stimulate sales. This seems to have particularly affected car prices, for which the annual rate of change has declined since September 2008 and was slightly negative in April 2009. It is worth noting, however, that the price measurement does not fully take into consideration all price discounts and special offers, which could be particularly relevant for the car price item of the HICP.

Notwithstanding the severe economic downturn recorded in the euro area, services inflation, despite some volatility, has to date remained close to the averages of the past two years and above the average for the 2005-06 period prior to the oil and food price shocks. Since the beginning of the year the average annual rate of growth of the services component of the euro area HICP has eased

slightly to 2.3%. The volatility observed between February and April can be traced back to the developments in personal and recreational services, which reflected strong price dynamics in items such as package holidays and accommodation, and to a lesser extent to developments in transport services. This volatility is attributable to a calendar effect stemming from the shift of the timing of Easter from March in 2008 to April in 2009, which has affected the year-on-year comparison of the prices of holiday-related services. Looking through the monthly volatility in services inflation, the contributions to total services price dynamics from the personal and recreational services component and the transport services component, which were sizeable up to the third quarter of 2008, have been declining ever since. This is most likely due to an easing in input cost pressures stemming from energy and food prices and lower demand for these services. Communication services prices have continued to show negative annual rates of change, owing to deregulation and enhanced competition in the sector amid lower demand. However, the pace of the decline in this component appears to have slowed somewhat in early 2009, compared with the average of 2008. Conversely, the annual growth rates of the housing price component of the HICP have remained stable since the beginning of the year, despite some further easing in the annual growth rate of prices related to dwellings, such as domestic and household services, as well as maintenance and repair. This stable trend has occurred notwithstanding the fact that the annual growth rates of housing price components of the HICP were on a downward trend between mid-2007 and the end of 2008, as well as indications of declines in residential property prices in the first few months of 2009 (see Section 3.5). Inflation in health, education and financial services, which is driven largely by the impact of changes in administered prices, has remained stable, hovering around 2.1%, which is the level it reached in the second quarter of 2008.

### 3.2 INDUSTRIAL PRODUCER PRICES

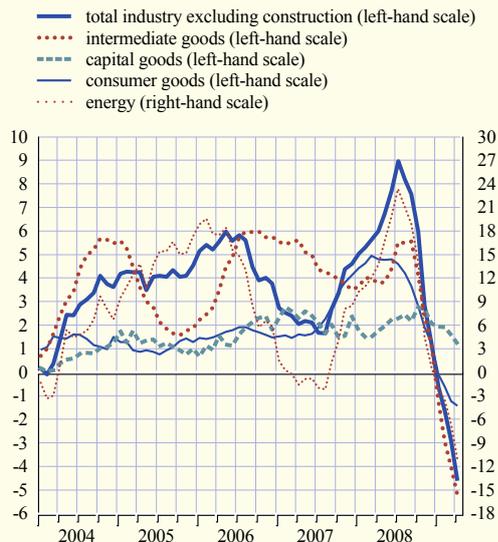
Supply chain price pressures have abated in recent months. The decline in PPI inflation, which started in August 2008 after the annual rate of change in industrial producer prices (excluding construction) had reached very high levels, gained pace in the first few months of 2009 on account of falling demand for industrial products and subdued developments in oil and industrial raw material prices. Since the beginning of the year the annual rate of change in industrial producer prices has turned negative, standing at -4.6% in April (see Chart 40). Excluding energy (and construction), the annual rate of change dropped to -2.4% in the same month.

The steep fall in the annual rate of change in industrial producer prices, which was initially driven in particular by energy and intermediate goods prices, has become more broad-based in recent months, with components at the later stage of the production process also recording negative annual rates of change. Driven largely by declines in the non-durable goods component, which in turn reflected an easing in food prices related to the reversal of the food price shock, the annual rate of change in consumer goods prices turned negative in January and stood at -1.4% in April. The annual rate of change in capital goods prices has continued to edge down, standing at 1.2% in April. This decline has been driven by lower input costs and falling demand.

Recent information from surveys on the price-setting behaviour of firms indicates, however, that the pace at which pipeline inflation pressures are easing is diminishing (see Chart 41). With regard to the Purchasing Managers' Index survey, all indices, with the exception of the input price index for the services sector, have increased after several months of sharp falls that brought them to historical lows. This stabilisation at low levels is consistent with information from surveys for the real economy. In the manufacturing sector, both the input price index and the output price index

**Chart 40 Breakdown of industrial producer prices**

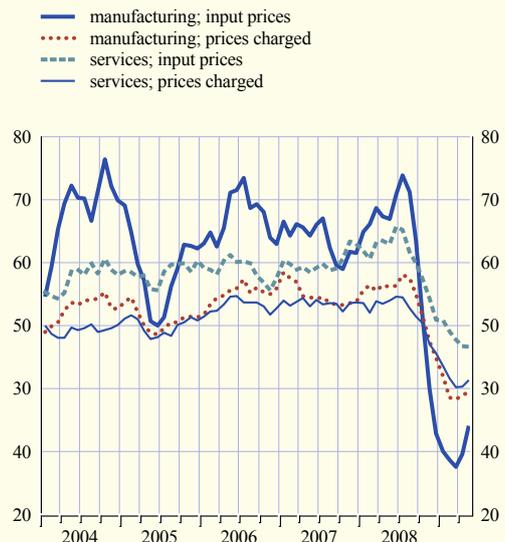
(annual percentage changes; monthly data)



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

**Chart 41 Producer input and output price surveys**

(diffusion indices; monthly data)



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

increased for the second consecutive month in May, but remained below the 50 threshold. In the services sector, the input price index remained practically unchanged in May, while the index of prices charged went up more than in the previous month, but still remained at very low levels. All in all, these recent developments indicate that firms are still focusing strongly on price competitiveness at various stages of the production process and thus input and output prices are still reported to be declining compared with the previous month. However, with regard to output prices, recent developments indicate that the pace of price-cutting by firms in an attempt to stimulate sales is not increasing further.

### 3.3 LABOUR COST INDICATORS

According to the available indicators, the strong decline in inflation at the consumer level and the ongoing disinflation process at the producer level are so far not being matched by a comparable rate of decline in labour costs (see Chart 42 and Table 7). The annual rate of growth in negotiated wages, the only labour cost indicator that is available to date for developments in the euro area in 2009, eased to 3.2% in the first quarter, compared with 3.6% in the last quarter of 2008 when negotiated wage growth was boosted by one-off payments in a large euro area economy. Annual wage growth has thus remained elevated in the euro area on the back of the sharp increases recorded in 2008 that were driven by the prevailing labour market tightness and indexation in some countries to past temporarily high inflation outcomes. The rather resilient level of this indicator in the last quarter of 2008 and the first quarter of 2009 can be attributed to the length of collective agreements (approximately two years) in the euro area. Indeed, a large number of labour contracts were concluded before HICP inflation began to decline and euro area economic activity started to contract.

Table 7 Labour cost indicators

(annual percentage changes, unless otherwise indicated)

	2007	2008	2008 Q1	2008 Q2	2008 Q3	2008 Q4	2009 Q1
Negotiated wages	2.1	3.2	2.8	2.9	3.4	3.6	3.2
Total hourly labour costs	2.7	3.5	3.5	2.6	4.2	3.8	.
Compensation per employee	2.5	3.2	3.1	3.2	3.4	3.0	.
<i>Memo items:</i>							
Labour productivity	0.9	-0.1	0.6	0.4	-0.1	-1.7	.
Unit labour costs	1.6	3.3	2.4	2.8	3.5	4.8	.

Sources: Eurostat, national data and ECB calculations.

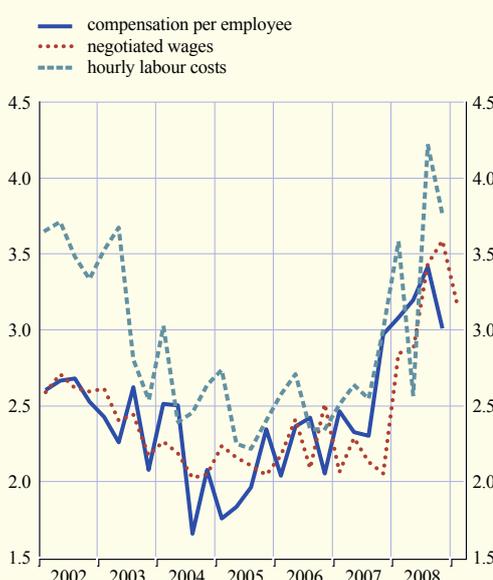
Other indicators of wage growth declined in the fourth quarter of 2008, but nevertheless remained at very high levels. The annual growth rate of hourly labour costs in the euro area weakened somewhat to 3.8% in the last quarter of 2008. The decline in hours worked in the manufacturing industry related to weaker economic activity pushed up hourly labour costs. If this decline were to be discounted, hourly labour cost growth would actually be lower for the fourth quarter of 2008. A breakdown by sector reveals that the increase in hourly labour costs was sharpest in the industrial and construction sectors (see Chart 43), probably on account of larger reductions in hours worked.

The annual growth rate of compensation per employee fell to 3.0% in the fourth quarter of 2008, down from 3.4% in the third quarter. Taken together with the stronger growth in negotiated wages in the fourth quarter, this may suggest that firms have actively taken measures to reduce labour costs. At the same time, productivity per employee fell to -1.7% in the last quarter of 2008, from -0.1% in the previous quarter (see Section 4.2). Consequently, unit labour cost growth picked up strongly, from 3.5% in the third quarter of 2008 to 4.8% in the fourth quarter, marking the strongest growth rate in over a decade.

It appears likely that wage pressures will ease further in the future in view of the weak outlook for euro area growth. Labour market developments generally lag behind movements in economic activity and the fast pace at which economic activity has dropped in the euro area is likely to imply a rather considerable adjustment of wage pressures to falling output in the present downturn. Anecdotal evidence from various sources indicates that firms are seeking to reduce labour costs more extensively than at the end of 2008, making use of a variety of available measures, such as reductions in working hours and cuts in bonuses and benefits (see Box 6). The set of measures being used by firms is likely, in the coming quarters, to trigger a substantial negative “wage drift”, which refers to the part of compensation per employee growth that is not explained by negotiated wages and

Chart 42 Selected labour cost indicators

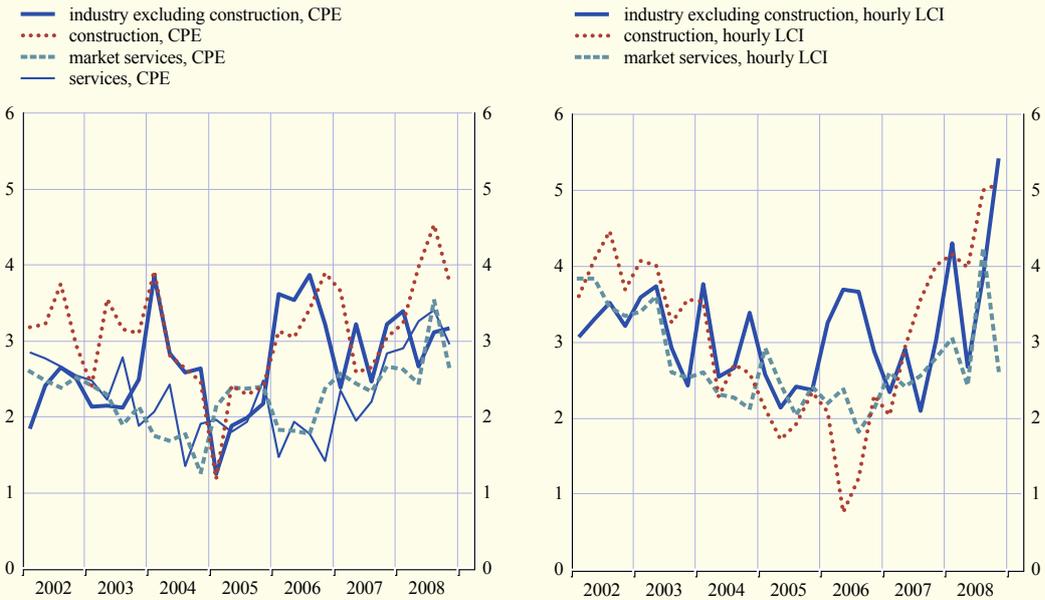
(annual percentage changes; quarterly data)



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

**Chart 43 Sectoral labour cost developments**

(annual percentage changes; quarterly data)



Sources: Eurostat and ECB calculations.

Notes: Data refer to the euro area including Slovakia. CPE stands for “compensation per employee” and LCI stands for “labour cost index”.

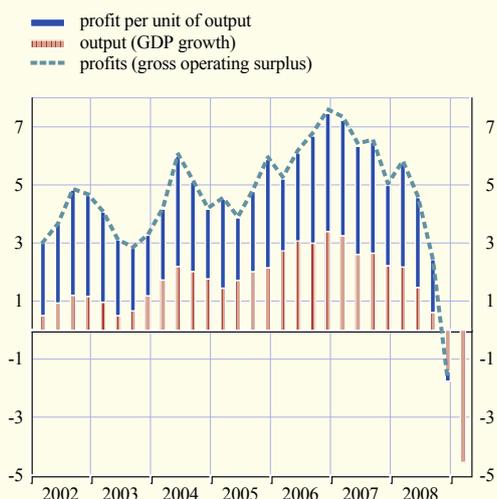
salaries, and/or social security contributions (see the box entitled “Recent developments in euro area wage drift” in the October 2006 issue of the Monthly Bulletin). Consequently, the dynamics of compensation per employee are likely to be more moderate than those of negotiated wages. While compensation per employee growth is expected to decline as a consequence of these measures, the impact on the growth rate of compensation per hour worked could be either neutral or positive. Ultimately, it would depend on whether employers cut compensation fully in line with hours worked or by a smaller amount. Notwithstanding some potential more moderate developments in compensation per employee, unit labour cost growth is likely to have increased further in the first quarter of 2009, owing to a greater drop in productivity than that recorded in the last quarter of 2008.

### 3.4 CORPORATE PROFIT DEVELOPMENTS

Corporate profit growth declined considerably at an accelerated pace in the second half of 2008, continuing the downward momentum that has been observed since mid-2007. According to national accounts data, annual euro area profits fell by 1.8% year on year in the fourth quarter of 2008, their lowest level on record. This was brought about by a fall in economic activity (volume) and a decline in unit profits (margin per unit of output) – see Chart 44. The latter have declined on account of high unit labour cost growth (4.8% year on year) and despite an easing in input price pressures owing mainly to both oil and non-oil commodity price developments.

**Chart 44 Breakdown of euro area profit growth into output and profit per unit of output**

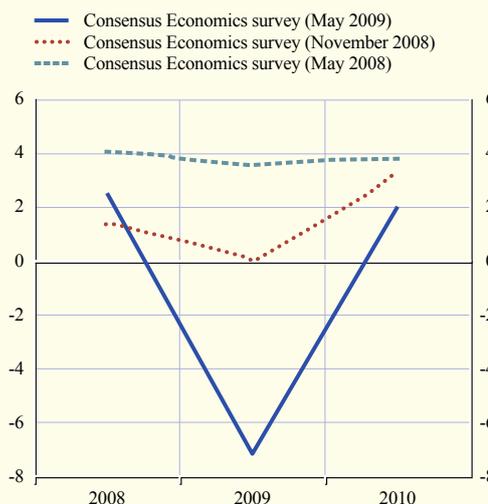
(annual percentage changes; quarterly data)



Sources: Eurostat and ECB calculations.

**Chart 45 Consensus Economics euro area corporate profit expectations**

(annual percentage changes; annual data)



Sources: Consensus Economics and ECB calculations.

As regards developments in the main branches of activity (industry and market services), the contraction in profit growth in the fourth quarter of 2008 was particularly severe for industry, owing to a sharper decline in activity, its greater cyclical nature and the stronger rise in unit labour costs in this branch. Over the same period, the growth rate of profits in the market services branch was positive, but at a historically low level.

Looking beyond the available national accounts data, the ongoing contraction in economic activity is likely to exert additional downward pressure on corporate profits in the course of 2009. Chart 45 illustrates that, compared with previous forecasts, respondents to surveys conducted by Consensus Economics in May revised down markedly their assessment of the outlook for profit growth in 2009 and to a lesser extent in 2010. A rebound in profit growth in 2010 is nevertheless expected, as also suggested by professional stock market analysts (see Chart 29). The downward revisions in corporate profits in the euro area are likely to have negative repercussions on the employment and investment outlook.

### 3.5 EURO AREA RESIDENTIAL PROPERTY PRICES

As reported in detail in Box 5, the latest available data indicate that annual house price growth continued to ease in 2008, thereby extending the moderating trend that has followed the strong price increases up to 2005.

## RECENT HOUSING MARKET DEVELOPMENTS IN THE EURO AREA

Euro area house price growth continued to ease in 2008, thereby continuing on a moderating trend, following strong price increases in the period leading up to 2005. This box reviews recent developments in residential property prices in the euro area, relates their evolution to selected housing demand and supply factors, and assesses the prospects for house prices.<sup>1</sup>

The most recent data indicate a continued steady downward trend in the growth rate of euro area residential property prices in the second half of 2008.<sup>2</sup> According to the latest available data, annual house price growth in the euro area stood at 0.6% in the second half of 2008, substantially below the peak of 7.7% in the first half of 2005 (see Chart A). More generally, house price growth has fallen considerably below the average increase of 6.6% per annum recorded over the period 1999-2005 – a house price appreciation of nearly 50% in cumulative terms (see table).

A marked slowdown in residential property price growth was recorded for most euro area countries in 2008 and early 2009, with the latest available data pointing to an outright year-on-year decline in house prices recorded in at least six countries (see table). More generally, the data appear to suggest that countries that exhibited the strongest house price increases in the years up to 2005 tend to be those that are currently experiencing the most pronounced correction.

The slowing momentum of euro area house price growth has been associated with a moderation in both housing demand and supply in the euro area. A widely used demand factor is the “crude” or narrow housing affordability measure – defined as the ratio of households’ disposable income to the house price index. As real per capita income did not keep pace with house price growth in the euro area, it led to a fall in the measure over the period 1998-2006 (see Chart B). While this basic measure of affordability has recently improved somewhat, borrowing conditions for households have generally tightened since early 2006 – reflecting a general increase in the nominal interest rates applied on loans to households for house purchase until the latter

Chart A Residential property prices in the euro area

(annual percentage changes; biannual data)



Source: ECB calculations based on national data.

Note: The euro area residential property price aggregate is calculated from national series covering more than 90% of euro area GDP for the whole period.

<sup>1</sup> For a detailed analysis of indicators of housing demand and supply, see the article entitled “Assessing house price developments in the euro area” in the February 2006 issue of the Monthly Bulletin.

<sup>2</sup> It should be noted that there is a high degree of uncertainty in the data used to assess house price developments stemming, particularly, from issues related to coverage, quality control and representativeness.

## Residential property prices in the euro area

(annual percentage changes)

	Weight %	1999-2005 average annual change	2006	2007	2008	2008		2008				2009
						first half	second half	Q1	Q2	Q3	Q4	Q1
Belgium <sup>1)</sup>	3.7	9.4	11.1	9.2	-	-	-	-	-	-	-	-
Germany <sup>2)</sup>	27.0	-0.9	0.2	0.7	0.2	-	-	-	-	-	-	-
Ireland <sup>2)</sup>	2.1	12.2	13.4	0.9	-9.4	-9.0	-9.8	-8.6	-9.4	-10.0	-9.7	-9.8
Greece <sup>2)</sup>	2.5	9.5	12.2	4.6	2.6	2.6	2.7	1.7	3.5	2.4	2.9	-
Spain <sup>2)</sup>	11.7	13.8	10.4	5.8	0.7	2.9	-1.4	3.8	2.0	0.4	-3.2	-6.8
France <sup>1)</sup>	21.1	11.2	12.1	6.6	1.2	3.7	-1.1	4.3	3.0	0.8	-3.0	-6.6
Italy <sup>2)</sup>	17.1	7.5	5.8	4.9	4.2	4.5	3.9	-	-	-	-	-
Cyprus <sup>2)</sup>	0.2	-	10.0	15.0	-	-	-	-	-	-	-	-
Luxembourg <sup>2)</sup>	0.4	11.1	-	-	-	-	-	-	-	-	-	-
Malta <sup>2)</sup>	0.1	10.8	3.5	1.1	-2.7	-1.7	-3.8	-0.7	-2.7	-3.2	-4.4	-
Netherlands <sup>1)</sup>	6.3	7.8	4.6	4.2	2.9	3.7	2.2	4.2	3.1	2.8	1.7	-0.3
Austria <sup>2),3)</sup>	3.0	0.7	4.0	4.1	1.3	1.0	1.6	2.1	-0.2	0.7	2.5	4.3
Portugal <sup>2)</sup>	1.8	2.9	2.1	1.3	3.9	3.1	4.7	2.3	4.0	4.8	4.7	2.7
Slovenia	0.4	-	-	-	-	-	-	-	-	-	-	-
Slovakia <sup>1)</sup>	0.6	-	16.8	23.9	-	32.8	-	34.5	31.2	19.9	-	-
Finland <sup>1)</sup>	2.0	-	7.4	5.9	0.9	3.2	-1.4	3.7	2.7	0.6	-3.4	-
Euro area	100.0	6.6	6.5	4.4	1.7	2.8	0.6	-	-	-	-	-

Sources: National sources and ECB calculations.

Note: Weights are based on 2007 nominal GDP.

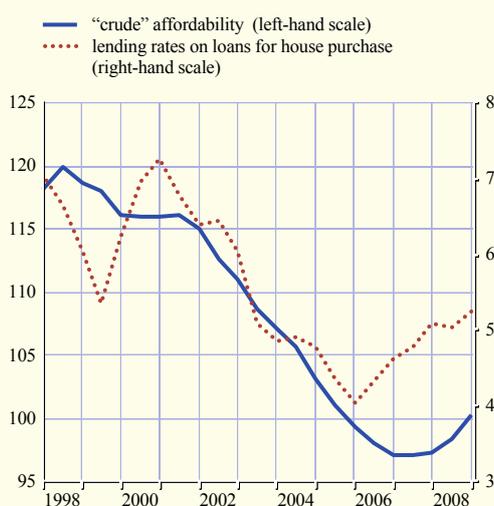
1) Existing dwellings (houses and flats); whole country.

2) All dwellings (new and existing houses and flats); whole country.

3) Up to 2000, data for Vienna only.

## Chart B "Crude" housing affordability and borrowing conditions

(index: 2005 = 100; percentage per annum)



Sources: Eurostat and ECB calculations.

Notes: "Crude" housing affordability is defined as the ratio of households' nominal disposable income to the nominal house price index. Lending rates are calculated as the rate on loans to households for house purchase with an initial rate-fixation period of over five and up to ten years.

part of 2008 – thereby reducing housing affordability. More recently, MFI interest rates on mortgages have fallen and the latest bank lending survey suggests that, in early 2009, bank credit standards eased somewhat.<sup>3</sup> Notwithstanding these developments in credit conditions, there has been a continued decline in the annual growth rate of household loans for house purchase from a peak of over 12% in mid-2006 to -0.2% in April 2009. Taken together, all of the developments described above suggest that housing demand is likely to remain subdued.

Within an environment of subdued housing demand, there have also been signs of rapidly receding housing supply in the euro area. The annual rate of change in real residential investment in the euro area has fallen steadily, from a peak of 6.3% in the second quarter of 2006 to -7.7% in the fourth quarter of 2008 (see Chart C). This also contributed to a steady decline in the share of resources dedicated

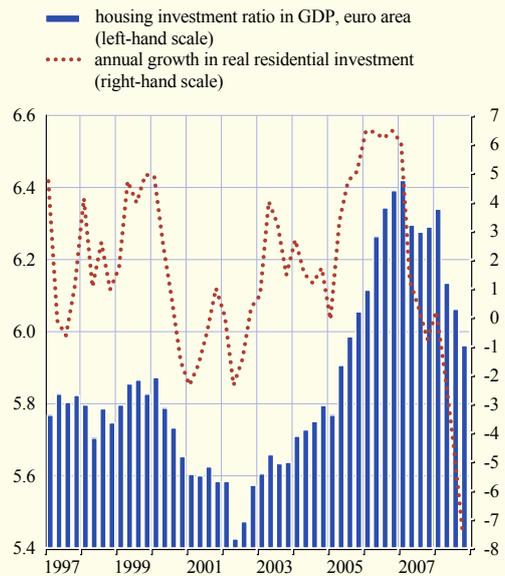
3 See Box 2, entitled "The results of the April 2009 bank lending survey for the euro area", in the May 2009 issue of the Monthly Bulletin.

to housing investment in the economy to the end of 2008. The number of building permits granted, which is often used as a leading indicator for housing investment, has continued to contract sharply and fell by an annual rate of more than 20% at the end of 2008. This suggests that the weakness in housing supply will persist for the time being.

All in all, against the background of the generally strong growth in house prices over the years leading up to 2005 and the recent weakening of activity, housing demand and supply dynamics would suggest that euro area house price growth is likely to moderate further.<sup>4</sup> Meanwhile, historical experience suggests that, in the short term, house prices may sometimes overshoot or undershoot their long-term trend as frictions and lags in the adjustment of the housing supply imply a dominant role for potentially volatile housing demand.<sup>5</sup>

**Chart C Residential investment in the euro area**

(percentage; annual percentage changes)



Sources: Eurostat and ECB calculations.

- 4 This signal from a supply and demand analysis is consistent with indications from an asset-pricing approach applied to housing. Specifically, the ratio of the euro area house price index relative to the rent component of the HICP index remains somewhat elevated compared with its long-term average. In addition to the evolution of the rental yield, stable low-frequency variation in expected returns may also have contributed to large and persistent swings in euro area house prices – see Hiebert and Sydow (2009), “What drives returns to euro area housing? Evidence from a dynamic dividend discount model”, ECB Working Paper No 1019.
- 5 As indicated in “Structural factors in EU housing markets”, ECB (2003), the long-term development of house price inflation can be expected to exceed that of inflation for the economy as a whole, given – all else being equal – the scarcity of land that can be exploited for construction purposes and the fact that productivity in new home construction is lower than that in the overall economy. This may, however, be tempered by other factors, such as demographic change, which would also be expected to influence strongly the long-term development of house prices.

### 3.6 THE OUTLOOK FOR INFLATION

According to Eurostat’s flash estimate, euro area annual HICP inflation dropped in May to 0.0%, from 0.6% in April. The further decline in inflation rates was fully anticipated and primarily reflects base effects resulting from the sharp swings in global commodity prices over the past 12 months. Signs of a more broad-based reduction in inflationary pressures are increasingly emerging. According to available indicators, the strong decline in inflation has so far not been met by a comparable rate of decline in labour costs. The annual rate of growth in negotiated wages remained elevated at 3.2% in the first quarter of the year, compared with 3.6% in the last quarter of 2008. Nevertheless, available information points to a stronger decline in compensation per employee growth through a number of different adjustment measures. These include reductions in weekly working hours, cuts in bonuses and benefits, and changes in the composition of employees, whereby expensive labour is shed first. Reductions in normal working hours reduce compensation per employee due to the resulting downward impact on overall compensation with unchanged employment.

Owing to base effects, annual inflation rates are projected to decline further and temporarily remain negative over the coming months, before returning to positive territory by the end of 2009. Looking further ahead, price and cost developments are expected to remain dampened in the wake of ongoing sluggish demand in the euro area and elsewhere. According to the June 2009 Eurosystem staff projections, euro area annual HICP inflation is seen to range between 0.1% and 0.5% in 2009 and between 0.6% and 1.4% in 2010. Indicators of inflation expectations over the medium to longer term remain firmly anchored in line with the Governing Council's aim of keeping inflation rates below, but close to, 2% over the medium term. Risks to these projections are broadly balanced. On the downside, these risks relate in particular to the outlook for economic activity, while on the upside they relate to higher than expected commodity prices. Furthermore, increases in indirect taxation and administered prices may be stronger than currently expected owing to the need for fiscal consolidation in the coming years.

## 4 OUTPUT, DEMAND AND THE LABOUR MARKET

Reflecting the impact of the financial market turmoil, and in particular a sharp fall in global demand and trade, economic activity weakened considerably in the first quarter of 2009. According to Eurostat's first estimate, economic activity in the euro area contracted by 2.5% quarter on quarter, after a decline of 1.8% in the fourth quarter of 2008. This will have a significant negative impact on the average growth rate for 2009. However, more recently, there have been improvements in survey data, albeit at very low levels. In line with such evidence, after the extremely weak first quarter, activity over the remainder of this year is expected to decline at much less negative rates. After a stabilisation phase, positive quarterly growth rates are expected by mid-2010.

According to the June 2009 Eurosystem staff macroeconomic projections, euro area annual real GDP growth will range between -5.1% and -4.1% in 2009 and between -1.0% and 0.4% in 2010. The risks to the economic outlook are balanced.

### 4.1 REAL GDP AND DEMAND COMPONENTS

The pace of euro area activity declined markedly in early 2009 following a continued contraction in both domestic and world demand. According to Eurostat's first estimate, published on 3 June, euro area real GDP contracted by 2.5% (quarter on quarter) in the first quarter of 2009, following a 1.8% decline in the last quarter of 2008 (see Chart 46). The quarter-on-quarter decline in real GDP in the first quarter of 2009 was the sharpest observed since the early 1970s, the first period for which euro area data are available. Survey data suggest that euro area growth will continue to contract in the second quarter of 2009, but the pace of contraction is expected to decline gradually, indicating that an inflection point in the decline of euro area activity was reached in the first quarter.

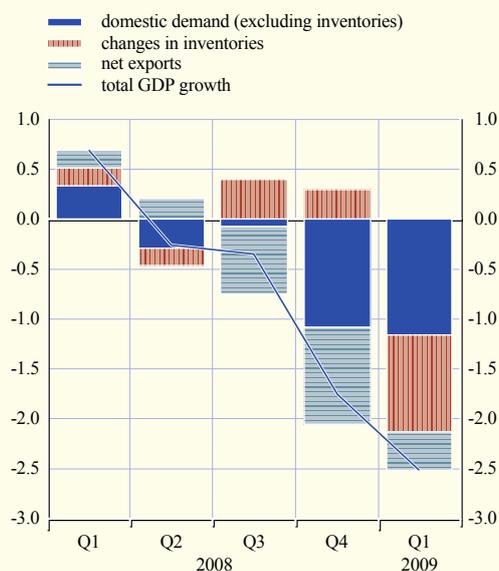
As in the latter part of 2008, the deterioration in demand was broadly based across its components in early 2009. External demand has continued to slow as activity in advanced economies and emerging markets has weakened. Domestic demand has also softened, with investment registering a significant decline and consumption moderating. The expenditure breakdown for the first quarter confirms this picture. Both domestic demand and net trade made a further significant negative contribution to growth. Inventories also made a negative contribution to growth. The following sub-sections discuss demand developments in more detail.

#### PRIVATE CONSUMPTION

Households reduced their spending notably in late 2008 and the first quarter of 2009. Recent indicators suggest that consumption will remain weak throughout the rest of the year. This assessment is supported by developments in retail confidence and consumer confidence, two survey-based indicators which over time tend to predict the trends in household spending

Chart 46 Real GDP growth and contributions

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



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

reasonably well (see Chart 47). Since early spring both series have stabilised at low levels, providing some indication that consumer sentiment may have bottomed out.

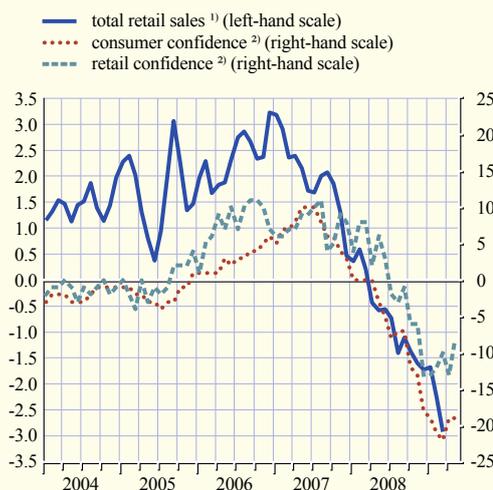
Data for the first quarter of 2009 show that retail sales (which make up around 45% of consumer spending) continued to contract, broadly at the same rate as in the last quarter of 2008. The decline in retail sales in early 2009 mainly stemmed from lower sales of food, beverages and tobacco, whereas the non-food components, as well as new car registrations, have shown more resilience. Car sales have to a large extent benefited from government-sponsored subsidies for consumers who scrap old cars and buy new ones. Such measures were first introduced in France, followed by a larger scheme in Germany. The perceived successfulness of these subsidies has led other euro area countries to introduce similar incentives, including subsidised loans for new car purchases.

Turning to the determinants of private consumption, growth in households' real disposable income has remained resilient during the downturn. Relatively strong growth in compensation per employee supported aggregate household income in 2008 (see the "Prices and costs" section), but this was countervailed by a sharp rise in inflation in the first half of 2008, driven chiefly by large increases in food and energy prices. Looking ahead, the growth rate of households' real disposable income is expected to be more subdued throughout the rest of 2009 and early 2010. This assessment can to a large extent be linked to an expected further deterioration in euro area labour market conditions (see Section 4.2). However, low inflation will continue to provide some support for real income in the months ahead. In addition, automatic fiscal stabilisers at work through increased government transfers (such as unemployment benefits) and lower personal income tax payments will also help to moderate the reduction in income, particularly for those households directly affected by the worsening labour market conditions.

Household spending decisions have also been severely affected by expectations regarding lifetime income, which in addition to expected future income also includes returns on financial and real estate wealth. Since the financial market turmoil began in mid-2007, developments in euro area financial assets have, for most consumers, had an adverse wealth impact which has been heightened by subdued developments in house prices (see Box 5). The developments in the financial market, coupled with house price developments, have probably further contributed to depressing consumption over the last year. Recently, however, euro area stock markets have recovered significantly. Although the real economic impact of such short-term asset price fluctuations should not be overestimated, the recent stabilisation of stock markets may help to dampen somewhat the negative effects of the sharp decline in stock markets since mid-2007. Nevertheless, it should be noted that the propensity to consume out of changes in financial and real estate wealth is relatively small in the euro area.

Chart 47 Retail sales and confidence in the retail trade and household sectors

(monthly data)



Sources: European Commission Business and Consumer Surveys and Eurostat.

Notes: Data refer to the euro area including Slovakia.

1) Annual percentage changes; three-month moving averages; working day-adjusted. Also excludes fuel.

2) Percentage balances; seasonally and mean-adjusted.

Reflecting the rise in economic and financial uncertainties, the household saving ratio increased during 2008. Survey data suggest that this trend has continued over the past few months. The increase in the saving ratio has been fairly widespread, in particular in countries where strong deteriorations in the labour market situation and sharp declines in house prices have been witnessed and private households are highly indebted. Looking ahead, these factors, coupled with higher than normal macroeconomic and financial market uncertainty, will probably continue to weigh on households' willingness to consume out of disposable income in 2009.

To sum up, although a substantial fall in commodity prices since last year has boosted consumers' purchasing power, household wealth has fallen and the deteriorating labour market situation is expected to dampen labour income over the coming quarters. As a result, consumption is expected to remain subdued in the short term before gradually recovering in the course of 2010.

#### **INVESTMENT**

In line with previous episodes of economic slowdown, private investment has been one of the main drivers of the current sharp contraction in economic activity. In the first quarter of 2009 investment declined by 4.2% (quarter on quarter). Looking ahead, private investment is expected to contribute negatively to euro area economic activity in both 2009 and 2010. This assessment is consistent with expected weak final demand and overall continued tight financing conditions.

Construction investment, which includes residential and commercial building, accounts for about half of total investment and developments in construction therefore have a significant influence on aggregate investment. The level of construction investment has declined each consecutive quarter since the second quarter of 2008. The markets for commercial properties tend to be very cyclical owing to their links with firms' earnings potential and the fact that commercial property is bought as a speculative investment more often than residential property. The residential property markets also tend to move in tandem with the business cycle, but the fluctuations are usually much less pronounced.

Taking developments in these two markets in turn, residential house prices in the euro area decelerated from an annual growth rate of 7.7% in the first half of 2005 to 0.6% in the second half of 2008. Moderating or falling residential house prices make residential investment less profitable, which tends to depress construction investment. The fluctuations in the value of commercial properties have been even more pronounced than those observed for residential properties. Commercial property capital values in the euro area fell from an annual growth rate of 10.6% in 2005 to -12% in 2008. The recent correction in commercial property markets, which has largely been driven by a reduced demand for renting commercial property space, has probably also led to lower demand for commercial buildings.

Looking ahead, a further reduction in demand for both residential and commercial properties cannot be ruled out, given the weak economic outlook and expectations of a further deterioration in labour markets. As a result, construction investment will probably continue to slow during the coming quarters. The pace of contraction is, however, expected to decline.

The second large component of aggregate investment is business investment (mainly assets intended for use in the production of goods and services). Business investment has also declined sharply over the last year. Weakened demand, low business confidence, negative earnings growth and historically low capacity utilisation, coupled with tight lending standards, have been the main contributing factors to the slowdown in business investment.

It is important to note that in times of more stable macroeconomic conditions (i.e. when economic activity is fluctuating closely around its potential), expected future output and proxies of firms' cost of finance can account for a large part of movements in business investment. During severe economic downturns, however, financing constraints and firms' leverage tend to play a more prominent role in explaining investment dynamics. Such financial constraints are difficult to quantify, but qualitative surveys can provide some indications. In this regard, the Eurosystem bank lending surveys have shown that euro area banks have gradually tightened their financing conditions throughout the economic downturn. The latest survey, conducted in April 2009, showed that in the first quarter of 2009 the net percentage of banks reporting a tightening of credit standards on loans and credit lines to enterprises was 43%, which – while still reflecting a pronounced further net tightening – was 21 percentage points lower than in the fourth quarter of 2008. This provides some indication that financial constraints have begun to exert less additional pressure on euro area firms' business investment. In the same vein, the reductions in key ECB interest rates since October 2008, coupled with increased risk appetite, have led to a lower real cost of finance for euro area non-financial firms.

All in all, expectations of further subdued prospects for the euro area housing markets, weak external and domestic demand, and financing constraints will probably weigh on aggregate investment over the medium term.

#### GOVERNMENT CONSUMPTION

Relative to other components of demand, government consumption continued to expand at a stable pace in 2008. Following growth of 0.4% in the fourth quarter of 2008, public consumption remained unchanged, at a growth rate of 0.0% (quarter on quarter), in the first quarter of 2009. Looking ahead, government consumption, which typically consists of expenditure on collective services such as defence, justice, health and education, and tends to be less exposed to cyclical developments than other components of demand, should continue to provide some support for domestic demand in the months ahead.

Nevertheless, government consumption is not expected to be affected by the current fiscal stimulus packages. From 2009-11, more than half of the fiscal impulse on GDP growth is expected to come from government investment, with additional contributions coming from transfers to households and changes in labour taxes.

#### INVENTORIES

The inventory pattern observed during the current slowdown is broadly in line with historical experience. In general, at the beginning of a downturn, involuntary stock building occurs, as there is some delay in adjusting production in line with the fall in demand. This period is followed by a process of destocking as companies seek to reduce the level of their inventories by cutting production more aggressively than would be warranted by the expected contraction in demand. Later on, when the economy recovers, the contribution from inventories starts to rise again. See the box entitled "Recent developments in stock building" in the May 2009 issue of the Monthly Bulletin.

Inventories made a positive contribution to euro area GDP growth in the second half of 2008 as firms increased stocks. This may have been because firms were surprised by the speed and extent of the slowdown in global and domestic demand. If they were unable to adjust production sufficiently, firms would have been left with a build-up of stocks. Data for the first quarter of 2009 showed that this trend was reversed and inventories made a negative contribution of 1.0 percentage point to euro area GDP growth. Survey-based evidence suggests that a destocking also took place in the

second quarter of 2009 in the face of falling sales and a bleak economic outlook. In the latter part of 2009, it seems likely that the pace of destocking will slow down and, as a consequence, inventories should contribute positively to euro area GDP growth.

## **TRADE**

As discussed in the section entitled “The external environment of the euro area”, following the contraction in the global economy in the fourth quarter of 2008, economic activity across the globe remained very weak in the first quarter of 2009. Increased difficulties in obtaining trade credit have frequently been cited as a possible cause of the sudden contraction in world trade in late 2008. However, as in the euro area, recent survey indicators point to a deceleration in the pace of decline in global economic activity.

Consistent with the collapse in global demand, euro area exports declined sharply, by 8.1% quarter on quarter during the first quarter of 2009. Euro area exports are expected to continue to decline throughout 2009. There are a number of factors behind this assessment, including the fact that the global drop in investment in equipment and machines particularly affects euro area countries that are more specialised in capital goods. In addition, euro area exporters are expected to continue to lose market share, partly owing to past appreciations of the exchange rate of the euro and partly owing to the existence of competitors, mainly from emerging markets. In general, the euro area’s relatively high level of trade openness can account for much of the observed drop in exports in recent months and also explains why the euro area has been affected more strongly in terms of exports than most other major economies, including the United States.

As final domestic demand has slowed, euro area imports have also tended to moderate over the past year. Imports fell in the first quarter of 2009 by 7.2% compared with the last quarter of 2008, owing to weak private consumption and the sharp drop in investment. However, with exports falling faster, the contribution of net trade to GDP growth remained negative in the first quarter of 2009.

## **4.2 OUTPUT, SUPPLY AND LABOUR MARKET DEVELOPMENTS**

A key determinant of inflationary pressure is the degree of spare capacity in the economy. As discussed above, euro area output fell markedly in the latter part of 2008 and early 2009. As a result, although most measures of potential output in the euro area moderated over the same period, the spare capacity within the economy increased and the capacity pressures within businesses abated very quickly. By April euro area capacity utilisation in the industrial sector had fallen to a new record low of 70.5, a long way below its average level of 81.8 and also well below the trough reached during the 1990s recession. Capacity utilisation is at record lows in all main industrial groupings but lowest in the intermediate and capital goods industries.

From a value added sectoral perspective, all economic sectors have contributed to the contraction in economic activity over the past two quarters, but the decline has been most pronounced in the industrial sector. At the same time, conditions in the labour market have also deteriorated (see the labour market section below). The euro area unemployment rate rose to 9.2% in April, up by 0.3 percentage point on the previous month.

## **SECTORAL OUTPUT**

The sharp drop in economic activity in the last quarter of 2008 and the first quarter of 2009 took place across all economic sectors. The most negative contribution was recorded in the industrial

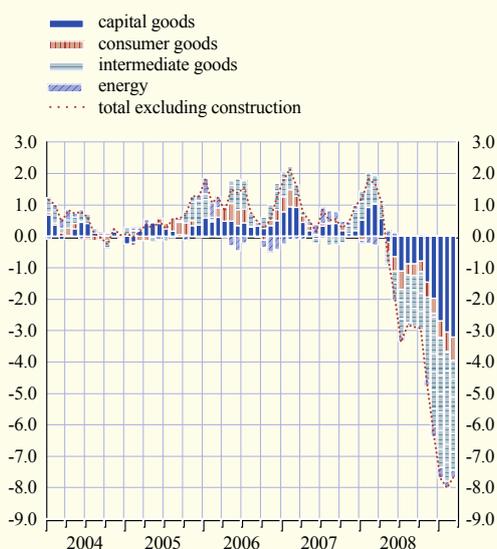
sector (see Chart 48). Value added in the manufacturing sector has been hit by the sharp slowdown in domestic and external demand, with activity shrinking in each of the major sub-sectors. The pace of contraction in industrial production in the first quarter of 2009 was unprecedented. The overall decline in production in the euro area over the past half year has been so severe that it has offset almost all the expansion recorded over the past ten years. Among the main industrial groupings, production has fallen close to its level of early 1999, in the case of capital goods, or even below that level, in the case of intermediate and consumer goods. Production only remained clearly above its 1999 level in the less cyclical energy sector.

Business surveys signal that the contraction in industrial activity has recently passed an inflection point and has begun to moderate somewhat, albeit starting from very negative rates (see Chart 49). The manufacturing Purchasing Managers' Index has increased over the past three months (covering the period from March to May), albeit remaining below the reference level of 50 and thus indicating a further decline in activity. Other industrial confidence surveys and anecdotal evidence confirm a less pessimistic picture within the euro area industrial sector.

As in the industrial sector, value added in the construction sector has fallen in each consecutive quarter since the second quarter of 2008. The downturn in construction differs in its intensity across sub-sectors and countries. The decline has been more severe in residential and commercial property, while civil engineering has shown greater resilience. The vast majority of euro area countries

**Chart 48 Industrial production growth and contributions**

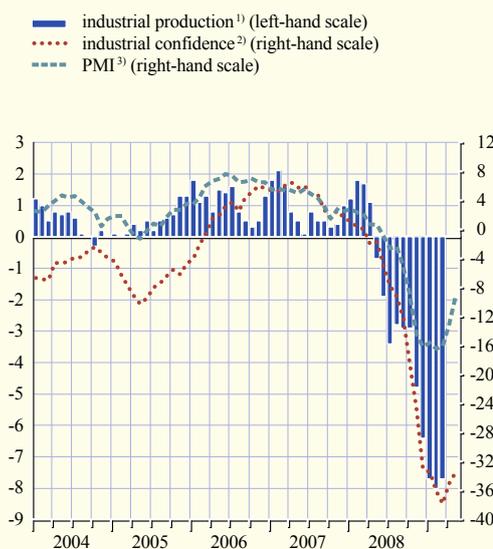
(growth rate and percentage point contributions; monthly data; seasonally adjusted)



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

**Chart 49 Industrial production, industrial confidence and the PMI**

(monthly data; seasonally adjusted)



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

suffered a decline in construction production in 2008 and early 2009, although the intensity differed, with the sharpest declines occurring in Ireland and Spain.

Services sector output growth, which had hovered in positive territory since the financial market turmoil began in mid-2007, turned negative in the last quarter of 2008 (quarter on quarter) and the decline accelerated in the first quarter of 2009. The past two quarterly declines in overall services output mainly stemmed from trade and transportation (which tend to be the most cyclical and volatile among the services sub-components), while output also declined in financial and business services.

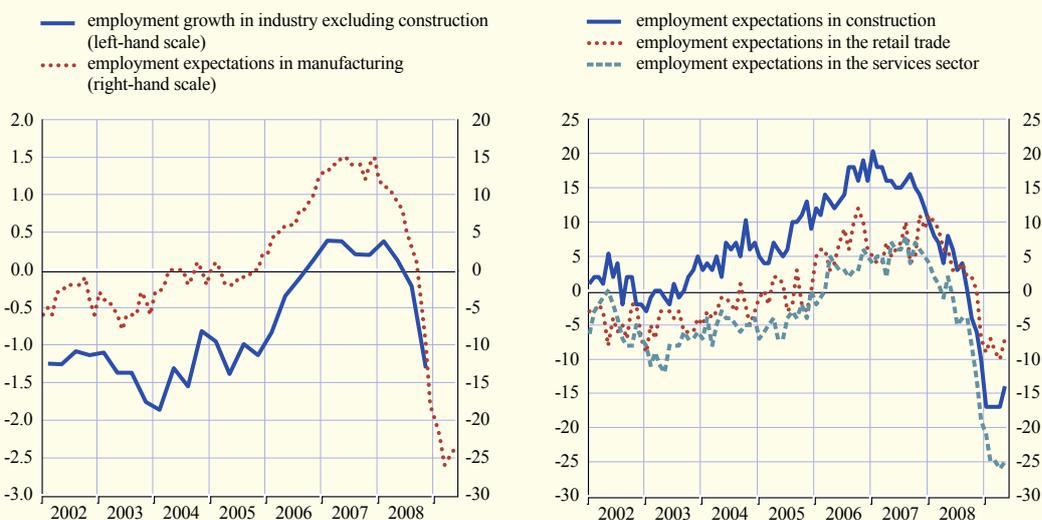
Looking ahead, the short-term outlook for overall activity remains bleak and output is expected to contract further in the course of 2009. Capacity utilisation within manufacturing firms slumped to the lowest level seen since the European Commission began its survey of the industrial sector in 1990, and other measures also signal abating capacity pressures. At the same time, both surveys and anecdotal evidence suggest that the pace of contraction across most economic sectors will gradually decline during the latter part of 2009.

#### LABOUR MARKET

Employment growth typically lags business cycle fluctuations. The lags differ across sectors. For instance, the construction sector usually employs many temporary workers. As a result, during an economic slowdown, labour tends to be reduced more quickly in this sector than in the industrial and services sectors, where adjusting downwards the number of employees tends to be more costly. Firms and sectors for which it is very difficult to dismiss and re-hire employees are likely to take a “wait and see” approach and initially decide to hoard labour and reduce working hours when the economy slows down. A slowdown in economic activity coupled with labour hoarding tends to cause measured productivity per person to fall.

**Chart 50 Employment growth and employment expectations**

(annual percentage changes; percentage balances; seasonally adjusted)



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

**Table 8 Employment growth**

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

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

Sources: Eurostat and ECB calculations.

Note: Data refer to the euro area including Slovakia.

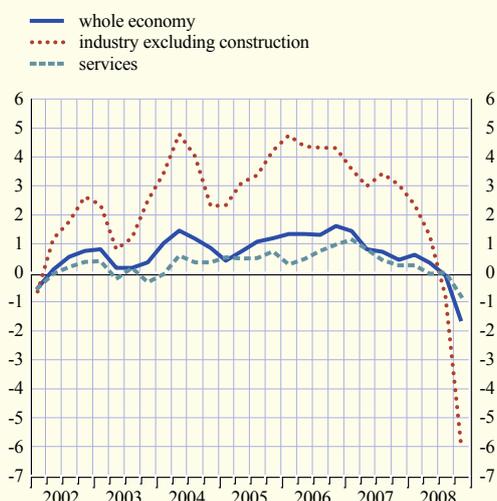
1) Also includes education, health and other services.

These general features of the euro area labour markets seem to hold also during the current recession, as employment fell earlier in the construction sector than in other segments of the economy (see Table 8). Reflecting widespread labour hoarding in the industrial sector, productivity has declined significantly (see Chart 51).

Another important feature of the current recession is that government-supported work schemes are increasingly being implemented in several euro area countries (see also the box entitled “Labour market adjustments during the current contraction of economic activity”). The structures of the schemes differ across countries, sometimes being referred to as short-time work and sometimes as

**Chart 51 Labour productivity**

(annual percentage changes)

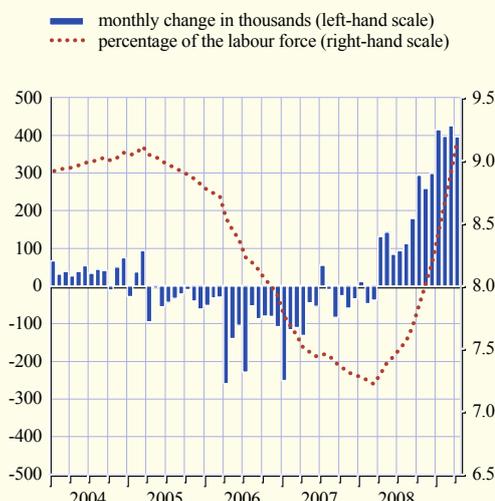


Sources: Eurostat and ECB calculations.

Note: Data refer to the euro area including Slovakia.

**Chart 52 Unemployment**

(monthly data; seasonally adjusted)



Source: Eurostat.

Note: Data refer to the euro area including Slovakia.

temporary unemployment, and they are very heterogeneous in their legal requirements as well as their benefits.

During the latter part of 2008 and early 2009, the situation in the labour markets deteriorated significantly. The euro area unemployment rate rose to 9.2% in April, up by 0.3 percentage point on the previous month (see Chart 52). The rise was broadly based across all euro area countries, but continues to be particularly strong in Spain, Ireland and Slovakia. Similarly, employment contracted by 0.3% (quarter on quarter) in the last quarter of 2008 (see Table 8).

Consistent with survey-based evidence and looking ahead, following the strong contraction in output in late 2008 and in early 2009, firms may be less capable of hoarding labour (see Chart 50). Further gradual increases in the euro area unemployment rate can be expected in the months ahead. The deterioration in labour markets may accelerate if the implemented temporary short-time schemes are ultimately followed by job losses.

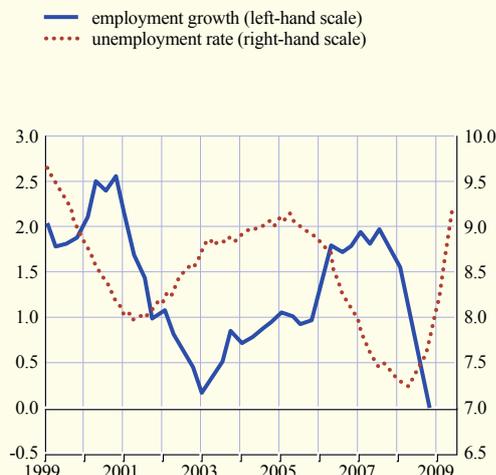
#### Box 6

### LABOUR MARKET ADJUSTMENTS DURING THE CURRENT CONTRACTION OF ECONOMIC ACTIVITY

The contraction of economic activity in the euro area is increasingly affecting labour market conditions. Euro area unemployment increased from 7.3% in the first three months of 2008 to 9.2% in April this year, and employment remained virtually unchanged in the last quarter of 2008, given a year-on-year growth rate of 0.1% (Chart A). Looking at employment growth in the euro area broken down by sector (Chart B), the largest declines occurred in the manufacturing and construction sectors (6.4% and 1.3% respectively), while market services, including financial

**Chart A Employment growth and unemployment**

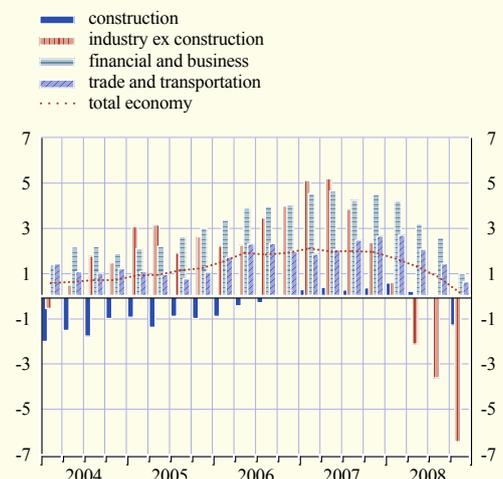
(annual percentage changes; percentage of the labour force)



Source: Eurostat.

**Chart B Employment growth by sector**

(annual percentage changes)



Sources: Eurostat and ECB.

and business as well as trade and transportation services, still exhibited slightly positive growth (0.8%) in year-on-year terms. Cross-country differences in the pattern of sectoral production have had an impact on the respective country's labour market vulnerability during this contraction and the extent to which the national unemployment rates are affected. In addition, cross-country differences in labour market institutions affect the repartitioning of adjustment between employment and wages, between specific groups of the workforce and between employees working under different types of contracts.<sup>1</sup>

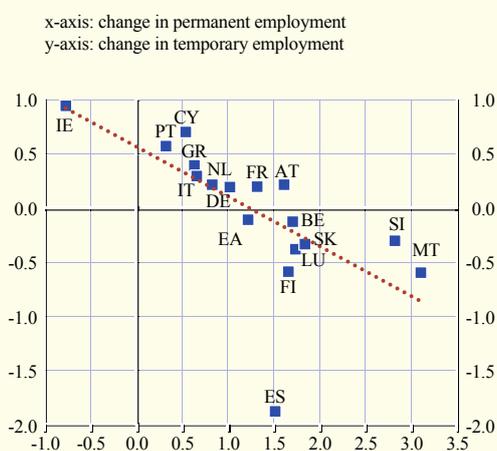
There was a negative relationship between the change in temporary employment and permanent employment as a percentage of the active population between 2007 and 2008 (Chart C). It is inherent to the nature of temporary employment to be more exposed to economic fluctuations. In recent years, temporary employment has boomed, as the changes in legislation on employment protection over the past decade have mainly affected this segment of the labour market. Employment protection for permanent workers, by contrast, has remained largely unchanged.

In several countries, the impact on employment has been contained by short-time working schemes and other measures to mitigate the effects of the economic contraction and avoid the shedding of labour. Moreover, the schemes have often been accompanied by government subsidies aimed at maintaining the purchasing power of affected workers in the short run. In the past, the construction sector, in particular, benefited from schemes to reduce excessive turnover due to seasonal cyclicality, while the current crisis has seen a sharp increase in these measures especially in the manufacturing sector. Indeed, different measures of hours worked at the country level indicate that the growth of hours worked was lower than that of employment. However, there is no series of official quarterly data on hours worked at the euro area level currently available.

1 See the cross-country comparison of institutions in P. du Caju, E. Gautier, D. Momferatou and M. Ward-Warmedinger, "Institutional features of wage bargaining in 23 European countries, the US and Japan", ECB Working Paper No 974, 2008.

**Chart C Changes in temporary and permanent employment in euro area countries**

(difference between 2007 and 2008 as share of active population; percentage points)



Source: Labour Force Survey.

**Chart D Euro area labour cost indicators**

(annual percentage changes)



Sources: Eurostat and ECB.

At the same time, measures of annual wage growth remained relatively high until the end of 2008, following their strong increase at the beginning of 2008 (Chart D). The small adjustment in wages seen so far is partly related to the fact that most contracts are multi-year contracts and were concluded before the contraction started. A decomposition of changes in total compensation of employees into wages and employment highlights that, in the fourth quarter of 2008, the year-on-year growth of compensation per employee remained unchanged in comparison with that recorded in the fourth quarter of 2007, while employment growth fell by 2 percentage points over this period.

In the light of relatively rigid negotiated wages, firms seem to have been using alternative measures to adjust labour costs,<sup>2</sup> especially since the end of 2008. These measures include cuts in bonuses and other benefits affecting variable pay. In addition, freezes and cuts in basic wages or a postponement of previously agreed wage increases have taken place to safeguard employment, often in agreement between social partners. Finally, some wage increases were made in the form of one-off payments, or were limited in their overall amounts.

Short-time work and partial unemployment are efficient tools to protect some of the human capital in a company if the downswing is of a short-term nature. If used extensively over a prolonged period of time, however, the financial support of such government measures reduces the incentives for firms and workers to reallocate. In addition, over time, these measures generate a major fiscal burden without creating incentives for investment to foster recovery. The reallocation of workers across firms and sectors is important in order to make it easier to exploit profitable investment opportunities that emerge with the onset of a recovery. It is thus an important contributor to easing and supporting a recovery. At the same time, the reintegration of unemployed into the labour process in the future would be facilitated by labour market institutions that provide for mobility and foster investment in training and education.

<sup>2</sup> See the article entitled “New survey evidence on wage setting in Europe” in the February 2009 issue of the Monthly Bulletin.

### 4.3 THE OUTLOOK FOR ECONOMIC ACTIVITY

The pace of euro area economic activity continued to weaken in the course of the first quarter of 2009, in parallel with the ongoing downturn in the world economy. According to Eurostat’s first estimate, economic activity in the euro area contracted by 2.5% quarter on quarter, after a decline of 1.8% in the fourth quarter of 2008. This will have a significant negative impact on the average growth rate for 2009. However, more recently, there have been improvements in survey data, albeit at very low levels. In line with such evidence, after the extremely weak first quarter, activity over the remainder of this year is expected to decline at much less negative rates. After a stabilisation phase, positive quarterly growth rates are expected by mid-2010.

According to the June 2009 Eurosystem staff macroeconomic projections, euro area annual real GDP growth will range between -5.1% and -4.1% in 2009 and between -1.0% and 0.4% in 2010. The risks to the economic outlook are balanced. On the positive side, there may be stronger than anticipated effects stemming from the extensive macroeconomic stimulus under way and from other policy measures taken. Confidence may also improve more quickly than currently expected. On the other hand, concerns remain relating to the following potential factors: a stronger impact on the real economy from the turmoil in financial markets, more unfavourable developments in labour markets, the intensification of protectionist pressures and, finally, adverse developments in the world economy stemming from a disorderly correction of global imbalances.

## 5 FISCAL DEVELOPMENTS

Eurostat's notification of the euro area general government deficit in 2008 was 1.9% of GDP. The spring 2009 economic forecast of the European Commission projects a rapid, widespread and greater than previously expected fiscal deterioration this and next year. All but three euro area countries are projected to breach the 3% of GDP deficit reference value in 2009 and 2010, and 11 euro area countries are projected to have a debt ratio in excess of the reference value of 60% of GDP in 2010. In addition, in the wake of the financial sector stabilisation measures, substantial contingent liabilities have been accumulated. The projected fiscal impulse can mainly be attributed to the operation of automatic fiscal stabilisers, revenue shortfalls and active fiscal stimulus measures in response to the sharp economic downturn, as well as the built-in momentum of government expenditure growth. An ambitious adjustment effort will be required to ensure the swift correction of excessive deficits. In addition, it will be necessary to formulate and implement ambitious medium-term budgetary objectives to safeguard fiscal sustainability.

### FISCAL DEVELOPMENTS IN 2008

The euro area general government deficit in 2008 was 1.9% of GDP, according to Eurostat's spring 2009 fiscal notification, following a deficit of 0.6% in 2007 (see Table 9). Five euro area countries reported a deficit in excess of 3% of GDP (Ireland, Greece, Spain, France and Malta).

For four euro area countries breaching the 3% of GDP reference value in 2008, the Council of the European Union initiated excessive deficit procedures in its meeting on 27 April 2009. Ireland, Spain and France were given extended deadlines for the correction of their excessive deficits in view of the ongoing recession, which, according to the European Commission and the Council, constitutes "special circumstances". These deadlines are 2012 for Spain and France and 2013 for Ireland. The Council also initiated an excessive deficit procedure for Greece, based on excessive deficits in 2007 and 2008, with 2010 as the deadline for correction. Furthermore, the Commission has taken the first step for initiating an excessive deficit procedure for Malta on 13 May 2009. This step had already been taken on the basis of the autumn 2008 notification, however the procedure was then not taken any further as the excess over the deficit reference value was viewed as being small and temporary. However, in the spring 2009 notification, Malta's deficit in 2008 was revised upwards to 4.7% of GDP.

Table 9 Fiscal developments in the euro area

(as a percentage of GDP)

	2005	2006	2007	2008	2009	2010	Total change 2008-10
<b>General Government</b>							
a. Total revenue	44.8	45.3	45.4	44.7	44.8	44.4	-0.3
b. Total expenditure	47.3	46.6	46.1	46.6	50.1	51.0	4.3
Budget balance (a-b)	-2.5	-1.3	-0.6	-1.9	-5.3	-6.5	-4.6
Primary budget balance	0.4	1.6	2.3	1.1	-2.3	-3.3	-4.4
<b>Contribution to the budget balance</b>							
Cyclical component	0.0	0.7	1.2	1.0	-1.4	-1.8	-2.8
Interest expenditure	2.9	2.9	2.9	3.0	3.0	3.2	0.2
Cyclically adjusted budget balance	-2.5	-1.9	-1.9	-2.9	-3.9	-4.7	-1.9
Cyclically adjusted primary balance	0.4	0.9	1.1	0.1	-0.9	-1.5	-1.6
Structural balance	-2.7	-2.0	-1.8	-2.8	-3.9	-4.7	-1.9
Gross debt	70.0	68.3	66.0	69.3	77.7	83.8	14.5
Memo item: real GDP (percentage change)	1.7	2.9	2.7	0.8	-4.0	-0.1	

Sources: European Commission's spring 2009 economic forecast and ECB calculations.

The general government debt for the euro area stood at 69.3% of GDP in 2008, compared with 66.0% in 2007. The increase in debt was mainly financed by short-term debt instruments. Eight out of sixteen euro area countries notified debt ratios above the 60% of GDP reference value. Particularly strong increases in government indebtedness were recorded in Ireland, the Netherlands, Luxembourg and Belgium, where significant deficit-debt-adjustments occurred owing to financial market stabilisation measures. Since Eurostat has not yet published a decision on several issues related to the statistical recording of the interventions by governments in the financial crisis, future revisions to deficit and debt data cannot be excluded.

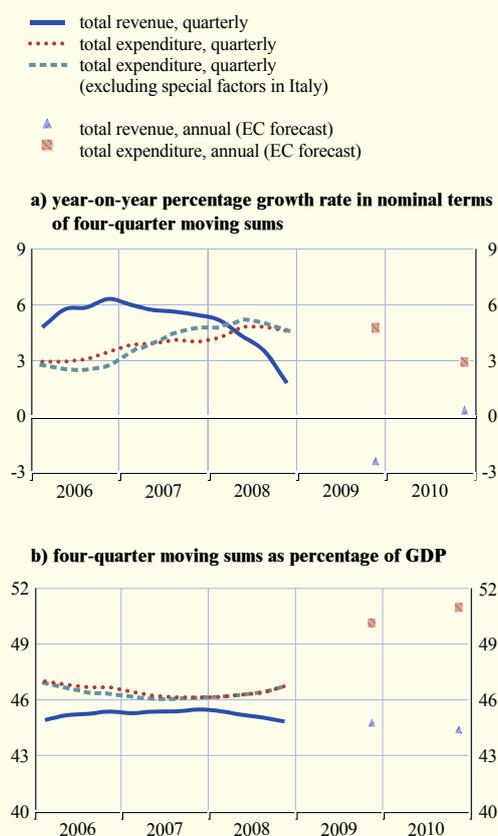
### FISCAL OUTLOOK FOR 2009 AND 2010

The outlook for public finances in the euro area is bleak. According to the spring 2009 economic forecast of the Commission, the euro area general government deficit will increase to 5.3% of GDP in 2009 and 6.5% in 2010 (see Table 9). Only three euro area countries, Cyprus, Luxembourg and Finland, are projected not to breach the 3% of GDP reference value in 2009 and 2010. The projected increase in deficits is a result of the deterioration in the macroeconomic environment (through the operation of automatic fiscal stabilisers and revenue shortfalls), active fiscal stimulus measures in response to the sharp economic downturn (which amount to almost 2% of GDP cumulatively over two years), as well as the built-in momentum of government expenditure growth. Of the total fiscal impulse in the euro area of 4.6% of GDP in 2009 and 2010 (corresponding to the change in the budget balance over this period) included in the Commission's forecast, 2.8 percentage points can be attributed to the cyclical component, i.e. the impact of macroeconomic developments.

According to the Commission's forecast, the decline in nominal revenue growth in the euro area, which is visible in the available quarterly government finance statistics until the end of 2008, is set to continue (see Chart 53a). Revenues are projected to decline by almost 3% this year, and stabilise in 2010. Nominal expenditures are projected to continue to grow around the same rate in 2009 as in 2008, with growth slowing down to around 3% in 2010. In combination with nominal GDP shrinking in 2009, the continued expenditure growth results in a projected strong rise of the euro area expenditure ratio from 46.6% of GDP in 2008 to 51.0% in 2010 (see Chart 53b).

Regarding the components underlying the projected increase in the deficit, the current sharp economic downturn complicates the

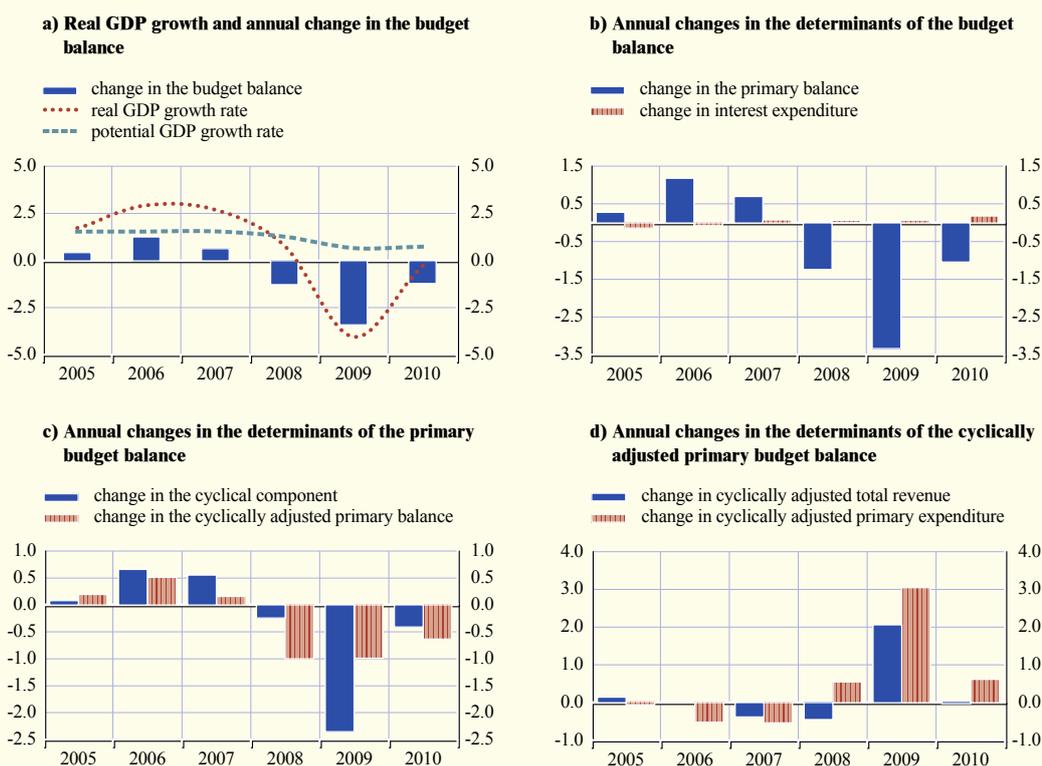
Chart 53 Quarterly government finance statistics and projections, euro area



Sources: ECB calculations based on Eurostat and national data, European Commission's spring 2009 economic forecast. Note: The charts show the evolution of total revenue and total expenditure in terms of four-quarter moving sums for the period from Q1 2006 to Q4 2008, plus the annual projections for 2009 and 2010 from the European Commission's spring 2009 economic forecast. In the case of Italy, the special factors excluded from total expenditure were related to a takeover of railway debt.

Chart 54 Determinants of budgetary developments in the euro area

(in percentage points of GDP; percentage changes)



Sources: European Commission's spring 2009 economic forecast and ECB calculations.

calculation of the potential growth rate, exacerbating the well-known difficulties in assessing the cyclical contribution to the fiscal deterioration. The projected budgetary deterioration in the euro area is estimated to be mostly driven by the large primary deficit, while increased interest payments provide a minor contribution (see Chart 54a and 54b). The worsening of the primary budget balance in 2009 can be attributed, first and foremost, to the large negative cyclical contribution, whereas in 2010 fiscal loosening is expected to have a larger relative importance (see Chart 54c).

Reflecting the high (primary) deficits, the need to finance capital injections and asset purchases in support of financial institutions, as well as projected negative real GDP growth rates in 2009 and 2010, the euro area average general government debt-to-GDP ratio is expected to increase from 69.3% of GDP in 2008 to 83.8% in 2010. The debt ratio is projected to increase in almost all euro area countries, with particularly strong increases envisaged in Ireland and Spain. In 2010, 11 euro area countries are projected to have a debt ratio above the reference value of 60% of GDP, i.e. three more than in 2008. In three countries, Belgium, Greece and Italy, the debt ratio is projected to be in excess of 100% of GDP in 2010.

## ASSESSMENT

The fiscal outlook shows a rapid and worrisome rise in general government deficit and debt ratios in the euro area over the period from 2008 to 2010. Discretionary measures adopted in most euro area countries in response to the economic downturn, the automatic fiscal stabilisers, revenue shortfalls

and the built-in momentum of government expenditure growth are the main drivers behind the broad-based fiscal deterioration. While all these factors provide important budgetary support to the economy, the projected increase in deficits and debt seriously risk undermining confidence in fiscal sustainability. Any further fiscal stimulus measures could thus well be counterproductive for economic growth. See the box entitled “Discretionary fiscal policies, automatic stabilisation and economic uncertainty” in the June 2008 Monthly Bulletin on the role of fiscal activism and automatic stabilisation in uncertain economic times.

While the impact of financial sector support measures on public finances at the euro area level has been limited so far, considerable burdens may still emerge. So far, the cumulated increase over 2008 and 2009 in the euro area government debt ratio, on account of capital injections and asset purchases in support of the financial sector, amounts to 3.1% of GDP. Looking ahead, the risk of the debt ratio rising further cannot be ruled out in the light of the possibility that additional support will have to be provided to the banking sector or that government guarantees will be called for. A prolonged period of low economic growth would also adversely impact the debt-to-GDP ratio. On the other hand, the fiscal costs of support to the financial sector may be partially offset by the fees, dividends and interest paid to the governments in exchange for financial support. In the medium term, the net fiscal costs will also depend on the proceeds from the sale by governments of the acquired financial sector assets. The future value of these financial sector assets is, however, subject to great uncertainty.

The projected rapid budgetary deterioration means that an ambitious and credible adjustment effort will be required, with a view to the correction of excessive deficits as soon as possible. Such consolidation measures will enhance confidence in fiscal sustainability and thereby support output growth. The reduction of deficits should be facilitated by the fact that stimulus measures were envisaged to be temporary and thus should either phase out automatically or be reversed over the coming years. However, the strong increase in the government expenditure ratio indicates that euro area countries are well advised to tighten their control over expenditures in order to ensure a return to sound fiscal positions, especially if output growth were to remain subdued for a prolonged period. Moreover, the projected sharp increase in government debt ratios and the large size of outstanding contingent liabilities in the form of state guarantees and other commitments to support national financial sectors call for specific attention by policy-makers. Efforts to address the need for expenditure restraint and debt reduction are more likely to be effective if backed up by strong domestic budgetary institutions and credible, well-designed rules defined over the medium term.

To ensure confidence in the sustainability of public finances, it is crucial to preserve the integrity of the rules-based EU fiscal framework. In view of the 2008 budgetary outcomes and worrisome fiscal prospects, excessive deficit procedures have been initiated for countries breaching the 3% of GDP reference value, in line with the provisions of the Stability and Growth Pact. In setting the recommendations for correcting the excessive deficits, it is appropriate to take the sharp output contraction following the global financial crisis and the size of the required adjustment into account in order to decide whether special circumstances may warrant somewhat longer than usual deadlines. However, a prudent approach is called for in order not to unduly postpone fiscal consolidation if output growth were to remain low over a protracted period and fiscal sustainability were to be put at risk. In some euro area countries, an early and forceful consolidation of public finances is required.

A return to sound fiscal positions as soon as possible is all the more warranted in order to prepare for the budgetary costs from ageing populations. On 5 May 2009 the ECOFIN Council endorsed the updated long-term projections of age-related public expenditure (see Box 7). The Council also announced that it would decide on the new formula for gauging the appropriateness of medium-term budgetary objectives, which should take into account the implicit government liabilities stemming from ageing, in time for the next update of the stability and convergence programmes of Member States. In principle, the medium-term budgetary objectives pursue a triple aim. First, they should provide a sufficient safety margin with respect to the 3% of GDP reference value for the government deficit. Second, they should ensure rapid progress towards fiscal sustainability. Third, they should allow for sufficient budgetary manoeuvre. The new formula for determining the medium-term budgetary objectives should be transparent in order to facilitate a straightforward comparison between Member States. The resulting new country-specific medium-term budgetary objectives will also need to be sufficiently ambitious to achieve the aforementioned aims while taking into account the budgetary costs arising from ageing populations.

**Box 7****THE 2009 AGEING REPORT: UPDATED PROJECTIONS FOR AGE-RELATED PUBLIC EXPENDITURE**

In April, the 2009 Ageing Report, prepared by the European Commission and the EU Economic Policy Committee's Ageing Working Group, was published.<sup>1</sup> Taking account of the latest demographic outlook published by Eurostat in 2008, the report contains an update of the 2006 projections for age-related public expenditure in the 27 EU Member States for 2007-60. This box briefly surveys and assesses the projection results, which are based on a "no policy change" scenario, focusing on the euro area countries.

**Significant increase in total age-related public expenditure until 2060**

The table below summarises the projection outcome for total age-related public spending for the euro area countries as a percentage of GDP over the period 2007-60, covering public expenditure on pensions, healthcare, long-term care, unemployment benefits and education. For the euro area as a whole, total age-related public spending-to-GDP is projected to rise by 5.2 percentage points over the projection horizon. This increase in the ratio reflects, to a large extent, a rise in pension expenditure and, to a lesser extent, rises in spending on health and long-term care, while expenditure on unemployment benefits and education are projected to marginally decline. According to these projections, the change in total age-related spending ratios over 2007-60 is projected to be very different across the euro area countries, ranging from increases of 18 percentage points in Luxembourg and 15.9 percentage points in Greece to 1.6 percentage points in Italy. The projections show that the largest share of age-related public spending is related to pensions, which is nevertheless projected to develop very heterogeneously across countries. All euro area Member States are projected to experience a rise in their healthcare expenditure ratio, with the strongest increase seen in Malta (3.3 percentage points) and the smallest in Cyprus (0.6 percentage point). Public spending on long-term care is projected to rise in all euro area countries, apart from in Cyprus, where it is

<sup>1</sup> See European Commission and Economic Policy Committee (2009) "The 2009 Ageing Report: Economic and budgetary projections for the EU-27 Member States (2008-2060)", European Economy 2/2009, Brussels.

## Age-related public expenditure-to-GDP, 2007-60

(in % of GDP; changes in percentage points)

	Pensions		Healthcare		Long-term care		Unemployment benefits		Education		Total
	Level 2007	Change 2007-60	Level 2007	Change 2007-60	Level 2007	Change 2007-60	Level 2007	Change 2007-60	Level 2007	Change 2007-60	Change 2007-60
Belgium	10.0	4.8	7.6	1.2	1.5	1.4	1.9	-0.4	5.5	0.0	6.9
Germany	10.4	2.3	7.4	1.8	0.9	1.4	0.9	-0.3	3.9	-0.4	4.8
Ireland	5.2	6.1	5.8	1.8	0.8	1.3	0.8	0.1	4.5	-0.3	8.9
Greece	11.7	12.4	5.0	1.4	1.4	2.2	0.3	-0.1	3.7	0.0	15.9
Spain	8.4	6.7	5.5	1.6	0.5	0.9	1.3	-0.4	3.5	0.1	9.0
France	13.0	1.0	8.1	1.2	1.4	0.8	1.2	-0.3	4.7	0.0	2.7
Italy	14.0	-0.4	5.9	1.1	1.7	1.3	0.4	0.0	4.1	-0.3	1.6
Cyprus	6.3	11.4	2.7	0.6	0.0	0.0	0.3	-0.1	6.1	-1.2	10.8
Luxembourg	8.7	15.2	5.8	1.2	1.4	2.0	0.4	0.0	3.8	-0.5	18.0
Malta	7.2	6.2	4.7	3.3	1.0	1.6	0.4	0.0	5.0	-1.0	10.2
Netherlands	6.6	4.0	4.8	1.0	3.4	4.7	1.1	-0.1	4.6	-0.2	9.4
Austria	12.8	0.9	6.5	1.5	1.3	1.2	0.7	0.0	4.8	-0.5	3.1
Portugal	11.4	2.1	7.2	1.9	0.1	0.1	1.2	-0.4	4.6	-0.3	3.4
Slovenia	9.9	8.8	6.6	1.9	1.1	1.8	0.2	0.0	5.1	0.4	12.8
Slovakia	6.8	3.4	5.0	2.3	0.2	0.4	0.1	-0.1	3.1	-0.8	5.2
Finland	10.0	3.3	5.5	1.0	1.8	2.6	1.2	-0.2	5.7	-0.3	6.3
Euro area	11.1	2.8	6.7	1.4	1.3	1.4	1.0	-0.2	4.2	-0.2	5.2

Source: The 2009 Ageing Report.

projected to remain unchanged. Finally, for the majority of euro area countries, public spending ratios for education and unemployment benefits are projected to decline slightly or remain unchanged.

Compared with the last projection exercise finalised in 2006, for 12 euro area Member States, public expenditure on pensions is projected to rise more strongly than previously anticipated. By contrast, downward revisions of projection results have been made for four euro area Member States. The reasons for these changes differ across countries, ranging from changes in the underlying demographic outlook and macroeconomic assumptions to structural reforms impacting on age-related public expenditure. For Greece, no projections for pension expenditure were available in 2006.

### The severe economic downturn could raise the age-related budgetary costs even further

The macroeconomic scenario underlying the ageing cost projections was finalised in 2008 and thus does not incorporate the impact of the recent economic downturn. To account for the potential impact of the severe economic downturn on ageing costs, two types of negative shocks were considered. First, temporary negative shocks were simulated in two alternative scenarios: a “rebound recovery” and a “lost decade” scenario. These scenarios entail two different assumptions regarding the duration of the temporary shock. The rather optimistic “rebound recovery” assumes that the European economy will rebound soon and will have returned to the pre-crisis level of GDP by 2020. The “lost decade” scenario assumes that it could take until 2020 to get back to the real growth rates (but not the GDP level) set in the baseline scenario. Second, in the worst case scenario, a permanent (negative) shock to the growth potential of the EU economies is simulated.<sup>2</sup> This assumes that the current downturn will lead to a permanently

<sup>2</sup> The baseline scenario assumes that the annual average potential GDP growth rate in the euro area will fall from 2.1% in the period 2007-20, to 1.7% in the period 2021-30 and to 1.3% in the period 2041-60, owing mainly to the adverse impact of demographic developments.

higher unemployment rate and a permanently lower labour productivity growth rate compared with the baseline. Compared with the baseline scenario, in the “rebound” scenario, there would be no significant additional impact on total age-related costs. However, according to the “lost decade” scenario, total age-related costs for the euro area Member States are projected to rise by an additional 0.9 percentage point of GDP over 2007-60. In turn, according to the “permanent (negative) shock scenario”, this rises further to 1.8 percentage points. Thus, the scenarios show that accounting for the economic downturn might raise projections for the increase in age-related budgetary costs over 2007-60 by as much as 15-35%.

### **Strong need for structural reforms and fiscal consolidation**

The 2009 Ageing Report provides, in a unique way, comparable information particularly on the 27 Member States’ pension systems, highlighting the urgency for structural reforms in the areas of pension and healthcare systems. This notwithstanding, there are reasons to consider that the baseline projections for age-related public spending provided in the 2009 Ageing Report underestimate the actual costs stemming from population ageing. First, health care cost projections in the baseline scenario assume an income elasticity of only 1.1, which, according to empirical evidence, may understate the impact of rising demand for cost-intensive technological improvements in the future. Second, projections for public spending on long-term care may underestimate the impact of a shift from informal to formal care, particularly in many new EU Member States that currently provide only a limited amount of formal long-term care. Third, as noted above, accounting for the economic downturn might increase the baseline projections for age-related budgetary costs substantially, because, inter alia, potential growth could be lower than assumed in the projections.

An underestimation of the ageing-induced fiscal costs is problematic for two reasons. First, it understates the risks to fiscal sustainability and thus the need for structural reforms and fiscal consolidation. Second, it is problematic, because in the framework of the Stability and Growth Pact, these projections have gained rising importance, as they will feed into the determination of countries’ medium-term-budgetary objectives (MTOs), which would then tend to be insufficiently demanding.

Given the large and increasing risks to fiscal sustainability in a number of euro area countries at the current juncture, it is necessary that countries set sufficiently demanding MTOs and adopt a credible path to sound fiscal positions. At the same time, implementing the three-pronged strategy, decided by the Stockholm European Council in 2001 to cope with the economic and budgetary challenges posed by ageing populations, has become ever more pressing, which includes: (i) reducing government debt at a fast pace; (ii) raising employment rates and productivity; and (iii) reforming pensions, healthcare and long-term care systems.

## 6 EUROSISTEM STAFF MACROECONOMIC PROJECTIONS FOR THE EURO AREA

*On the basis of the information available up to 22 May 2009, Eurosystem staff have prepared projections for macroeconomic developments in the euro area.<sup>1</sup> Reflecting the weak outlook for global growth as well as for domestic demand, average annual real GDP growth is projected to be between -5.1% and -4.1% in 2009; as global and domestic conditions improve, GDP growth for 2010 is expected to be between -1.0% and 0.4%. Inflation is projected to be dampened by the slowdown in economic activity and, in the near term, by base effects stemming from commodity prices. The average rate of increase in the overall HICP is expected to be between 0.1% and 0.5% in 2009 and between 0.6% and 1.4% in 2010.*

### Box 8

#### TECHNICAL ASSUMPTIONS ABOUT INTEREST RATES, EXCHANGE RATES, COMMODITY PRICES AND FISCAL POLICIES

The technical assumptions about interest rates and both energy and non-energy commodity prices are based on market expectations, with a cut-off date of 13 May 2009.<sup>1</sup> The assumption about short-term interest rates is of a purely technical nature. These rates are measured by the three-month EURIBOR, with market expectations derived from futures rates. The methodology implies that short-term interest rates remain broadly stable at around 1.2% between the second and last quarter of this year. In 2010, they are expected to increase to 1.6% on average. The market expectations for euro area ten-year nominal government bond yields imply a slight increase, from an average of 4.2% in 2009 to 4.6% in 2010. The baseline projection takes into account the current tightness of financing conditions but also includes the assumption that, over the projection horizon, bank lending rate spreads vis-à-vis the above-mentioned interest rates will narrow somewhat. Similarly, credit conditions are assumed to ease gradually over the horizon from their current tightness. As regards commodities, on the basis of the path implied by futures markets in the two-week period ending on the cut-off date, oil prices per barrel are assumed to average USD 54.5 in 2009 and USD 65.5 in 2010. International food prices are assumed to decline by 10.9% in 2009, before increasing again in 2010. The prices of other (i.e. non-energy and non-food) commodities in US dollars are assumed to decrease significantly, by 24.7%, in 2009 and to rise by 9.2% in 2010.

The technical assumption is also made that bilateral exchange rates remain unchanged over the projection horizon at the average levels prevailing in the two-week period ending on the cut-off date. This implies a EUR/USD exchange rate of 1.33 in 2009 and 1.34 in 2010, and an effective exchange rate of the euro that is, on average, 0.6% lower in 2009 than the average for 2008 and 0.1% higher in 2010 than the average for 2009.

<sup>1</sup> Oil and food price assumptions are based on futures prices up to end-2010. For other commodities, prices are assumed to follow futures until the second quarter of 2010 and thereafter to develop in line with global economic activity.

<sup>1</sup> The Eurosystem staff macroeconomic projections are produced jointly by experts from the ECB and the euro area NCBS. They are a biannual input into the Governing Council's assessment of economic developments and the risks to price stability. More information on the procedures and techniques used is given in "A guide to Eurosystem staff macroeconomic projection exercises", ECB, June 2001, which is available on the ECB's website. To reflect the uncertainty surrounding the projections, ranges are used to present the results for each variable. The ranges for each variable and each horizon correspond to a model-based 75% probability interval. The method used is documented in "New procedure for constructing ECB staff projection ranges", ECB, September 2008, also available on the ECB's website. In view of the prevailing exceptional economic and financial circumstances, the uncertainty surrounding the projections is larger than usual at the current juncture.

Fiscal policy assumptions are based on individual euro area countries' national budget plans as available on 13 May 2009. They include all policy measures that have already been approved by national parliaments or that have been specified in detail by governments and are likely to pass the legislative process.

### THE INTERNATIONAL ENVIRONMENT

The global economic outlook continues to be driven by the impact of the financial crisis. Global trade experienced an unprecedented and synchronised plunge towards the end of 2008 and in early 2009. The downturn has become highly synchronised across countries as the collapse of international trade has amplified the adverse initial effects of the financial turmoil. However, short-term indicators have tended to bottom out in recent months, and global activity is projected to resume growing towards the end of 2009. Nevertheless, reflecting the widespread need to repair balance sheets, global growth is projected to remain sluggish over the projection horizon. Overall, world real GDP outside the euro area is projected to fall by 1.6% on average in 2009, but to grow by 2.1% in 2010. As a result, growth in the euro area's export markets is expected to fall by 13.0% in 2009 before recovering to 1.0% in 2010.

### REAL GDP GROWTH PROJECTIONS

The euro area economy has been adversely affected by the global economic weakness, fading confidence and tight financing conditions. According to Eurostat's flash estimate, real GDP in the euro area fell by 2.5% in the first quarter of 2009. This outturn, combined with the negative growth during the final three quarters of 2008, has a large mechanical negative impact, of as much as -4 percentage points, on the annual figure for GDP growth in 2009. The decline seen in euro area GDP reflects an abrupt retrenchment in exports stemming from the collapse in world trade. The sharp fall in exports, in conjunction with low confidence and financing constraints, has also led to a substantial cut-back in business investment, while destocking has weighed down on growth. In line with the recent stabilisation in survey indicators suggesting that the trough in quarterly growth was reached in early 2009, activity over the remainder of this year is expected to decline at much less negative rates than recently experienced. After a stabilisation phase, positive quarterly growth rates are expected by mid-2010. This pattern reflects the projected continued improvement in global and domestic conditions as financial markets normalise and confidence recovers, owing partly to supportive macroeconomic policies. Average annual real GDP growth is projected to be between -5.1% and -4.1% in 2009, before rebounding to between -1.0% and 0.4% in 2010.

In more detail, among the domestic components of GDP, total investment is expected to decline, with the downward adjustment concentrated in 2009, and increasingly less negative growth rates expected in the following year. Non-residential private investment is projected to contract, affected in particular by weak foreign demand, extraordinarily low capacity utilisation and declining profits. Residential investment projections also reflect ongoing adjustments in house prices in some countries. In line with the fiscal packages announced in several euro area countries, government investment in real terms is assumed to grow strongly in 2009, before decelerating in the following year.

Private consumption growth is also expected to be subdued in the period ahead, but much less so than growth in other demand components. This pattern largely reflects that of real disposable income growth. Real income is projected over the horizon to be broadly stable on balance. It is expected to be negatively affected by the fall in employment over the whole period, notably in 2009, but to be supported by low inflation as well as by the fiscal packages implemented in some euro

**Table 10 Macroeconomic projections for the euro area**(average annual percentage changes)<sup>1,2)</sup>

	2008	2009	2010
HICP	3.3	0.1 – 0.5	0.6 – 1.4
Real GDP	0.6	-5.1 – -4.1	-1.0 – 0.4
Private consumption	0.3	-1.3 – -0.5	-1.1 – 0.3
Government consumption	2.0	1.4 – 2.0	0.9 – 1.7
Gross fixed capital formation	-0.3	-12.3 – -10.1	-6.1 – -2.1
Exports (goods and services)	0.8	-16.6 – -14.0	-2.0 – 1.0
Imports (goods and services)	0.9	-13.8 – -11.2	-3.0 – 1.4

1) The projections for real GDP and its components refer to working-day-adjusted data. The projections for exports and imports include intra-euro area trade.

2) The reported figures include Slovakia already in 2008, except with regard to the HICP, where they include Slovakia only from 2009. The average annual percentage changes for 2009 are based on a euro area composition that includes Slovakia already in 2008.

area countries, which boost transfers and reduce taxes. Over the whole projection horizon, private consumption is assumed to grow somewhat less than real income, as precautionary savings are expected to remain high in the context of strong economic uncertainty, increasing unemployment and declines in household wealth, not least owing to moderating house prices.

Euro area exports are projected to fall markedly in the first half of 2009, reflecting the ongoing decline in foreign demand. Thereafter, following the expected rebound in world demand, export growth rates are projected to progressively return to positive figures. Similarly, euro area imports are projected to decrease in 2009, outpacing the expected decline in domestic demand, but are projected to recover in the following year as final demand picks up. Given that the expected decrease in exports exceeds the fall in imports, net trade significantly contributes to the decline in GDP in 2009. The contribution of net trade is expected to be broadly neutral in 2010.

Reflecting the projections for economic activity, total hours worked in the euro area are expected to decline over the whole projection horizon. While the adjustment is initially projected to arise mostly through a reduction in hours per head, it is increasingly expected to weigh on the number of persons employed. Labour demand is also projected to be dampened by the typical stickiness of wages in the context of the sharp downturn in activity. Reflecting the employment projections, the unemployment rate is expected to increase over the projection horizon.

### PRICE AND COST PROJECTIONS

Following the sharp fall in HICP inflation since mid-2008, inflation rates are expected to continue to decline until mid-2009, temporarily reaching rates below zero during the summer and autumn of the year. Thereafter, inflation is projected to rise again. The short-run pattern is mostly due to strong downward base effects and past falls in commodity prices. The average annual inflation rate is projected to be between 0.1% and 0.5% in 2009, before rebounding to between 0.6% and 1.4% in 2010. The HICP excluding energy is expected to follow a downward pattern until 2010, reflecting the weakening of aggregate demand.

In more detail, external price pressures are projected to diminish in 2009, mostly reflecting past and future assumed developments in commodity prices. Thereafter, import prices are expected to recover moderately as both commodity prices and competitors' prices pick up slightly worldwide.

Turning to domestic price pressures, compensation per employee is expected to markedly decelerate in 2009, in view of the deterioration of the labour market, the fall in inflation and the reduction in the

Table 11 Comparison with the March 2009 projections

(average annual percentage changes)		
	2009	2010
Real GDP – March 2009	-3.2 – -2.2	-0.7 – 0.7
Real GDP – June 2009	-5.1 – -4.1	-1.0 – 0.4
HICP – March 2009	0.1 – 0.7	0.6 – 1.4
HICP – June 2009	0.1 – 0.5	0.6 – 1.4

number of hours worked per employee. Wage growth is projected to decline particularly significantly in the private sector, while wages in the public sector are assumed to react more sluggishly. Annual unit labour cost growth is projected to grow strongly in 2009, reflecting wage stickiness – owing inter alia to the use of two-year contracts – and the sluggish workforce adjustment in the face of a sharp fall in GDP, resulting in negative productivity growth. However, as productivity rebounds in line with the cyclical improvement in 2010, unit labour costs are projected to be broadly stable. Profit margins are expected to absorb the sharp increase in unit labour costs in 2009. Subsequently, as activity gradually recovers, profit margins are expected to grow again as companies try to recover part of the earlier declines.

#### COMPARISON WITH THE MARCH 2009 PROJECTIONS

With regard to real GDP growth, the projection range for 2009 has been adjusted downwards compared with that published in the March 2009 issue of the Monthly Bulletin. The revision almost exclusively reflects the markedly weaker growth than earlier expected in the first quarter of 2009, related to lower activity worldwide, which reduced exports substantially and also domestic demand. There has only been a very small downward shift in the ranges for 2010, reflecting the lagged effects of the slower economic momentum in 2009.

With regard to HICP inflation, the projection range is slightly below that of the March 2009 projections for 2009 and broadly unchanged for 2010. The largely unchanged projections reflect the fact that the impact of lower than earlier expected activity is broadly offset by the assumed higher commodity prices, particularly oil prices.

#### Box 9

##### FORECASTS BY OTHER INSTITUTIONS

A number of forecasts for the euro area are available from both international organisations and private sector institutions. However, these forecasts are not strictly comparable with one another or with the Eurosystem staff macroeconomic projections, as they were finalised at different points in time. Additionally, they use different (partly unspecified) methods to derive assumptions for fiscal, financial and external variables, including oil and other commodity prices. Finally, there are differences in working-day adjustment methods across different forecasts (see the table below).

In the forecasts currently available from other institutions, euro area real GDP is expected to fall by between 3.4% and 4.2% in 2009. Growth is expected to range between -0.4% and 0.3% in 2010. While most of the forecasts fall within the ranges of the Eurosystem staff projections,

some of the forecasts are above the range for 2009. Among other things, this most likely reflects the fact that they were completed before the flash estimate for real GDP growth in the first quarter of 2009 was known. At the same time, for 2010, all forecasts fall within the range of the Eurosystem projections.

As regards inflation, available forecasts anticipate average annual HICP inflation to be between 0.4% and 0.6% in 2009, and between 0.6% and 1.3% in 2010. Most available forecasts for inflation are therefore broadly consistent with the ranges of the Eurosystem staff projections.

#### Comparison of forecasts for euro area real GDP growth and HICP inflation

(average annual percentage changes)

	Date of release	GDP growth		HICP inflation	
		2009	2010	2009	2010
IMF	16 April 2009	-4.2	-0.4	0.4	0.6
European Commission	3 May 2009	-4.0	-0.1	0.4	1.2
Survey of Professional Forecasters	14 May 2009	-3.4	0.2	0.5	1.3
Consensus Economics Forecasts	15 May 2009	-3.7	0.3	0.4	1.2
OECD	31 March 2009	-4.1	-0.3	0.6	0.7
Eurosystem staff projections	4 June 2009	-5.1 – -4.1	-1.0 – 0.4	0.1 – 0.5	0.6 – 1.4

Sources: European Commission Economic Forecasts, Spring 2009; IMF World Economic Outlook, April 2009; OECD Interim Economic Outlook, March 2009; Consensus Economics Forecasts; and the ECB's Survey of Professional Forecasters.

Note: The Eurosystem staff macroeconomic projections and the OECD forecasts both report working-day-adjusted annual growth rates, whereas the European Commission and the IMF report annual growth rates that are not adjusted for the number of working days per annum. Other forecasts do not specify whether they report working-day-adjusted or non-working-day-adjusted data.

## 7 EXCHANGE RATE AND BALANCE OF PAYMENTS DEVELOPMENTS

### 7.1 EXCHANGE RATES

Euro nominal bilateral rates have remained subject to considerable fluctuation during the past three months, albeit to a lesser extent than previously, amid the significant reduction in implied foreign exchange volatility relative to the historical peaks seen at the end of 2008. Over the past three months, the euro has seen an overall strengthening, amounting to around 3% in nominal effective terms.

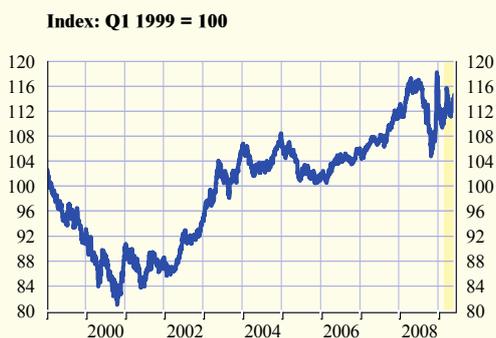
#### EFFECTIVE EXCHANGE RATE OF THE EURO

Euro nominal bilateral rates have remained subject to considerable fluctuation during the past three months, albeit to a lesser extent than previously, amid the significant reduction in implied foreign exchange volatility relative to the historical peaks seen at the end of 2008. In nominal effective

terms, the euro first weakened significantly in September and October 2008 as the intensifying financial crisis fostered a massive demand for US dollars. After a sharp rebound in the first half of December, the single currency weakened again in the first two months of 2009 when markets revised significantly the growth outlook for the euro area. Since March, the euro has broadly appreciated, some fluctuations notwithstanding. On 3 June the nominal effective exchange rate of the euro – as measured against the currencies of 21 of the euro area’s important trading

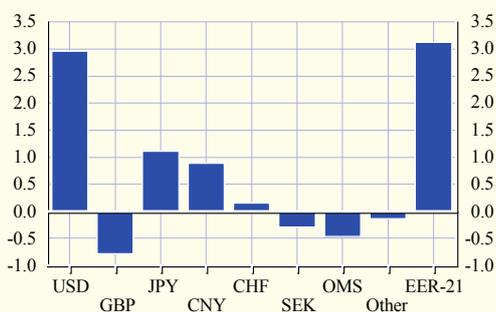
Chart 55 Euro effective exchange rate and its decomposition<sup>1)</sup>

(daily data)



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

From 27 February to 3 June 2009  
(percentage points)



Source: ECB.

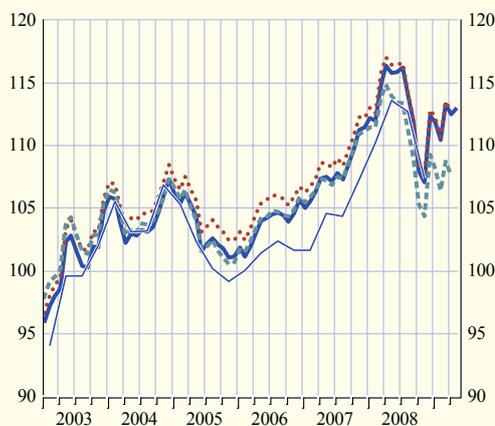
1) An upward movement of the index represents an appreciation of the euro against the currencies of 21 of the most important trading partners of the euro area and all non-euro area EU Member States.

2) Contributions to EER-21 changes are displayed individually for the currencies of the six main trading partners of the euro area. The category “Other Member States” (OMS) refers to the aggregate contribution of the currencies of the non-euro area Member States (except the pound sterling and the Swedish krona). The category “Other” refers to the aggregate contribution of the remaining six trading partners of the euro area in the EER-21 index. Changes are calculated using the corresponding overall trade weights in the EER-21 index.

Chart 56 Euro nominal and real effective exchange rates<sup>1)</sup>

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

— nominal  
••••• real, CPI-deflated  
- - - - - real, PPI-deflated  
— real, ULCM-deflated



Source: ECB.

1) An upward movement of the EER-21 indices represents an appreciation of the euro. The latest observations for monthly data are for May 2009. In the case of the ULCM-based real EER-21, the latest observation is for the fourth quarter of 2008 and is partly based on estimates.

partners – stood 3.1% above its level at the end of February 2009, but still around 2% below its historical peak of mid-July 2008. Over the past three months the moderate strengthening of the euro in nominal effective terms has hidden large movements in bilateral terms, with an appreciation vis-à-vis the US dollar, the Japanese yen and, to a lesser extent, the Swiss franc being partly offset by a depreciation against other European currencies. Developments in nominal bilateral rates recorded since the end of February have contributed to reverse the movements over the previous three-month period, when some currencies – among them the US dollar – were perceived to play a safe-haven role (see Chart 55). With regard to indicators of euro area international price and cost competitiveness, in April 2009 the real effective exchange rate of the euro was, on average, around 2% weaker than its average 2008 level, based on developments in consumer and producer price deflators (see Chart 56).

#### US DOLLAR/EURO

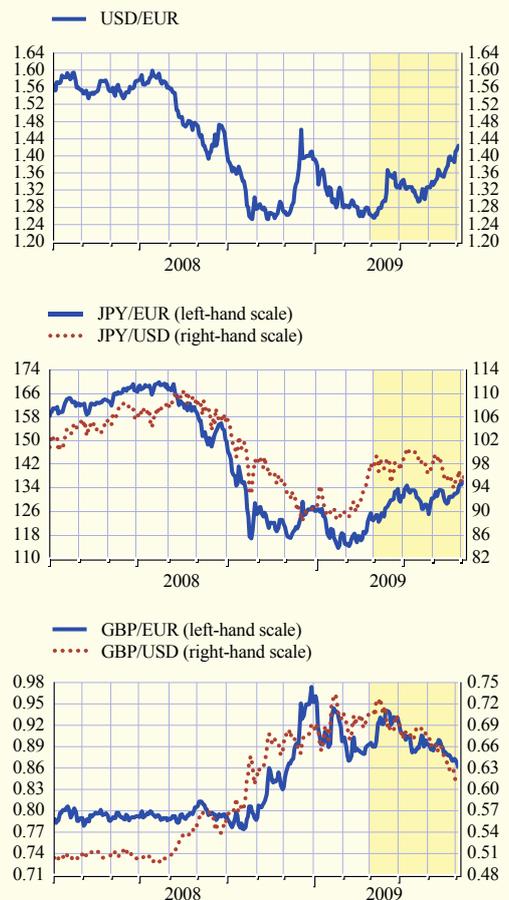
After its strong appreciation vis-à-vis the US dollar in December 2008, reflecting mostly the further easing of the US monetary policy stance and the waning exceptional demand that had characterised the US currency, the euro weakened during the first two months of 2009. This weakening was associated mainly with macroeconomic data releases that triggered further significant revisions by market participants to the growth outlook of the euro area. Since early March, however, the single currency has started to strengthen again. A number of factors have lent support to the euro, such as the large declines in risk perceptions that have reportedly led investors out of currencies perceived to have a safe-haven status – among them the US dollar and the Japanese yen. On 3 June 2009 the euro traded at USD 1.42, 12.4% above its level at the end of February and around 3.5% weaker than its average level in 2008 (see Chart 57).

#### JAPANESE YEN/EURO

Mirroring developments vis-à-vis the US dollar, the euro weakened against the Japanese yen in the second half of 2008, falling from about JPY 170 in July to around JPY 120 by the end of November. The weakening of the euro during this period appeared to be related to the elevated level of implied exchange rate volatility and converging short-term interest rates worldwide, which together reduced the attractiveness of the Japanese currency as a means of funding carry-trade positions. After stabilising somewhat between December and mid-February, the euro

Chart 57 Patterns in exchange rates

(daily data)



Source: ECB.

Note: The shaded area refers to the period from 27 February 2009 to 3 June 2009.

started to appreciate, possibly on account of the significant decline in economic activity in Japan in both the last quarter of 2008 and the first quarter of 2009, as well as a deteriorating Japanese labour market. As previously mentioned, falling foreign exchange rate implied volatility may also have weighed on the yen owing to a reported gradual diversification away from currencies perceived as safe-havens by investors. On 3 June 2009 the euro stood at JPY 136.33, 10.6% stronger than its level at the end of February (see Chart 57) and around 10.5% weaker than its average in 2008.

#### EU MEMBER STATES' CURRENCIES

Over the past three months, most currencies participating in ERM II have remained stable, continuing to trade at or close to their respective central rates (see Chart 58). Since the end of November 2008, the Latvian lats has mostly traded on the weak side of its unilateral +/- 1% fluctuation band, with the exception of a short period in January.

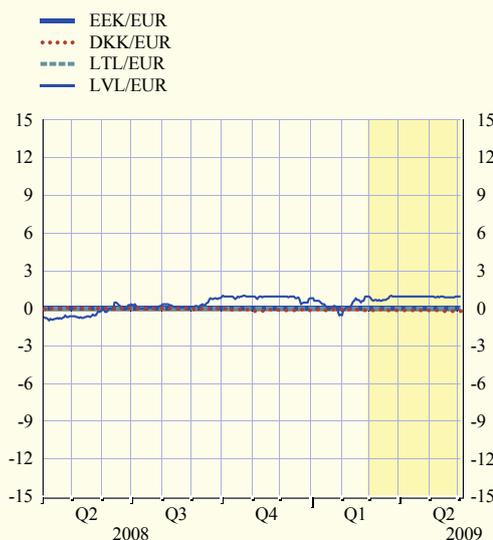
The euro has been experiencing a period of high volatility against the currencies of other EU Member States not participating in ERM II. After reaching GBP 0.98 on 28 December 2008, its lowest level since the introduction of the euro, the pound sterling recovered sharply until mid-February, mainly on account of improved market sentiment towards the UK currency. After some renewed weakness in early March, amid economic releases showing another major drop in UK house prices and additional losses in the banking sector, the pound sterling continued to appreciate and by mid-April returned to levels close to those prevailing around mid-February. The strengthening of the pound vis-à-vis the euro may have derived from signs of stabilisation in the UK macroeconomic outlook. On 3 June 2009 the euro stood at GBP 0.86, 3.7% lower than its value at the end of February. In the same period, the euro depreciated by around 6% against the Hungarian forint and by around 4.5% vis-à-vis the Polish zloty, possibly as market participants' risk perceptions concerning macroeconomic conditions in these countries improved. Similar considerations may also have been behind the euro depreciation of almost 6% against the Swedish krona.

#### OTHER CURRENCIES

After oscillating around CHF 1.49 against the euro in the first two months of 2009, the Swiss currency began to strengthen in the first half of March, possibly supported by safe-haven considerations. Around 18 March, following the decision of the Swiss National Bank to intervene in the foreign exchange market to limit the appreciation of the currency, the euro strengthened sharply to around CHF 1.54, stabilising broadly thereafter around CHF 1.52. On 3 June the euro traded at CHF 1.52, around 2.5% stronger than at the end of February and close to 4.5% weaker than its average in 2008.

Chart 58 Patterns in exchange rates in ERM II

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



Source: ECB.

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

## 7.2 BALANCE OF PAYMENTS

The euro area current account deficit reached €102.3 billion (or about 1.1% of GDP) in the year to March 2009, owing mainly to a shift from a surplus to a deficit in goods trade. In the financial account, higher net inflows in debt instruments were partly offset by higher net outflows in net direct investment and equities over the same period, leading to a rise in combined direct and portfolio investment to a net inflow (€266.7 billion in the year to March 2009).

### TRADE AND THE CURRENT ACCOUNT

In the year to March 2009, the euro area current account deficit reached €102.3 billion (working day and seasonally adjusted), corresponding to about 1.1% of GDP, compared with a deficit of €11.2 billion for the same period a year earlier. This was largely driven by a shift from surplus to deficit in the goods balance, while a decrease in the surplus for services and an increase in the deficit for income also played a role. The deterioration in goods trade brought the deficit in the goods balance to €10.8 billion in the year to March 2009, compared with a surplus

Table 12 Main items of the euro area balance of payments

(seasonally adjusted, unless otherwise indicated)

	2009		Three-month moving average figures ending			2008		2009
	Feb.	Mar.	2008 June	2008 Sep.	2008 Dec.	2009 Mar.	2008 Mar.	2009 Mar.
<i>EUR billions</i>								
<b>Current account</b>	-7.8	-6.5	-5.6	-7.8	-11.8	-8.9	-11.2	-102.3
Goods balance	-0.4	-1.6	0.6	-0.9	-1.3	-2.0	37.5	-10.8
Exports	108.3	105.2	134.5	134.5	122.1	107.9	1544.2	1497.1
Imports	108.7	106.9	133.9	135.5	123.4	109.9	1506.7	1507.9
Services balance	2.6	2.0	3.6	3.1	2.5	2.8	52.2	35.7
Exports	38.7	38.3	42.1	41.9	41.1	39.6	499.7	494.1
Imports	36.1	36.3	38.6	38.8	38.6	36.8	447.6	458.4
Income balance	-3.5	0.8	-2.0	-2.4	-4.0	-2.1	-7.7	-31.7
Current transfers balance	-6.5	-7.6	-7.7	-7.6	-8.9	-7.6	-93.2	-95.5
<b>Financial account<sup>1)</sup></b>	-3.4	57.2	26.6	20.6	45.6	35.0	80.9	383.1
Combined net direct and portfolio investment	44.3	71.1	-8.7	28.5	38.4	30.7	-18.8	266.7
Net direct investment	-11.8	-24.7	-17.8	-12.0	-28.9	-17.5	-153.2	-228.5
Net portfolio investment	56.1	95.8	9.1	40.5	67.3	48.2	134.4	495.2
Equities	2.5	-1.1	-16.7	-7.5	1.2	-17.0	87.8	-119.7
Debt instruments	53.7	96.9	25.8	48.0	66.0	65.2	46.6	614.9
Bonds and notes	47.8	80.5	20.6	14.7	15.5	48.4	113.8	297.4
Money market instruments	5.9	16.4	5.2	33.3	50.5	16.8	-67.2	317.5
<i>Percentage changes over previous period</i>								
<b>Goods and services</b>								
Exports	-3.2	-2.4	0.2	-0.1	-7.5	-9.7	8.5	-2.6
Imports	-4.8	-1.1	0.7	1.1	-7.0	-9.5	7.7	0.6
<b>Goods</b>								
Exports	-1.7	-2.8	0.8	0.0	-9.2	-11.7	7.8	-3.1
Imports	-4.7	-1.7	0.3	1.2	-8.9	-11.0	7.0	0.1
<b>Services</b>								
Exports	-7.4	-1.2	-1.4	-0.5	-2.0	-3.7	10.7	-1.1
Imports	-5.0	0.5	2.3	0.7	-0.6	-4.7	10.0	2.4

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.

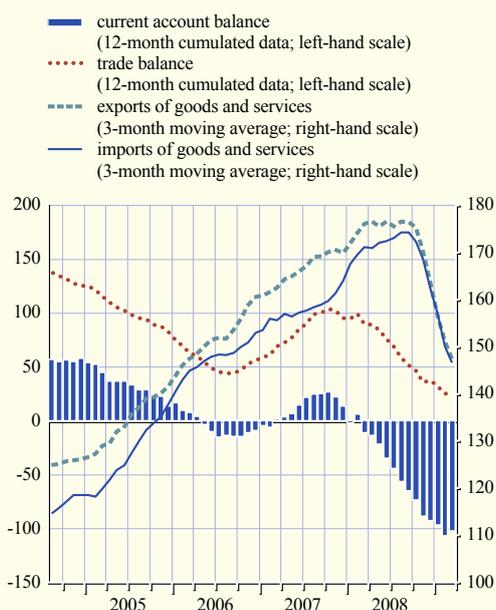
of €37.5 billion a year earlier (see Chart 59). The higher cost of oil imports during the first half of 2008 and a slightly stronger fall in exports relative to imports in the rest of the period under review are the main reasons for these developments.

Looking at the most recent developments, a significant contraction in trade has been observed worldwide since the deepening of the financial crisis in September 2008. Against this backdrop, a steady retrenchment in euro area imports and exports of goods has taken place over the past six months, intensifying in the first quarter of 2009. Since the beginning of the year, both imports and exports of goods and services have declined in value terms by almost 9.5% and 9.7% respectively. This followed a severe contraction in the fourth quarter of 2008, when imports and exports fell by 7% and 7.5% respectively (see Table 12).

The breakdown of goods trade into volumes and prices, available up to February 2009, shows that, while the decline in import values was due to both a contraction in import volumes and falling import prices, the strong downturn in goods exports stemmed almost entirely from a decline in volumes. Export volume growth had already started to contract in the second quarter of 2008, but since September 2008 it has deteriorated sharply. The decline in exports is primarily due to weaker global demand. However, the worldwide deterioration in financial conditions and confidence since September 2008 also had a negative impact, particularly on trade of capital and intermediate goods, which in the three months to February 2009 fell back to levels not observed since 2005 (see Chart 60). Box 10 further reviews the factors behind the recent downturn in euro area trade.

Chart 59 The euro area current account and trade balances

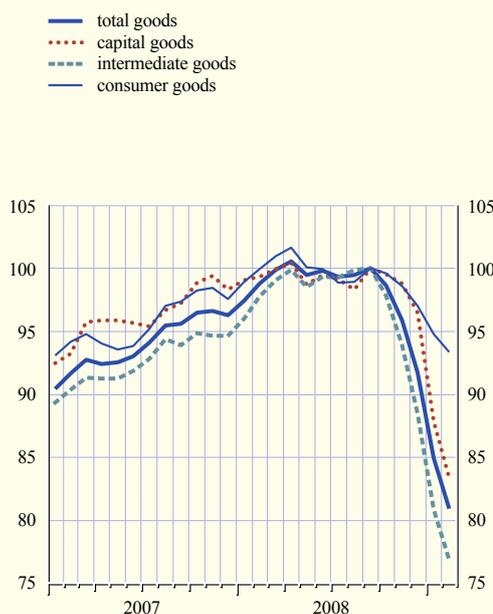
(EUR billions; monthly data; seasonally adjusted)



Source: ECB.

Chart 60 Extra-euro area export values for selected commodities

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



Sources: Eurostat and ECB calculations.  
Note: The latest observations refer to February 2009.

In line with the global nature of the downturn in trade, the geographical breakdown of euro area goods trade shows that, in the three months to February 2009, euro area export volumes fell across the board, compared with the previous three-month period. Particularly large contractions were observed in exports to the United States, the United Kingdom, Asia and those countries that have joined the European Union since 2004. Exports to OPEC countries also started to contract over the same period, after a long phase of exceptional growth going back to the last quarter of 2003. The contraction in exports to OPEC countries may be associated not only with the global recession but also with the negative wealth effects, and possibly weaker import demand, stemming from lower oil revenues in oil-exporting countries.

Turning to the other components of the current account, the surplus in services decreased to €35.7 billion in the year to March 2009 – from €52.2 billion a year earlier. Over the same period, the deficit in the income account widened from €7.7 billion to €31.7 billion, resulting largely from lower income receipts from non-euro area residents. Finally, the deficit in current transfers also increased slightly.

#### Box 10

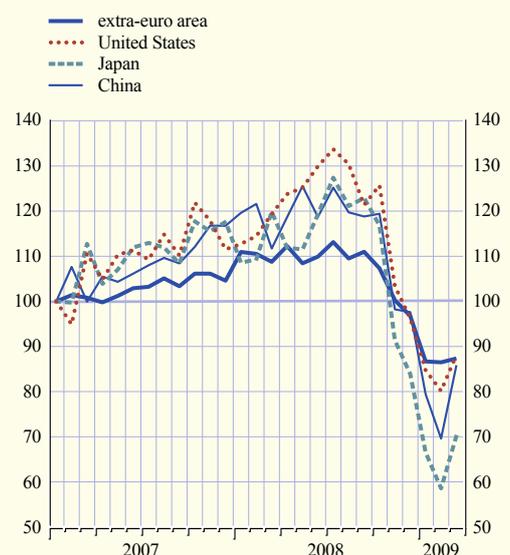
#### THE DOWNTURN IN EURO AREA TRADE

World trade fell abruptly following the intensification of the global financial turmoil in September 2008 (see Chart A).<sup>1</sup> The downturn in global trade has been unparalleled since at least the Second World War in terms of its suddenness, severity and cross-country synchronisation.<sup>2</sup> Against this background, this box discusses a number of possible determinants of the recent retrenchment in euro area trade. While the assessment focuses on developments affecting the euro area, the explanatory factors are also likely to be relevant for global trade.

In line with the sharp contraction in global trade, import and export volumes of extra-euro area goods decreased by 11% and 21%, respectively, between September 2008 and February 2009. Overall, the contraction in euro area trade in goods has affected trade with all partners, yet it has not been uniform across

Chart A Sum of imports and exports of goods for selected economies

(values; index: January 2007 = 100; seasonally adjusted; three-month moving averages)



Sources: Eurostat and Haver Analytics.  
Note: The last observations refer to March 2009.

1 See Box 1, entitled “The recent sharp contraction in world trade from a historical perspective”, in the March 2009 issue of the Monthly Bulletin.  
2 See Baldwin and Evenett (2009), “Introduction and recommendations for the G20”, in Baldwin, R. and S. J. Evenett (editors), *The collapse of global trade, murky protectionism, and the crisis: Recommendations for the G20*, CEPR.

categories of goods. Trade in capital and intermediate goods – accounting for about 70% of extra-euro area goods trade – contracted to a much greater extent than trade in consumer goods (see Chart B).

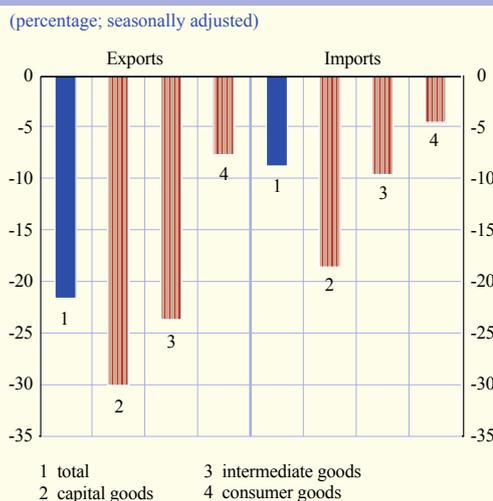
The sharp deterioration in global demand conditions is the most important factor behind the fall in extra-euro area trade. However, the general climate of uncertainty and its impact on business confidence, shortage of trade credit and a more restrictive access to the financing of business activities in some regions of the world may have exacerbated the contraction of both activity and trade. Furthermore the predominance of internationally fragmented vertical production chains may have acted as a powerful multiplier and synchroniser of these effects.

In greater detail, the intensification of the global financial crisis may have led to a subdued investment climate and exceptional uncertainty over the global economic outlook. According to survey-based evidence, these factors depressed business confidence, leading producers to reduce investment and production. The revision to investment and production plans may have contributed to amplify the downsizing of euro area imports and exports.

A more limited availability of trade credit and financing – instruments especially designed to finance import and export activities – has often been cited as an important determinant of the downturn in global trade. The difficulties in financing shipments of goods have been found to be very relevant in the current crisis to trade involving emerging and less-developed countries.<sup>3</sup> However, prima-facie evidence suggests that their power to explain euro area trade developments is rather limited. Euro-area trade with emerging economies has fared somewhat better than it has with advanced economies, even when different demand conditions are taken into account. Nevertheless, a more restrictive formal and informal access to the financing of business activities in some regions of the world may have still had a negative impact on euro area producers, for instance by impairing the functioning of international production networks – an important mode of production in today’s economy.

The existence of complex and interdependent international production networks may help to explain not only the severity but also the unusually sudden fall in euro area trade and the synchronised nature of the global downturn. Since firms within international supply chains are in continuous communication to align the flow of parts and components with final demand, a decline in the latter and uncertainty over future demand developments can prompt a fast adjustment along the entire supply chain, with sizeable repercussions for all countries involved. Moreover, since euro area producers often depend on highly specific imported parts and components and supply intermediate and capital goods to foreign firms, bottlenecks in international production

Chart B Change in extra-euro area import and export volumes of goods between September 2008 and February 2009



Source: Eurostat.

3 See International Chamber of Commerce (2009), “Rethinking Trade Finance 2009: An ICC Global Survey”.

networks may have harmed production and cash flow and, consequently, euro area trade flows. Such mechanisms would explain the particularly sharp deterioration of euro area trade in intermediate and capital goods.

Looking ahead, a rebound in global demand remains the single most important condition for a recovery of euro area trade. At the same time, a normalisation of business sentiment, resilient production networks and the avoidance of protectionist policies are likely to be necessary for trade to return to its pre-turmoil path.

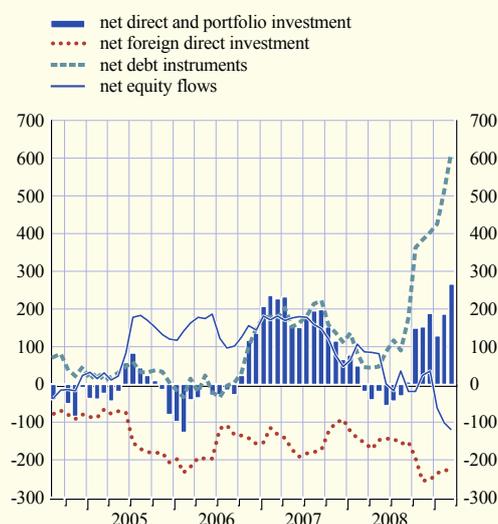
### FINANCIAL ACCOUNT

In the first quarter of 2009, combined direct and portfolio investment recorded average monthly net inflows of €30.7 billion, somewhat lower than the net inflows of €38.4 billion in the previous quarter (see Table 12). This decline was primarily due to developments in portfolio investment, where equity investment recorded net outflows of €17.0 billion in the first quarter of 2009, as opposed to small net inflows in the previous quarter. Disinvestment in euro area equities by foreign non-MFIs largely explain this situation. Meanwhile, net investment in debt instruments remained largely unchanged, posting a €65.2 billion net inflow in the first quarter of 2009. Nevertheless, such stability in overall net debt instrument figures masks opposing trends in the two sub-components. Indeed, net inflows in bonds and notes increased in the first quarter of 2009 (rising to €48.4 billion from €15.5 billion in the previous quarter). The main determinant of this development was a robust net purchase of euro area bonds by non-euro area residents. This may reflect an increasing bond return differential between the euro area and the United States and an attenuation of investors' preferences for more liquid and shorter-term assets. Net inflows in money market instruments decreased (from €50.5 billion to €16.8 billion) owing to a more moderate inflow of foreign funds. Meanwhile, foreign direct investment in the euro area by non-residents rebounded in the first quarter of 2009. As a result, monthly average net outflows of direct investment fell to €17.5 billion in the first quarter of 2009, down from €28.9 billion in the previous quarter.

From a longer-term perspective, net inflows in combined direct and portfolio investment increased considerably during the 12-month period to March 2009, rising to €266.7 billion (compared with net outflows of €18.8 billion in the same period a year earlier), mainly driven by a rise in net inflows in portfolio investment (see Chart 61). The breakdown of portfolio investment by main categories of instruments indicates that, since September 2008, there have been significant net sales of equity, both by euro area residents and by foreign residents. At the same time, external assets and liabilities in bonds and notes have decreased, while there has also been a marked increase in net liabilities owing to financial transactions in money market instruments. The developments observed over this period of time are likely to be largely

Chart 61 Euro area combined direct and portfolio investment

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



Source: ECB.

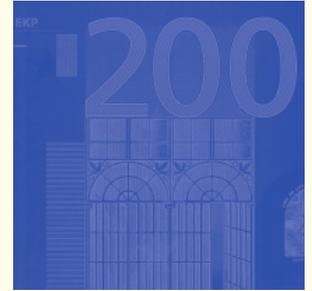
associated with the unfolding dynamics of the financial crisis. More specifically, the elevated level of volatility in the capital markets, the exceptionally high uncertainty and the gloomy global economic outlook have increased home bias tendencies and triggered a process of liquidation of external investment positions, repatriation of funds and deleveraging. At the same time, in the year to March 2009, there seems to have been a shift in investors' preferences towards not only quality and safety, but also more liquid and shorter-term assets, as shown by the developments in money market instruments. In more detail, net inflows in euro area money market instruments surged to €317.5 billion in the 12-month period to March 2009, compared with net outflows of €67.2 a year earlier.

Increased home bias seems to be an important factor also in explaining direct investment developments over the past year, as direct investment flows were significantly reduced in the 12-month period to March 2009 on both the asset and liability sides, compared with the previous year. The decline in net investment by foreigners in the euro area exceeded the contraction in euro area investment abroad, resulting in net outflows in direct investment of €228.5 billion in the 12-month period to March 2009, compared with €153.2 billion in the previous twelve months.



# EURO AREA STATISTICS





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

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

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

#### Conventions used in the tables

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



# EURO AREA OVERVIEW

## Summary of economic indicators for the euro area

(annual percentage changes, unless otherwise indicated)

### 1. Monetary developments and interest rates<sup>1)</sup>

	M1 <sup>2)</sup>	M2 <sup>2)</sup>	M3 <sup>2),3)</sup>	M3 <sup>2),3)</sup> 3-month moving average (centred)	MFI loans to euro area residents excluding MFIs and general government <sup>2)</sup>	Securities other than shares issued in euro by non-MFI corporations <sup>2)</sup>	3-month interest rate (EURIBOR, % per annum, period averages)	10-year spot rate (% per annum, end-of- period) <sup>4)</sup>
	1	2	3	4	5	6	7	8
2007	6.5	9.9	11.2	-	10.8	18.6	4.28	4.38
2008	2.4	9.7	9.7	-	9.5	19.0	4.64	3.69
2008 Q2	2.3	10.2	10.2	-	10.5	17.3	4.86	4.73
Q3	0.7	9.2	9.1	-	9.1	18.6	4.98	4.34
Q4	2.7	8.9	8.2	-	7.4	20.2	4.24	3.69
2009 Q1	5.3	7.2	6.0	-	4.6	25.4	2.01	3.77
2008 Dec.	3.3	8.3	7.5	7.0	5.8	23.9	3.29	3.69
2009 Jan.	5.1	7.5	5.9	6.4	5.1	24.6	2.46	4.02
Feb.	6.3	7.0	5.8	5.6	4.3	26.1	1.94	3.85
Mar.	5.9	6.1	5.0	5.2	3.2	26.9	1.64	3.77
Apr.	8.4	5.9	4.9	.	2.4	.	1.42	3.79
May	.	.	.	.	.	.	1.28	4.18

### 2. Prices, output, demand and labour markets<sup>5)</sup>

	HICP <sup>1)</sup>	Industrial producer prices	Hourly labour costs	Real GDP	Industrial production excluding construction	Capacity utilisation in manufacturing (percentages)	Employment	Unemployment (% of labour force)
	1	2	3	4	5	6	7	8
2007	2.1	2.7	2.7	2.7	3.8	84.1	1.8	7.5
2008	3.3	5.9	3.5	0.7	-1.7	81.8	0.8	7.5
2008 Q3	3.8	8.2	4.2	0.5	-1.5	82.2	0.6	7.6
Q4	2.3	3.3	3.8	-1.7	-9.0	78.1	0.0	8.0
2009 Q1	1.0	-1.7	.	-4.8	-18.4	72.6	.	8.7
2008 Dec.	1.6	1.2	-	-	-12.3	-	-	8.2
2009 Jan.	1.1	-0.6	-	-	-16.4	74.7	-	8.4
Feb.	1.2	-1.6	-	-	-19.1	-	-	8.7
Mar.	0.6	-2.9	-	-	-19.6	-	-	8.9
Apr.	0.6	-4.6	-	-	.	70.5	-	9.2
May	0.0	.	-	-	.	-	-	.

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

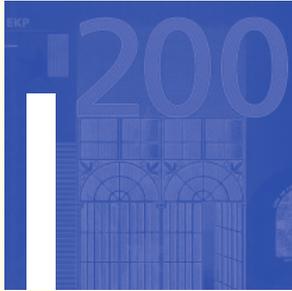
(EUR billions, unless otherwise indicated)

	Balance of payments (net transactions)				Reserve assets (end-of-period positions)	Effective exchange rate of the euro: EER-21 <sup>6)</sup> (index, 1999 Q1 = 100)		USD/EUR exchange rate
	Current and capital accounts	Goods	Direct investment	Portfolio investment		Nominal	Real (CPI)	
							7	
1	2	3	4	5	6	7	8	
2007	24.8	46.4	-92.5	159.7	347.4	107.9	109.0	1.3705
2008	-81.2	-6.1	-251.3	439.2	383.9	113.0	113.6	1.4708
2008 Q2	-28.0	6.1	-53.4	27.3	353.9	116.0	116.6	1.5622
Q3	-21.2	-9.0	-35.9	121.5	370.9	114.1	114.3	1.5050
Q4	-20.7	-0.7	-86.7	201.8	383.9	109.1	109.6	1.3180
2009 Q1	-22.4	-6.3	-52.4	144.6	395.8	111.9	112.2	1.3029
2008 Dec.	-3.4	-0.4	-22.5	6.4	383.9	112.4	112.8	1.3449
2009 Jan.	-19.2	-10.1	-15.9	-7.4	409.9	111.9	112.3	1.3239
Feb.	-1.1	1.0	-11.8	56.1	419.7	110.4	110.7	1.2785
Mar.	-2.0	2.8	-24.7	95.8	395.8	113.3	113.5	1.3050
Apr.	.	.	.	.	387.0	112.5	112.8	1.3190
May	.	.	.	.	.	113.0	113.3	1.3650

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

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

- 1) Data refer to the changing composition of the euro area. For further information, see the General notes.
- 2) Annual percentage changes of monthly data refer to the end of the month, whereas those of quarterly and yearly data refer to the annual change in the period average of the series. See the Technical notes for details.
- 3) M3 and its components exclude holdings by non-euro area residents of money market fund shares/units and debt securities with a maturity of up to two years.
- 4) Based on AAA-rated euro area central government bond yield curves. For further information, see table 4.7.
- 5) Unless otherwise indicated, data refer to Euro 16.
- 6) For the definition of the trading partner groups and other information, please refer to the General notes.



# MONETARY POLICY STATISTICS

## 1.1 Consolidated financial statement of the Eurosystem (EUR millions)

### 1. Assets

	2009 8 May	2009 15 May	2009 22 May	2009 29 May
<b>Gold and gold receivables</b>	240,817	240,803	240,790	240,784
<b>Claims on non-euro area residents in foreign currency</b>	159,299	159,036	159,273	158,041
<b>Claims on euro area residents in foreign currency</b>	123,101	121,357	103,733	103,029
<b>Claims on non-euro area residents in euro</b>	21,359	20,561	19,093	18,080
<b>Lending to euro area credit institutions in euro</b>	653,352	627,347	619,072	680,582
Main refinancing operations	234,197	229,565	221,324	276,814
Longer-term refinancing operations	419,097	397,647	397,648	403,549
Fine-tuning reverse operations	0	0	0	0
Structural reverse operations	0	0	0	0
Marginal lending facility	24	64	50	198
Credits related to margin calls	34	70	50	21
<b>Other claims on euro area credit institutions in euro</b>	26,453	24,918	25,359	25,941
<b>Securities of euro area residents in euro</b>	292,405	292,813	294,664	296,613
<b>General government debt in euro</b>	36,790	36,793	36,793	36,788
<b>Other assets</b>	241,523	240,529	238,093	239,753
<b>Total assets</b>	<b>1,795,099</b>	<b>1,764,158</b>	<b>1,736,870</b>	<b>1,799,610</b>

### 2. Liabilities

	2009 8 May	2009 15 May	2009 22 May	2009 29 May
<b>Banknotes in circulation</b>	759,502	758,033	758,164	761,422
<b>Liabilities to euro area credit institutions in euro</b>	264,137	239,404	222,265	270,976
Current accounts (covering the minimum reserve system)	188,787	217,795	206,694	247,929
Deposit facility	75,318	21,608	15,568	23,016
Fixed-term deposits	0	0	0	0
Fine-tuning reverse operations	0	0	0	0
Deposits related to margin calls	32	2	3	30
<b>Other liabilities to euro area credit institutions in euro</b>	436	286	217	235
<b>Debt certificates issued</b>	0	0	0	0
<b>Liabilities to other euro area residents in euro</b>	139,090	142,931	149,467	159,246
<b>Liabilities to non-euro area residents in euro</b>	177,993	170,954	154,696	156,446
<b>Liabilities to euro area residents in foreign currency</b>	1,548	2,687	2,024	1,846
<b>Liabilities to non-euro area residents in foreign currency</b>	11,407	10,689	11,935	11,254
<b>Counterpart of special drawing rights allocated by the IMF</b>	5,551	5,551	5,551	5,551
<b>Other liabilities</b>	159,644	157,834	156,765	156,709
<b>Revaluation accounts</b>	202,952	202,952	202,952	202,952
<b>Capital and reserves</b>	72,840	72,838	72,835	72,972
<b>Total liabilities</b>	<b>1,795,099</b>	<b>1,764,158</b>	<b>1,736,870</b>	<b>1,799,610</b>

Source: ECB.

## 1.2 Key ECB interest rates

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

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

Source: ECB.

- 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.
- 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.
- 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.
- As of 9 October 2008 the ECB reduced the standing facilities corridor from 200 basis points to 100 basis points around the interest rate on the main refinancing operations. The standing facilities corridor was restored to 200 basis points as of 21 January 2009.
- On 8 October 2008 the ECB announced that, starting from the operation to be settled on 15 October, the weekly main refinancing operations would be carried out through a fixed rate tender procedure with full allotment at the interest rate on the main refinancing operations. This change overrode the previous decision (made on the same day) to cut by 50 basis points the minimum bid rate on the main refinancing operations conducted as variable rate tenders.

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

(EUR millions; interest rates in percentages per annum)

#### 1. Main and longer-term refinancing operations <sup>3), 4)</sup>

Date of settlement	Bids (amount)	Number of participants	Allotment (amount)	Fixed rate tenders				Variable rate tenders			Running for (...) days
				Fixed rate	Minimum bid rate	Marginal rate <sup>5)</sup>	Weighted average rate				
	1	2	3	4	5	6	7	8	9		
<b>Main refinancing operations</b>											
2009 4 Feb.	207,052	501	207,052	2.00	-	-	-	-	7		
11	197,727	511	197,727	2.00	-	-	-	-	7		
18	215,285	527	215,285	2.00	-	-	-	-	7		
25	237,801	504	237,801	2.00	-	-	-	-	7		
4 Mar.	244,147	481	244,147	2.00	-	-	-	-	7		
11	227,701	503	227,701	1.50	-	-	-	-	7		
18	226,066	537	226,066	1.50	-	-	-	-	7		
25	229,979	538	229,979	1.50	-	-	-	-	7		
1 Apr.	238,071	522	238,071	1.50	-	-	-	-	7		
8	233,234	535	233,234	1.25	-	-	-	-	7		
15	249,411	557	249,411	1.25	-	-	-	-	7		
22	244,126	563	244,126	1.25	-	-	-	-	7		
29	233,157	526	233,157	1.25	-	-	-	-	7		
6 May	234,197	503	234,197	1.25	-	-	-	-	7		
13	229,565	512	229,565	1.00	-	-	-	-	7		
20	221,324	558	221,324	1.00	-	-	-	-	7		
27	276,814	709	276,814	1.00	-	-	-	-	7		
3 June	227,576	620	227,576	1.00	-	-	-	-	7		
<b>Longer-term refinancing operations</b>											
2009 26 Feb.	21,641	57	21,641	2.00	-	-	-	-	91		
11 Mar.	120,189	97	120,189	1.50	-	-	-	-	28		
12	10,811	60	10,811	1.50	-	-	-	-	182		
12	30,229	71	30,229	1.50	-	-	-	-	91		
26	28,774	87	28,774	1.50	-	-	-	-	91		
8 Apr.	131,839	119	131,839	1.25	-	-	-	-	35		
9	36,087	75	36,087	1.25	-	-	-	-	182		
16	13,152	37	13,152	1.25	-	-	-	-	84		
30	30,170	90	30,170	1.25	-	-	-	-	91		
13 May	116,063	113	116,063	1.00	-	-	-	-	28		
14	33,666	56	33,666	1.00	-	-	-	-	91		
14	20,695	97	20,695	1.00	-	-	-	-	182		
28	27,541	104	27,541	1.00	-	-	-	-	91		

#### 2. Other tender operations

Date of settlement	Type of operation	Bids (amount)	Number of participants	Allotment (amount)	Fixed rate tenders				Variable rate tenders			Running for (...) days
					Fixed rate	Minimum bid rate	Maximum bid rate	Marginal rate <sup>5)</sup>	Weighted average rate			
	1	2	3	4	5	6	7	8	9	10		
2008 18 Sep.	Reverse transaction	49,330	43	25,000	-	4.25	-	4.30	4.39	1		
24	Reverse transaction	50,335	36	40,000	-	4.25	-	4.25	4.35	1		
1 Oct.	Collection of fixed-term deposits	173,047	52	173,047	4.25	-	-	-	-	1		
2	Collection of fixed-term deposits	216,051	65	200,000	4.25	-	-	-	-	1		
3	Collection of fixed-term deposits	193,844	54	193,844	4.25	-	-	-	-	3		
6	Collection of fixed-term deposits	171,947	111	171,947	4.25	-	-	-	-	1		
7	Collection of fixed-term deposits	147,491	97	147,491	4.25	-	-	-	-	1		
9	Reverse transaction	24,682	99	24,682	3.75	-	-	-	-	6		
11 Nov.	Collection of fixed-term deposits	149,656	117	79,940	-	-	3.75	3.60	3.51	1		
9 Dec.	Collection of fixed-term deposits	152,655	95	137,456	-	-	3.25	3.05	2.94	1		
2009 20 Jan.	Collection of fixed-term deposits	143,835	103	140,013	-	-	2.50	2.30	2.15	1		
10 Feb.	Collection of fixed-term deposits	130,435	119	129,135	-	-	2.00	1.80	1.36	1		
10 Mar.	Collection of fixed-term deposits	111,502	119	110,832	-	-	2.00	1.80	1.52	1		
7 Apr.	Collection of fixed-term deposits	105,486	114	103,876	-	-	1.50	1.30	1.12	1		
12 May	Collection of fixed-term deposits	109,091	128	108,056	-	-	1.25	1.05	0.93	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.
- On 8 October 2008 the ECB announced that, starting from the operation to be settled on 15 October, the weekly main refinancing operations would be carried out through a fixed rate tender procedure with full allotment at the interest rate on the main refinancing operations.
- In liquidity-providing (absorbing) operations, the marginal rate refers to the lowest (highest) rate at which bids were accepted.

## 1.4 Minimum reserve and liquidity statistics

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

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

Reserve base as at <sup>1)</sup>	Total	Liabilities to which a 2% reserve coefficient is applied		Liabilities to which a 0% reserve coefficient is applied		
		Deposits (overnight, up to 2 years' agreed maturity and notice period)	Debt securities up to 2 years' agreed maturity	Deposits (over 2 years' agreed maturity and notice period)	Repos	Debt securities over 2 years' agreed maturity
	1	2	3	4	5	6
2007	17,394.7	9,438.8	815.0	2,143.1	1,364.0	3,633.9
2008	18,169.6	10,056.8	848.7	2,376.9	1,243.5	3,643.7
2008 Q2	17,971.8	9,775.4	916.3	2,172.4	1,439.4	3,668.1
Q3	18,231.2	9,968.9	917.1	2,186.7	1,457.1	3,701.5
Q4	18,169.6	10,056.8	848.7	2,376.9	1,243.5	3,643.7
2008 Nov. <sup>2)</sup>	18,396.5	10,195.5	884.3	2,227.2	1,378.8	3,710.8
Dec. <sup>2)</sup>	18,169.6	10,056.8	848.7	2,376.9	1,243.5	3,643.7
2009 Jan. <sup>3)</sup>	18,510.3	10,186.3	879.8	2,424.3	1,315.3	3,704.7
Feb.	18,466.6	10,142.2	870.3	2,438.4	1,272.4	3,743.2
Mar.	18,269.2	10,015.6	845.4	2,443.0	1,203.2	3,761.9

## 2. Reserve maintenance

Maintenance period ending on:	Required reserves	Credit institutions' current accounts	Excess reserves	Deficiencies	Interest rate on minimum reserves
	1	2	3	4	5
2006	172.5	173.2	0.7	0.0	3.30
2007	195.9	196.8	1.0	0.0	4.17
2008 11 Nov.	216.1	218.6	2.4	0.0	3.94
9 Dec.	217.2	218.7	1.5	0.0	3.25
2009 20 Jan. <sup>3)</sup>	220.2	221.5	1.2	0.0	2.50
10 Feb.	221.1	222.1	1.0	0.0	2.00
10 Mar.	217.6	218.6	1.0	0.0	2.00
7 Apr.	220.8	221.6	0.8	0.0	1.50
12 May	219.7	220.8	1.1	0.0	1.25
9 June	216.7	.	.	.	.

## 3. Liquidity

Maintenance period ending on:	Liquidity-providing factors					Liquidity-absorbing factors					Credit institutions' current accounts	Base money
	Eurosystem's net assets in gold and foreign currency	Main refinancing operations	Longer-term refinancing operations	Marginal lending facility	Other liquidity-providing operations	Deposit facility	Other liquidity-absorbing operations	Banknotes in circulation	Central government deposits with the Eurosystem	Other factors (net) <sup>4)</sup>		
	1	2	3	4	5	6	7	8	9	10	11	12
2006	327.0	313.1	120.0	0.1	0.1	0.1	0.0	598.6	54.9	-66.4	173.2	771.8
2007	327.5	173.0	278.6	0.3	0.0	0.4	2.2	644.6	61.9	-126.6	196.8	841.9
2008 11 Nov.	549.0	301.6	452.5	12.7	4.2	213.7	2.3	722.1	85.0	78.2	218.6	1,154.4
9 Dec.	580.5	337.3	457.2	2.7	0.0	200.9	4.9	731.1	107.8	114.3	218.7	1,150.7
2009 20 Jan.	581.3	219.2	613.6	2.9	0.0	238.5	3.3	753.1	99.9	100.6	221.5	1,213.1
10 Feb.	547.4	224.9	551.4	2.1	0.0	175.4	6.1	740.2	102.7	79.3	222.1	1,137.7
10 Mar.	512.7	224.3	472.4	1.6	0.0	95.5	4.0	741.5	110.1	41.4	218.6	1,055.5
7 Apr.	508.0	230.5	443.1	1.1	0.0	57.8	3.7	747.3	139.0	13.3	221.6	1,026.6
12 May	512.4	239.7	426.9	0.7	0.0	42.7	3.1	757.5	141.9	13.7	220.8	1,021.0

Source: ECB.

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



## MONEY, BANKING AND INVESTMENT FUNDS

### 2.1 Aggregated balance sheet of euro area MFIs <sup>1)</sup>

(EUR billions; outstanding amounts at end of period)

#### 1. Assets

	Total	Loans to euro area residents			Holdings of securities other than shares issued by euro area residents				Money market fund shares/units <sup>2)</sup>	Holdings of shares/other equity issued by euro area residents	External assets	Fixed assets	Remaining assets	
		Total	General government	Other euro area residents	MFIs	Total	General government	Other euro area residents						MFIs
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
<b>Eurosystem</b>														
2006	1,558.2	695.7	19.7	0.6	675.3	217.0	187.5	2.5	27.0	-	17.2	351.4	14.7	262.4
2007	2,046.1	1,031.7	17.8	0.6	1,013.3	268.6	225.1	1.9	41.6	-	17.4	373.7	15.2	339.6
2008 Q3	2,473.4	1,342.5	18.5	0.7	1,323.3	278.9	237.4	2.4	39.1	-	14.7	482.4	16.0	338.9
Q4	2,983.0	1,809.4	18.6	0.6	1,790.1	350.8	307.9	2.4	40.4	-	14.4	479.8	15.7	313.0
2009 Jan.	2,830.2	1,606.0	18.6	0.7	1,586.8	362.5	314.6	2.5	45.4	-	14.2	523.8	16.0	307.7
Feb.	2,772.6	1,537.1	18.6	0.7	1,517.8	366.5	318.3	2.7	45.6	-	13.6	530.5	15.9	309.0
Mar.	2,783.6	1,555.3	18.7	0.7	1,535.9	374.1	322.7	2.5	48.9	-	13.9	491.0	15.7	333.5
Apr. <sup>(p)</sup>	2,710.1	1,479.4	18.1	0.7	1,460.7	378.1	326.5	2.4	49.2	-	14.7	487.5	15.8	334.7
<b>MFIs excluding the Eurosystem</b>														
2006	25,944.6	14,881.7	809.0	9,134.7	4,938.0	3,561.5	1,278.8	645.8	1,636.9	83.5	1,171.4	4,336.6	172.6	1,737.4
2007	29,448.1	16,894.2	954.5	10,139.0	5,800.8	3,890.1	1,196.9	952.9	1,740.3	93.5	1,293.8	4,886.1	205.7	2,184.7
2008 Q3	31,534.6	18,134.4	978.8	10,800.1	6,355.5	4,207.8	1,195.4	1,106.8	1,905.6	101.8	1,316.1	5,125.7	203.2	2,445.5
Q4	31,840.7	18,053.5	967.6	10,768.2	6,317.6	4,630.8	1,244.7	1,406.3	1,979.8	98.7	1,199.7	4,756.6	211.6	2,889.8
2009 Jan.	32,300.1	18,204.8	984.5	10,856.9	6,363.4	4,768.9	1,308.8	1,407.7	2,052.4	101.6	1,205.0	4,871.5	210.6	2,937.7
Feb.	32,145.1	18,074.6	981.1	10,833.5	6,260.0	4,847.1	1,342.3	1,427.9	2,076.9	102.8	1,189.3	4,779.9	215.1	2,936.3
Mar.	31,748.3	17,905.0	970.1	10,815.4	6,119.4	4,928.3	1,388.9	1,450.4	2,089.1	104.1	1,186.5	4,545.9	214.0	2,864.6
Apr. <sup>(p)</sup>	31,859.6	17,900.8	982.2	10,811.5	6,107.1	4,995.7	1,406.4	1,472.5	2,116.8	103.5	1,218.6	4,612.2	213.0	2,812.3

#### 2. Liabilities

	Total	Currency in circulation	Deposits of euro area residents			Money market fund shares/units <sup>3)</sup>	Debt securities issued <sup>4)</sup>	Capital and reserves	External liabilities	Remaining liabilities	
			Total	Central government	Other general government/other euro area residents						MFIs
	1	2	3	4	5	6	7	8	9	10	11
<b>Eurosystem</b>											
2006	1,558.2	647.0	431.6	33.7	15.9	382.0	-	0.1	208.6	35.3	235.6
2007	2,046.1	697.0	714.7	23.9	19.1	671.8	-	0.1	238.0	66.0	330.3
2008 Q3	2,473.4	705.4	932.3	51.3	17.7	863.3	-	0.1	264.4	288.1	283.1
Q4	2,983.0	784.8	1,217.5	68.8	16.6	1,132.1	-	0.1	274.0	383.3	323.4
2009 Jan.	2,830.2	761.9	1,093.1	102.5	19.1	971.6	-	0.1	302.6	329.1	343.3
Feb.	2,772.6	763.8	1,075.8	110.9	22.3	942.6	-	0.1	313.8	301.5	317.7
Mar.	2,783.6	768.9	1,114.9	135.6	23.3	956.0	-	0.1	296.4	301.6	301.8
Apr. <sup>(p)</sup>	2,710.1	781.0	1,046.9	140.3	21.5	885.1	-	0.1	293.1	274.9	314.0
<b>MFIs excluding the Eurosystem</b>											
2006	25,944.6	-	13,265.1	124.1	7,901.8	5,239.3	698.3	4,233.6	1,454.1	3,991.4	2,302.2
2007	29,448.1	-	15,098.2	126.9	8,885.4	6,085.8	754.1	4,631.4	1,683.6	4,533.4	2,747.4
2008 Q3	31,534.6	-	16,234.4	139.9	9,347.6	6,746.8	833.2	4,851.4	1,756.1	4,890.5	2,968.9
Q4	31,840.7	-	16,759.8	190.8	9,710.5	6,858.5	825.4	4,848.3	1,767.5	4,396.0	3,243.8
2009 Jan.	32,300.1	-	16,816.2	222.6	9,756.7	6,836.9	859.8	4,920.2	1,788.0	4,679.2	3,236.8
Feb.	32,145.1	-	16,706.6	228.2	9,762.0	6,716.5	880.4	4,970.6	1,784.2	4,572.1	3,231.2
Mar.	31,748.3	-	16,605.8	216.1	9,785.2	6,604.4	885.2	4,931.8	1,796.1	4,347.0	3,182.3
Apr. <sup>(p)</sup>	31,859.6	-	16,638.8	198.2	9,869.1	6,571.5	886.2	4,970.7	1,810.2	4,401.1	3,152.5

Source: ECB.

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

2) Amounts issued by euro area residents. Amounts issued by non-euro area residents are included in external assets.

3) Amounts held by euro area residents.

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

**2.2 Consolidated balance sheet of euro area MFIs <sup>1)</sup>**

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

**1. Assets**

	Total	Loans to euro area residents			Holdings of securities other than shares issued by euro area residents			Holdings of shares/ other equity issued by other euro area residents	External assets	Fixed assets	Remaining assets
		Total	General government	Other euro area residents	Total	General government	Other euro area residents				
	1	2	3	4	5	6	7	8	9	10	11
Outstanding amounts											
2006	19,710.1	9,964.0	828.7	9,135.3	2,114.5	1,466.3	648.2	811.4	4,687.9	187.3	1,945.0
2007	22,317.5	11,111.9	972.3	10,139.6	2,376.9	1,422.0	954.9	882.2	5,259.8	220.9	2,465.9
2008 Q3	23,777.8	11,798.0	997.3	10,800.7	2,542.0	1,432.8	1,109.2	874.3	5,608.1	219.2	2,736.2
Q4	24,107.5	11,755.1	986.2	10,768.9	2,961.4	1,552.6	1,408.8	786.3	5,236.4	227.3	3,141.1
2009 Jan.	24,501.2	11,860.7	1,003.1	10,857.6	3,033.6	1,623.5	1,410.1	789.2	5,395.3	226.6	3,195.8
Feb.	24,441.1	11,833.9	999.7	10,834.2	3,091.2	1,660.6	1,430.6	777.1	5,310.5	230.9	3,197.5
Mar.	24,158.8	11,804.9	988.8	10,816.1	3,164.5	1,711.6	1,452.9	773.6	5,037.0	229.7	3,149.1
Apr. <sup>(p)</sup>	24,246.0	11,812.4	1,000.3	10,812.1	3,207.7	1,732.8	1,474.8	798.7	5,099.7	228.7	3,095.2
Transactions											
2006	1,999.3	874.8	-14.2	889.0	13.0	-94.0	107.1	97.9	805.5	6.4	201.7
2007	2,573.3	1,014.8	-9.9	1,024.7	232.2	-46.3	278.5	55.5	781.3	-0.5	490.0
2008	1,611.7	601.2	12.5	588.7	373.0	58.1	314.9	-56.0	-70.5	-2.1	766.1
2008 Q4	221.5	-43.9	-9.3	-34.6	207.5	52.4	155.1	-70.9	-320.5	0.9	448.3
2009 Q1	-153.2	8.2	1.6	6.6	185.2	143.5	41.7	-0.8	-297.1	0.9	-50.3
2009 Jan.	100.6	41.5	15.4	26.2	50.8	56.5	-5.7	10.9	-34.5	-2.2	33.4
Feb.	-98.6	-25.6	-3.3	-22.2	57.8	36.5	21.3	-7.4	-113.4	4.4	-14.4
Mar.	-155.2	-7.8	-10.4	2.6	76.6	50.5	26.1	-4.3	-149.2	-1.2	-69.3
Apr. <sup>(p)</sup>	62.4	7.0	11.6	-4.6	44.1	21.1	23.1	21.7	41.8	-1.0	-54.8

**2. Liabilities**

	Total	Currency in circulation	Deposits of central government	Deposits of other general government/ other euro area residents	Money market fund shares/ units <sup>2)</sup>	Debt securities issued <sup>3)</sup>	Capital and reserves	External liabilities	Remaining liabilities	Excess of inter-MFI liabilities
Outstanding amounts										
2006	19,710.1	592.3	157.8	7,917.7	614.6	2,569.8	1,285.5	4,026.7	2,537.7	7.9
2007	22,317.5	638.6	150.8	8,904.5	660.4	2,849.6	1,492.7	4,599.4	3,077.7	-56.5
2008 Q3	23,777.8	657.2	191.2	9,365.3	731.1	2,906.9	1,563.9	5,178.6	3,252.1	-68.7
Q4	24,107.5	723.0	259.6	9,727.1	726.3	2,828.2	1,613.6	4,779.3	3,567.2	-117.1
2009 Jan.	24,501.2	712.3	325.1	9,775.8	757.9	2,822.4	1,660.5	5,008.3	3,580.1	-141.6
Feb.	24,441.1	716.0	339.1	9,784.3	777.3	2,848.2	1,672.3	4,873.6	3,548.8	-118.7
Mar.	24,158.8	720.0	351.7	9,808.5	780.9	2,793.9	1,665.7	4,648.6	3,484.1	-95.0
Apr. <sup>(p)</sup>	24,246.0	729.2	338.5	9,890.6	782.4	2,804.8	1,668.8	4,676.0	3,466.6	-111.2
Transactions										
2006	1,999.3	59.4	-15.2	681.4	27.6	284.3	59.7	600.6	253.6	48.0
2007	2,573.3	45.8	-13.4	838.8	54.5	270.0	150.1	774.5	465.7	-13.1
2008	1,611.7	83.3	106.1	606.7	29.8	-27.8	141.0	64.9	666.8	-59.2
2008 Q4	221.5	65.8	68.4	204.7	-10.4	-79.7	43.4	-393.7	371.8	-48.8
2009 Q1	-153.2	-4.4	89.2	25.3	55.9	-44.9	37.4	-195.1	-114.1	-2.4
2009 Jan.	100.6	-12.0	62.5	-19.7	32.7	-40.9	23.4	84.6	42.0	-72.0
Feb.	-98.6	3.6	14.0	9.0	19.6	23.6	9.1	-146.6	-49.1	18.3
Mar.	-155.2	4.0	12.7	36.0	3.6	-27.6	4.9	-133.1	-107.0	51.3
Apr. <sup>(p)</sup>	62.4	9.3	-12.9	79.0	2.8	6.1	6.7	6.3	-14.9	-20.0

Source: ECB.

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

## 2.3 Monetary statistics <sup>1)</sup>

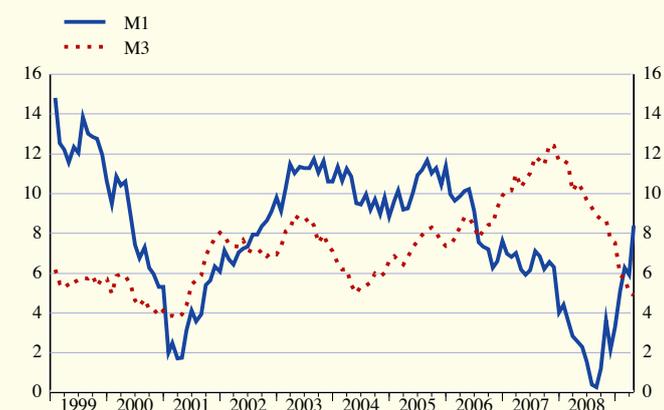
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period, transactions during period)

### 1. Monetary aggregates <sup>2)</sup> and counterparts

	M3				M3 3-month moving average (centred)	Longer-term financial liabilities	Credit to general government	Credit to other euro area residents		Net external assets <sup>4)</sup>		
	M2		M3-M2	Loans				Memo item: Loans adjusted for sales and securitisation <sup>3)</sup>				
	M1	M2-M1										
	1	2	3	4	5	6	7	8	9	10	11	12
Outstanding amounts												
2006	3,685.1	2,959.0	6,644.1	1,099.6	7,743.7	-	5,427.8	2,319.8	10,619.0	9,148.3	-	637.3
2007	3,837.7	3,518.3	7,356.1	1,308.5	8,664.6	-	5,968.1	2,416.2	12,003.9	10,156.5	-	634.7
2008 Q3	3,894.3	3,986.1	7,880.4	1,367.3	9,247.7	-	6,123.8	2,443.8	12,801.8	10,793.3	-	434.7
2008 Q4	3,981.9	4,046.2	8,028.2	1,379.0	9,407.2	-	6,294.2	2,562.1	12,985.7	10,784.7	-	430.0
2009 Jan.	4,103.6	3,986.2	8,089.8	1,307.3	9,397.1	-	6,446.1	2,626.1	13,085.1	10,872.0	-	371.0
Feb.	4,138.5	3,978.8	8,117.3	1,321.9	9,439.2	-	6,494.5	2,657.7	13,090.2	10,861.5	-	419.1
Mar.	4,123.3	3,960.5	8,083.8	1,312.4	9,396.3	-	6,460.1	2,688.5	13,044.4	10,814.0	-	388.2
Apr. <sup>(p)</sup>	4,200.1	3,959.9	8,160.1	1,318.2	9,478.3	-	6,482.0	2,713.9	13,019.0	10,796.8	-	453.2
Transactions												
2006	260.5	308.8	569.2	130.1	699.3	-	428.2	-112.2	1,102.7	896.5	964.5	204.0
2007	148.8	529.7	678.5	224.3	902.8	-	467.1	-59.6	1,362.1	1,028.5	1,119.9	5.0
2008	125.9	487.0	612.9	44.3	657.2	-	172.6	70.6	843.2	587.5	774.3	-136.8
2008 Q4	85.0	57.2	142.3	9.8	152.1	-	8.1	51.5	54.7	-11.3	86.0	40.9
2009 Q1	107.5	-103.9	3.6	-62.4	-58.8	-	130.9	109.9	27.5	-11.4	18.9	-75.0
2009 Jan.	83.3	-84.8	-1.5	-66.4	-68.0	-	81.3	48.1	37.6	24.8	34.9	-108.1
Feb.	34.8	-6.3	28.5	14.8	43.3	-	43.1	31.0	11.9	-9.4	-1.2	31.5
Mar.	-10.6	-12.8	-23.4	-10.7	-34.1	-	6.6	30.7	-22.1	-26.7	-14.8	1.6
Apr. <sup>(p)</sup>	92.6	-18.0	74.6	6.8	81.4	-	19.5	25.4	-28.2	-17.9	-2.0	65.1
Growth rates												
2006 Dec.	7.6	11.6	9.4	13.2	9.9	9.8	8.5	-4.6	11.6	10.8	11.6	204.0
2007 Dec.	4.0	17.9	10.2	20.5	11.6	11.9	8.6	-2.6	12.8	11.2	12.1	5.0
2008 Sep.	1.2	17.8	9.0	7.4	8.7	8.8	5.0	0.9	10.1	8.5	9.6	-221.4
2008 Dec.	3.3	13.7	8.3	3.3	7.5	7.0	2.9	2.9	7.0	5.8	7.5	-136.8
2009 Jan.	5.1	10.0	7.5	-2.8	5.9	6.4	3.6	5.1	6.4	5.1	6.9	-236.0
Feb.	6.3	7.7	7.0	-1.0	5.8	5.6	4.6	6.7	5.7	4.3	6.1	-185.7
Mar.	5.9	6.3	6.1	-1.1	5.0	5.2	4.4	7.7	4.7	3.2	5.0	-153.0
Apr. <sup>(p)</sup>	8.4	3.4	5.9	-0.9	4.9	.	4.3	8.0	3.7	2.4	4.1	-40.5

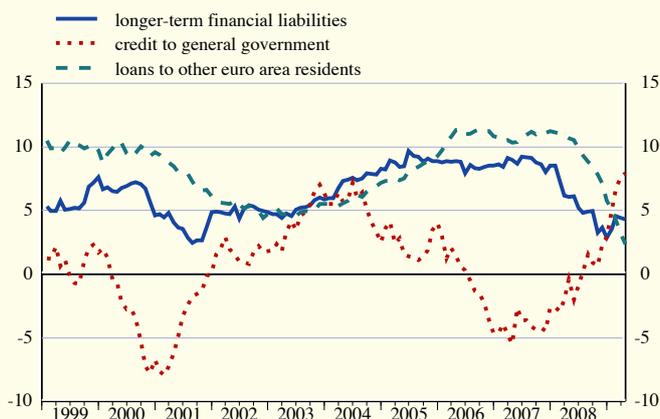
### C1 Monetary aggregates <sup>1)</sup>

(annual growth rates; seasonally adjusted)



### C2 Counterparts <sup>1)</sup>

(annual growth rates; seasonally adjusted)



Source: ECB.

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

Monthly and other shorter-term growth rates for selected items are available at <http://www.ecb.europa.eu/stats/money/aggregates/aggr/html/index.en.html>

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

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

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

## 2.3 Monetary statistics <sup>1)</sup>

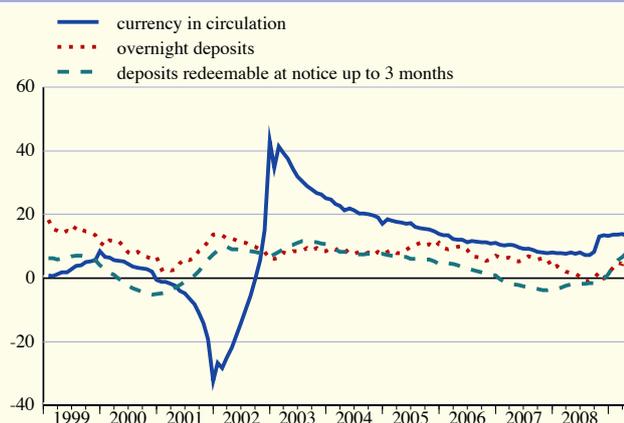
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period, transactions during period)

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

	Currency in circulation	Overnight deposits	Deposits with agreed maturity up to 2 years	Deposits redeemable at notice up to 3 months	Repos	Money market fund shares/units	Debt securities up to 2 years	Debt securities over 2 years	Deposits redeemable at notice over 3 months	Deposits with agreed maturity over 2 years	Capital and reserves
	1	2	3	4	5	6	7	8	9	10	11
Outstanding amounts											
2006	578.4	3,106.7	1,404.9	1,554.1	267.1	636.5	196.0	2,385.7	102.0	1,659.9	1,280.2
2007	625.6	3,212.2	1,977.3	1,541.1	307.4	686.2	314.9	2,547.4	119.3	1,814.8	1,486.6
2008 Q3	662.9	3,231.4	2,453.8	1,532.2	342.5	736.5	288.2	2,616.7	114.8	1,833.3	1,558.9
2008 Q4	710.0	3,271.9	2,478.8	1,567.4	354.1	756.2	268.8	2,573.1	121.2	1,992.8	1,607.0
2009 Jan.	716.8	3,386.9	2,387.9	1,598.3	322.8	766.1	218.4	2,625.9	123.7	2,039.9	1,656.6
Feb.	721.8	3,416.7	2,354.5	1,624.3	327.7	777.3	216.9	2,641.5	123.0	2,059.6	1,670.4
Mar.	727.5	3,395.8	2,318.2	1,642.4	337.5	780.5	194.5	2,600.2	124.2	2,075.6	1,660.0
Apr. <sup>(p)</sup>	729.8	3,470.4	2,292.6	1,667.3	338.4	770.9	208.8	2,595.5	125.9	2,089.7	1,670.8
Transactions											
2006	57.3	203.1	297.9	10.8	30.1	29.9	70.0	216.4	15.3	137.6	58.9
2007	46.7	102.1	582.3	-52.5	42.2	58.7	123.4	147.5	9.7	160.4	149.5
2008	83.4	42.5	467.2	19.8	48.1	33.2	-37.0	10.8	0.6	20.8	140.5
2008 Q4	47.1	37.9	22.2	35.0	13.2	13.7	-17.1	-46.5	6.5	6.4	41.7
2009 Q1	16.1	91.4	-178.5	74.6	-16.7	25.7	-71.3	13.1	2.2	77.3	38.3
2009 Jan.	5.4	77.9	-115.1	30.3	-31.5	11.1	-46.0	12.9	1.7	40.6	26.1
Feb.	5.1	29.8	-32.4	26.1	4.9	11.4	-1.5	13.4	-0.6	19.2	11.1
Mar.	5.6	-16.2	-31.0	18.2	9.9	3.2	-23.8	-13.2	1.2	17.5	1.0
Apr. <sup>(p)</sup>	2.3	90.3	-43.6	25.6	0.9	-8.3	14.1	-9.2	1.0	13.3	14.4
Growth rates											
2006 Dec.	11.0	7.0	26.8	0.7	12.8	4.8	55.2	9.9	17.7	9.0	4.8
2007 Dec.	8.1	3.3	41.3	-3.4	15.8	9.2	63.6	6.2	9.5	9.7	11.4
2008 Sep.	8.2	-0.1	34.4	-1.7	16.5	4.1	5.4	2.3	-5.6	3.8	12.2
2008 Dec.	13.3	1.3	23.4	1.3	15.6	4.8	-12.2	0.4	0.5	1.1	9.6
2009 Jan.	13.7	3.4	14.6	3.9	5.9	2.6	-25.5	0.1	0.6	3.0	10.4
Feb.	13.6	4.8	9.3	5.6	5.4	3.4	-20.2	1.3	1.3	4.2	10.8
Mar.	13.8	4.4	6.2	6.6	8.5	4.2	-27.3	0.6	3.7	5.0	10.3
Apr. <sup>(p)</sup>	13.2	7.4	0.3	8.0	4.0	3.3	-19.4	-0.2	5.1	5.5	10.4

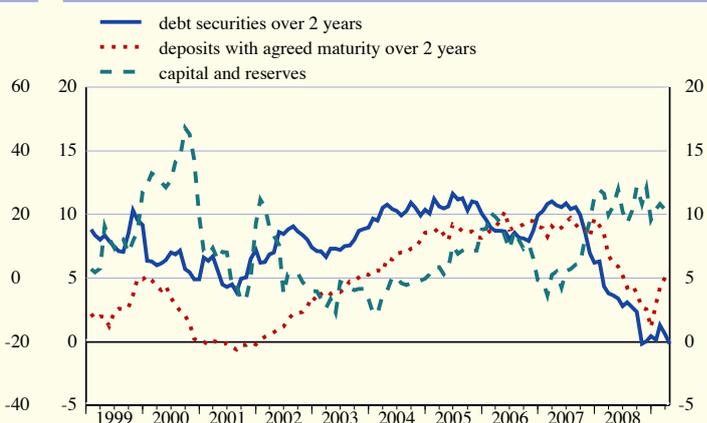
### C3 Components of monetary aggregates <sup>1)</sup>

(annual growth rates; seasonally adjusted)



### C4 Components of longer-term financial liabilities <sup>1)</sup>

(annual growth rates; seasonally adjusted)



Source: ECB.

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

## 2.4 MFI loans, breakdown <sup>1), 2)</sup>

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

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

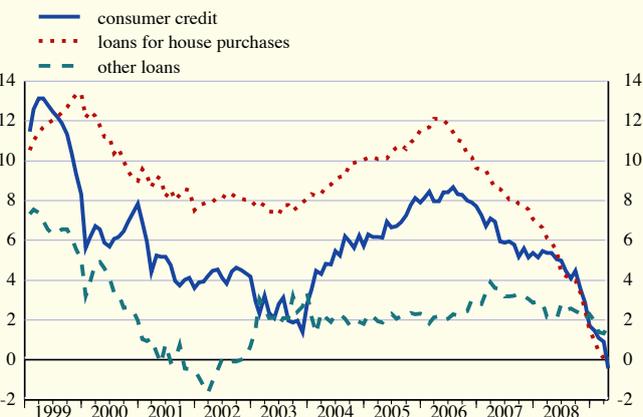
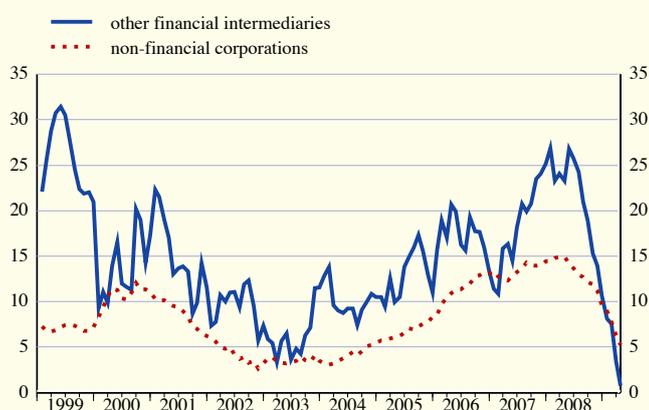
	Insurance corporations and pension funds	Other financial intermediaries <sup>3)</sup>	Non-financial corporations				Households <sup>4)</sup>			
	Total	Total	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Consumer credit	Loans for house purchase	Other loans
	1	2	3	4	5	6	7	8	9	10
<b>Outstanding amounts</b>										
2006	92.2	703.9	3,836.9	1,141.6	707.0	1,988.3	4,515.3	584.2	3,194.3	736.8
2007	107.4	877.5	4,383.4	1,282.6	859.5	2,241.2	4,788.2	616.1	3,419.9	752.2
2008 Q3	102.0	1,002.9	4,769.5	1,378.5	954.3	2,436.7	4,918.8	636.8	3,514.8	767.1
Q4	103.7	974.6	4,824.2	1,384.0	960.8	2,479.4	4,882.1	630.6	3,482.1	769.4
2009 Jan.	98.2	990.3	4,884.6	1,394.3	978.1	2,512.2	4,898.9	639.6	3,488.9	770.3
Feb.	96.2	986.1	4,880.0	1,374.1	980.7	2,525.2	4,899.2	640.8	3,490.9	767.5
Mar.	103.2	970.4	4,850.3	1,350.1	973.9	2,526.3	4,890.1	641.0	3,482.4	766.7
Apr. <sup>(p)</sup>	101.4	961.8	4,842.7	1,334.1	979.2	2,529.5	4,890.8	635.6	3,483.8	771.4
<b>Transactions</b>										
2006	20.2	86.9	444.8	100.9	123.0	220.8	344.7	42.3	281.9	20.4
2007	16.8	176.3	555.9	146.1	156.0	253.8	279.5	31.5	227.0	21.0
2008	-4.2	90.0	421.7	88.5	120.1	213.1	80.1	10.7	52.0	17.3
2008 Q4	1.6	-29.4	55.2	-4.0	24.4	34.8	-38.7	-6.6	-34.9	2.8
2009 Q1	-3.9	-11.2	10.6	-38.8	7.9	41.4	-6.8	2.5	-7.6	-1.7
2009 Jan.	-5.7	5.2	28.7	-0.3	9.2	19.8	-3.5	-0.1	-3.3	-0.1
Feb.	-2.0	-5.6	-3.5	-19.3	2.6	13.2	1.7	1.7	2.2	-2.2
Mar.	3.7	-10.8	-14.6	-19.2	-3.9	8.4	-5.1	0.9	-6.5	0.6
Apr. <sup>(p)</sup>	-1.8	-9.6	-5.0	-15.7	5.7	4.9	-1.5	-5.6	0.8	3.3
<b>Growth rates</b>										
2006 Dec.	27.9	14.0	13.1	9.7	20.8	12.4	8.2	7.7	9.7	2.9
2007 Dec.	18.2	24.9	14.5	12.8	22.0	12.8	6.2	5.4	7.1	2.9
2008 Sep.	-8.0	18.8	12.1	9.8	17.5	11.4	3.8	4.5	4.0	2.5
Dec.	-3.9	10.3	9.6	6.9	13.9	9.4	1.7	1.7	1.5	2.3
2009 Jan.	-4.7	8.3	9.0	6.1	13.0	9.1	1.2	1.5	0.9	1.9
Feb.	-8.1	7.8	7.8	3.3	12.0	8.7	0.7	1.1	0.4	1.4
Mar.	-5.5	3.5	6.3	0.1	10.4	8.3	0.4	0.9	0.1	1.3
Apr. <sup>(p)</sup>	-2.2	0.6	5.2	-1.4	9.9	7.2	0.1	-0.4	-0.2	1.8

### C5 Loans to other financial intermediaries and non-financial corporations <sup>2)</sup>

(annual growth rates; not seasonally adjusted)

### C6 Loans to households <sup>2)</sup>

(annual growth rates; not seasonally adjusted)



Source: ECB.

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

2.4 MFI loans, breakdown <sup>1), 2)</sup>

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

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

	Insurance corporations and pension funds				Other financial intermediaries <sup>3)</sup>				Non-financial corporations			
	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9	10	11	12
Outstanding amounts												
2007	95.6	71.2	7.5	17.0	862.2	522.5	148.0	191.7	4,386.2	1,278.0	859.2	2,249.1
2008 Q3	101.8	78.0	6.4	17.5	1,011.6	616.3	169.5	225.8	4,761.1	1,374.6	953.5	2,433.0
2008 Q4	92.3	68.5	5.7	18.0	960.8	553.9	168.8	238.0	4,827.0	1,378.3	960.6	2,488.1
2009 Jan.	96.8	72.7	6.5	17.5	984.9	567.0	178.3	239.6	4,881.6	1,389.8	976.7	2,515.0
Feb.	94.3	70.1	6.5	17.6	982.7	560.0	179.7	243.0	4,869.0	1,367.1	978.8	2,523.2
Mar.	102.1	75.6	6.3	20.2	986.9	569.1	180.0	237.8	4,846.0	1,347.3	974.3	2,524.4
Apr. <sup>(p)</sup>	103.4	76.9	5.8	20.7	984.6	562.7	180.6	241.3	4,845.6	1,338.2	978.7	2,528.8
Transactions												
2007	15.0	16.7	-5.2	3.5	175.0	113.4	34.1	27.5	555.7	144.9	156.1	254.7
2008	-3.8	-2.9	-1.8	0.9	91.4	27.2	21.5	42.7	421.7	87.7	120.1	213.9
2008 Q4	-9.7	-9.6	-0.6	0.6	-51.9	-60.8	0.1	8.8	66.5	-5.7	25.0	47.2
2009 Q1	6.4	5.7	0.6	0.1	19.1	10.5	11.2	-2.6	3.5	-35.9	8.6	30.8
2009 Jan.	4.3	4.1	0.8	-0.5	13.6	5.9	8.8	-1.2	22.9	0.9	8.1	14.0
Feb.	-2.5	-2.6	0.0	0.1	-3.5	-7.6	1.3	2.8	-11.4	-21.9	2.1	8.4
Mar.	4.6	4.3	-0.2	0.5	9.1	12.2	1.1	-4.2	-8.0	-14.9	-1.5	8.4
Apr. <sup>(p)</sup>	1.4	1.3	-0.5	0.6	-3.4	-7.3	0.3	3.5	2.2	-8.8	4.8	6.2
Growth rates												
2007 Dec.	18.2	30.6	-41.1	23.5	25.1	27.2	29.6	16.7	14.5	12.7	22.1	12.8
2008 Sep.	-7.6	-10.6	-26.1	18.7	18.9	15.6	24.5	24.7	12.1	9.8	17.5	11.4
2008 Dec.	-3.9	-4.0	-23.7	5.0	10.7	5.4	14.6	22.2	9.6	6.8	13.9	9.4
2009 Jan.	-4.7	-5.4	-18.1	5.1	8.1	0.5	20.6	20.5	9.0	6.0	13.0	9.1
Feb.	-8.3	-10.1	-17.1	4.4	7.5	-1.0	19.9	22.7	7.8	3.2	12.0	8.7
Mar.	-5.3	-7.3	-17.2	10.4	3.5	-5.2	19.7	17.4	6.3	0.1	10.4	8.3
Apr. <sup>(p)</sup>	-2.2	-2.5	-23.8	8.5	0.8	-9.5	19.3	18.5	5.2	-1.4	9.9	7.2

3. Loans to households<sup>4)</sup>

	Total	Consumer credit				Loans for house purchase				Other loans			
		Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9	10	11	12	13
Outstanding amounts													
2007	4,794.9	618.4	137.5	203.9	276.9	3,423.3	15.9	73.7	3,333.7	753.2	147.4	104.0	501.8
2008 Q3	4,925.6	638.3	139.3	201.4	297.6	3,519.9	16.8	71.7	3,431.4	767.3	149.6	100.0	517.8
2008 Q4	4,888.2	632.8	138.8	196.1	298.0	3,484.8	17.2	67.5	3,400.2	770.5	155.0	90.5	524.9
2009 Jan.	4,893.6	637.7	137.0	202.8	297.9	3,487.2	17.2	65.9	3,404.1	768.8	152.4	89.5	526.8
Feb.	4,887.5	635.4	135.9	201.8	297.8	3,485.8	17.1	65.5	3,403.3	766.3	150.4	88.9	527.0
Mar.	4,880.4	638.0	137.6	201.7	298.7	3,477.0	17.3	66.9	3,392.8	765.4	151.0	88.3	526.1
Apr. <sup>(p)</sup>	4,877.8	633.8	136.0	199.8	298.1	3,475.1	17.2	66.8	3,391.2	768.9	149.5	88.5	530.8
Transactions													
2007	278.9	31.5	3.8	1.1	26.6	226.4	0.9	2.3	223.2	21.1	1.7	4.4	14.9
2008	79.4	10.7	1.1	-9.1	18.6	51.4	1.1	-3.8	54.1	17.4	2.5	-5.3	20.2
2008 Q4	-39.4	-5.9	-0.3	-5.7	0.1	-37.2	0.3	-2.3	-35.2	3.7	0.8	-1.9	4.7
2009 Q1	-22.5	-2.7	-1.2	-2.1	0.6	-15.8	0.1	-2.0	-13.8	-4.0	-3.9	-2.0	1.9
2009 Jan.	-14.7	-4.2	-2.1	-1.2	-0.9	-7.8	0.0	-1.7	-6.1	-2.7	-3.0	-0.9	1.2
Feb.	-4.7	-1.8	-1.0	-0.9	0.1	-1.1	-0.2	-0.4	-0.5	-1.8	-1.9	-0.6	0.7
Mar.	-3.1	3.2	1.9	0.0	1.3	-6.9	0.2	0.1	-7.2	0.5	1.0	-0.4	0.0
Apr. <sup>(p)</sup>	-4.7	-4.3	-1.7	-1.8	-0.8	-2.5	-0.1	-0.1	-2.2	2.0	-1.5	0.3	3.2
Growth rates													
2007 Dec.	6.2	5.4	2.8	0.5	10.7	7.1	6.0	3.2	7.2	2.9	1.2	4.3	3.0
2008 Sep.	3.8	4.5	4.2	-1.3	9.0	4.0	4.8	-1.3	4.1	2.5	2.2	-2.3	3.5
2008 Dec.	1.7	1.7	0.8	-4.4	6.7	1.5	7.0	-5.2	1.6	2.3	1.7	-5.1	4.0
2009 Jan.	1.2	1.5	0.3	-4.2	6.2	0.9	7.9	-7.3	1.1	1.9	1.0	-6.6	4.0
Feb.	0.7	1.1	0.3	-4.3	5.4	0.4	7.5	-7.6	0.6	1.4	0.5	-7.4	3.4
Mar.	0.4	0.9	1.1	-4.5	4.7	0.1	7.1	-7.2	0.2	1.3	0.0	-7.7	3.6
Apr. <sup>(p)</sup>	0.1	-0.5	0.1	-6.2	3.3	-0.2	6.7	-7.2	-0.1	1.8	-0.1	-5.4	3.7

Source: ECB.

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

## 2.4 MFI loans, breakdown <sup>1), 2)</sup>

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

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

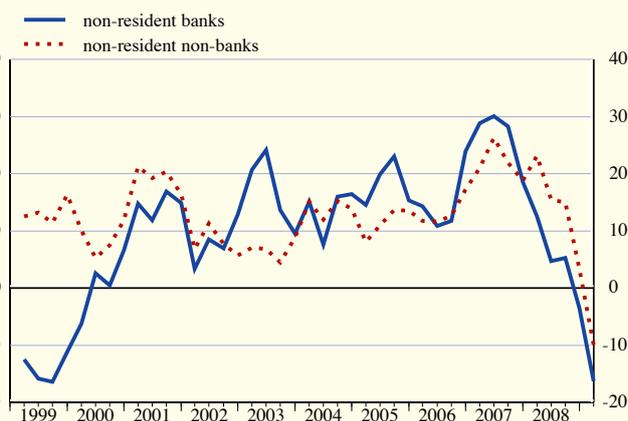
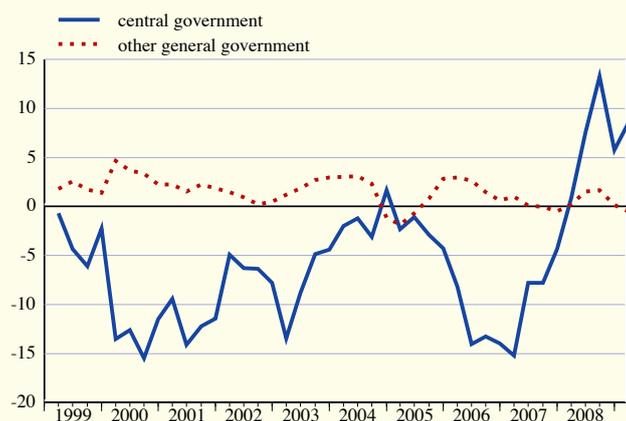
	General government					Non-euro area residents				
	Total	Central government	Other general government			Total	Banks <sup>3)</sup>	Non-banks		
			State government	Local government	Social security funds			Total	General government	Other
	1	2	3	4	5	6	7	8	9	10
Outstanding amounts										
2006	809.0	104.0	232.5	446.6	25.8	2,931.8	2,070.6	861.2	63.1	798.1
2007	954.5	213.4	217.6	494.0	29.4	3,307.6	2,352.4	955.1	59.8	895.3
2008 Q2	974.0	220.4	215.1	496.4	42.0	3,321.2	2,312.5	1,008.8	63.0	945.8
Q3	978.8	225.6	210.0	497.8	45.4	3,525.7	2,461.8	1,063.9	61.8	1,002.0
Q4	967.6	226.9	210.1	508.4	22.2	3,250.1	2,284.6	965.5	57.8	907.7
2009 Q1 <sup>(p)</sup>	970.1	229.4	205.6	512.8	22.3	3,056.8	2,114.5	942.3	57.1	885.2
Transactions										
2006	-13.2	-17.5	-14.3	22.0	-3.4	536.5	408.5	128.0	-0.1	128.1
2007	-8.0	-4.5	-13.0	6.0	3.6	541.6	382.1	159.5	0.3	159.2
2008	13.3	12.3	-8.1	16.3	-7.2	-51.7	-82.8	30.9	0.6	30.3
2008 Q2	17.7	9.7	2.1	1.1	4.8	-98.9	-93.4	-5.4	1.6	-7.0
Q3	4.5	4.9	-5.2	1.4	3.4	90.8	73.5	17.3	-3.2	20.5
Q4	-9.4	1.1	-0.2	12.8	-23.2	-256.3	-182.5	-73.9	-0.7	-73.2
2009 Q1 <sup>(p)</sup>	1.5	2.1	-4.4	3.8	0.1	-236.7	-201.8	-41.2	-1.9	-39.3
Growth rates										
2006 Dec.	-1.6	-14.0	-5.8	5.2	-11.6	21.9	24.0	17.2	-0.1	18.9
2007 Dec.	-1.0	-4.3	-5.6	1.3	13.8	18.6	18.6	18.8	0.5	20.3
2008 June	2.4	7.5	-1.8	2.4	11.7	7.8	4.7	15.4	9.5	15.8
Sep.	3.4	13.2	-1.9	2.7	9.6	8.0	5.2	15.0	1.8	15.9
Dec.	1.4	5.8	-3.7	3.3	-24.4	-1.5	-3.5	3.3	0.9	3.5
2009 Mar. <sup>(p)</sup>	1.5	8.4	-3.6	3.9	-40.0	-14.2	-16.3	-9.9	-6.8	-10.1

### C7 Loans to government <sup>2)</sup>

(annual growth rates; not seasonally adjusted)

### C8 Loans to non-euro area residents <sup>2)</sup>

(annual growth rates; not seasonally adjusted)



Source: ECB.

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

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

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

**2.5 Deposits held with MFIs, breakdown<sup>1), 2)</sup>**

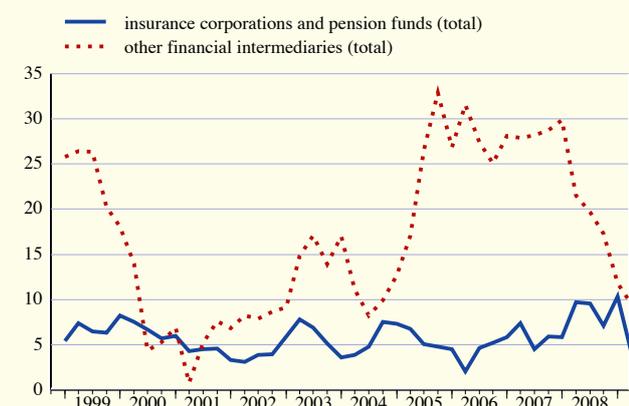
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

**1. Deposits by financial intermediaries**

	Insurance corporations and pension funds							Other financial intermediaries <sup>3)</sup>						
	Total	Overnight	With agreed maturity		Redeemable at notice		Repos	Total	Overnight	With agreed maturity		Redeemable at notice		Repos
			Up to 2 years	Over 2 years	Up to 3 months	Over 3 months				Up to 2 years	Over 2 years	Up to 3 months	Over 3 months	
Outstanding amounts														
2006	656.2	70.0	59.8	499.1	1.0	1.4	24.9	1,135.6	281.8	249.7	468.2	10.5	0.2	125.1
2007	691.7	70.9	70.5	527.5	0.8	1.1	20.8	1,466.4	312.5	345.7	648.6	12.2	0.3	147.1
2008 Q3	730.4	75.2	91.0	541.1	1.2	1.6	20.4	1,634.5	322.5	443.7	669.1	11.6	0.1	187.5
2008 Q4	765.4	83.8	117.1	538.9	1.1	1.5	23.1	1,804.1	320.9	420.5	853.4	12.3	0.1	197.0
2009 Jan.	766.3	99.8	99.7	544.0	1.2	1.5	20.2	1,804.0	341.9	363.6	880.6	12.9	0.1	204.9
Feb.	759.9	92.5	98.6	544.5	1.4	1.5	21.3	1,820.9	342.3	359.0	893.5	14.1	0.1	212.0
Mar.	763.4	91.7	99.7	546.7	2.3	1.5	21.4	1,839.4	333.4	348.8	908.0	14.4	0.0	234.7
Apr. <sup>(p)</sup>	764.9	89.4	101.1	550.3	1.8	1.5	20.8	1,861.4	326.4	372.5	908.3	16.1	0.0	238.1
Transactions														
2006	36.4	2.0	4.9	25.4	-0.3	0.0	4.4	247.4	45.2	67.0	129.8	0.3	0.1	4.9
2007	38.5	0.8	10.5	31.9	-0.3	-0.3	-4.1	339.0	34.0	98.7	180.4	1.7	0.1	24.1
2008	71.7	12.4	44.9	12.4	-0.3	0.1	2.2	172.9	4.6	71.4	46.6	-0.3	-0.3	50.9
2008 Q4	36.7	8.5	26.1	-0.3	-0.1	-0.1	2.7	13.7	-2.3	-23.5	27.8	0.6	0.0	11.1
2009 Q1	-6.9	5.5	-18.9	7.8	0.5	0.0	-1.7	31.4	10.6	-72.2	53.2	2.1	0.0	37.7
2009 Jan.	-1.0	15.4	-18.6	5.0	0.1	0.0	-2.9	-8.7	17.9	-58.7	23.8	0.5	0.0	7.8
Feb.	-6.5	-7.3	-1.1	0.5	0.2	0.0	1.2	15.7	-0.3	-4.7	12.5	1.2	0.0	7.1
Mar.	0.7	-2.6	0.9	2.2	0.2	0.0	0.1	24.4	-7.0	-8.8	17.0	0.5	0.0	22.9
Apr. <sup>(p)</sup>	1.4	-2.4	1.3	3.5	-0.5	0.0	-0.6	20.6	9.4	6.7	-0.5	1.7	0.0	3.4
Growth rates														
2006 Dec.	5.9	2.9	9.0	5.4	-20.4	-	21.2	28.1	19.4	36.6	38.7	2.6	-	4.0
2007 Dec.	5.9	1.1	17.5	6.4	-25.3	-	-16.4	29.9	12.0	39.7	38.5	16.4	-	19.1
2008 Sep.	7.1	10.8	38.9	3.2	-20.3	-	-3.1	17.3	-3.3	45.3	15.5	-11.7	-	16.1
2008 Dec.	10.3	17.3	62.1	2.4	-23.4	-	10.5	11.8	1.4	20.8	7.2	-2.3	-	34.6
2009 Jan.	6.5	18.5	26.0	3.1	-18.1	-	-20.2	9.3	1.2	6.6	10.2	-2.3	-	25.3
Feb.	6.8	26.2	24.4	2.6	-12.6	-	-13.7	10.0	5.8	-1.6	13.1	14.8	-	28.3
Mar.	4.3	8.8	13.8	2.4	-3.4	-	-2.2	9.6	-1.7	-3.4	13.9	6.4	-	39.4
Apr. <sup>(p)</sup>	4.6	15.6	10.3	2.7	-13.5	-	-8.1	8.7	8.1	-9.8	12.9	11.7	-	31.9

**C9 Total deposits by sector<sup>2)</sup>**

(annual growth rates)

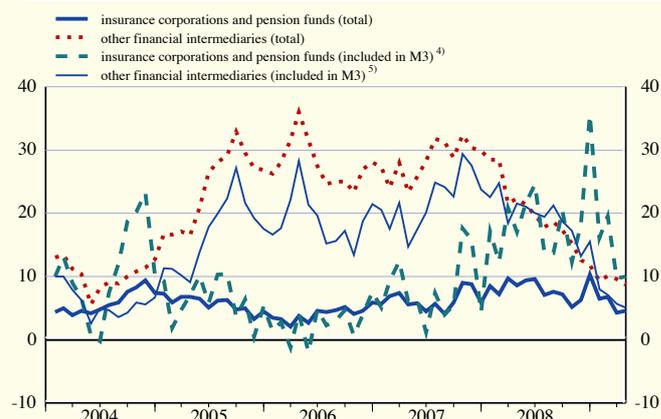


Source: ECB.

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

**C10 Total deposits and deposits included in M3 by sector<sup>2)</sup>**

(annual growth rates)



## 2.5 Deposits held with MFIs, breakdown <sup>1), 2)</sup>

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

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

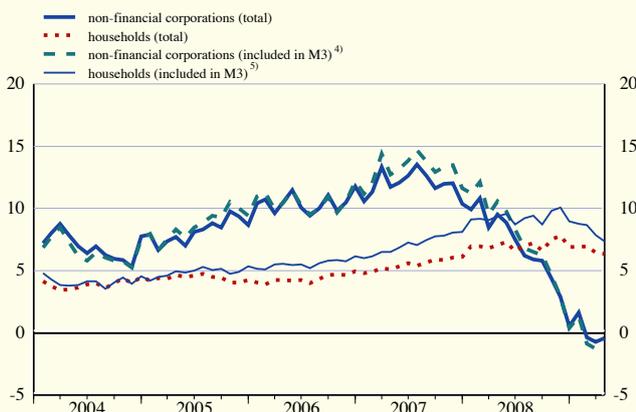
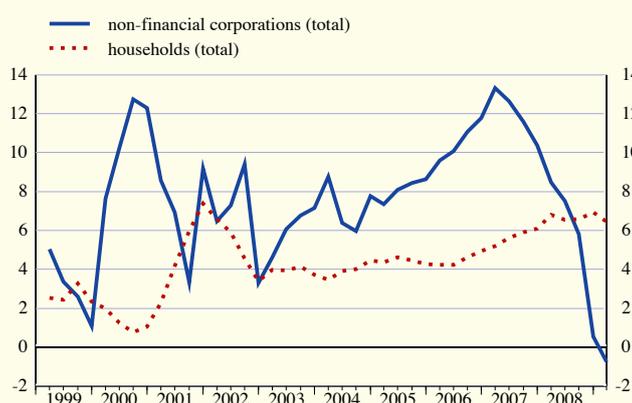
	Non-financial corporations							Households <sup>3)</sup>						
	Total	Overnight	With agreed maturity		Redeemable at notice		Repos	Total	Overnight	With agreed maturity		Redeemable at notice		Repos
			Up to 2 years	Over 2 years	Up to 3 months	Over 3 months				Up to 2 years	Over 2 years	Up to 3 months	Over 3 months	
Outstanding amounts														
2006	1,352.7	855.0	361.3	69.4	40.9	1.3	24.8	4,551.7	1,751.4	668.9	607.4	1,354.3	99.8	70.0
2007	1,488.8	888.9	485.3	59.6	29.9	1.4	23.7	4,990.6	1,778.9	993.3	561.6	1,458.6	111.1	87.1
2008 Q3	1,517.4	879.9	520.8	64.2	26.0	1.4	25.1	5,203.5	1,751.0	1,270.4	525.1	1,446.0	103.0	108.0
Q4	1,516.4	889.9	508.6	64.6	28.3	1.3	23.7	5,370.2	1,814.7	1,350.1	517.9	1,490.2	113.6	83.7
2009 Jan.	1,494.4	884.0	488.2	67.1	32.4	1.3	21.3	5,439.6	1,859.0	1,335.8	522.8	1,530.9	114.4	76.6
Feb.	1,480.0	868.2	483.3	68.6	35.8	1.3	22.7	5,448.9	1,883.4	1,309.4	522.7	1,549.3	114.3	69.9
Mar.	1,487.5	878.2	479.7	70.3	38.7	1.3	19.2	5,447.0	1,900.0	1,280.7	524.5	1,565.4	114.9	61.4
Apr. <sup>(p)</sup>	1,503.6	881.3	485.3	71.7	42.8	1.4	21.1	5,489.7	1,957.7	1,241.6	534.8	1,582.9	115.8	56.8
Transactions														
2006	143.0	86.8	56.0	3.5	-3.6	0.1	0.1	215.1	65.6	137.5	-23.0	2.4	15.3	17.2
2007	140.2	34.1	126.8	-8.1	-10.8	-0.7	-1.1	282.9	22.4	320.9	-45.4	-43.2	11.2	17.1
2008	8.2	-4.6	13.3	3.3	-3.6	-0.3	0.0	347.6	28.6	335.6	-43.1	28.1	1.7	-3.4
2008 Q4	-2.9	9.0	-13.4	0.7	2.3	-0.1	-1.4	163.1	63.2	76.7	-7.0	44.0	10.6	-24.4
2009 Q1	-39.0	-17.0	-33.0	4.3	11.1	0.0	-4.4	40.3	64.0	-81.0	4.1	75.0	0.5	-22.2
2009 Jan.	-38.6	-15.7	-26.8	2.2	4.1	0.0	-2.4	29.0	22.3	-28.8	2.3	40.3	0.0	-7.1
Feb.	-13.6	-15.3	-4.8	1.6	3.4	0.0	1.4	10.3	24.4	-25.4	-0.3	18.3	-0.1	-6.6
Mar.	13.2	14.0	-1.4	0.6	3.5	0.0	-3.5	1.1	17.4	-26.8	2.0	16.3	0.6	-8.5
Apr. <sup>(p)</sup>	16.4	3.8	5.2	1.3	4.1	0.0	1.9	41.2	56.6	-39.3	10.3	18.1	0.3	-4.7
Growth rates														
2006 Dec.	11.8	11.3	18.2	5.2	-8.1	5.9	0.6	5.0	3.9	25.8	-3.6	0.2	18.1	32.6
2007 Dec.	10.4	4.0	35.1	-11.8	-26.3	-31.6	-4.4	6.1	1.3	47.7	-7.5	-3.3	11.2	24.4
2008 Sep.	5.8	3.0	14.7	-2.7	-23.2	-17.3	3.0	6.6	-0.6	40.8	-7.0	-1.0	-5.2	28.6
Dec.	0.6	-0.5	2.8	5.4	-11.4	-16.2	0.0	6.9	1.6	33.2	-7.7	1.9	1.5	-3.9
2009 Jan.	1.7	2.8	-1.2	9.1	6.3	-17.2	-4.5	6.9	4.1	24.7	-6.5	4.5	1.5	-16.5
Feb.	-0.4	1.8	-6.4	11.0	20.7	-11.0	-2.7	6.9	6.4	19.4	-5.7	5.8	2.2	-27.1
Mar.	-0.7	1.2	-6.8	12.3	31.5	-9.5	-16.0	6.4	6.8	15.1	-4.5	6.6	4.7	-35.8
Apr. <sup>(p)</sup>	-0.4	2.6	-9.8	13.3	50.9	-3.4	0.5	6.3	9.1	8.3	-1.9	7.8	6.2	-41.8

### C11 Total deposits by sector <sup>2)</sup>

(annual growth rates)

### C12 Total deposits and deposits included in M3

by sector <sup>2)</sup> (annual growth rates)



Source: ECB.

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

**2.5 Deposits held with MFIs, breakdown<sup>1), 2)</sup>**

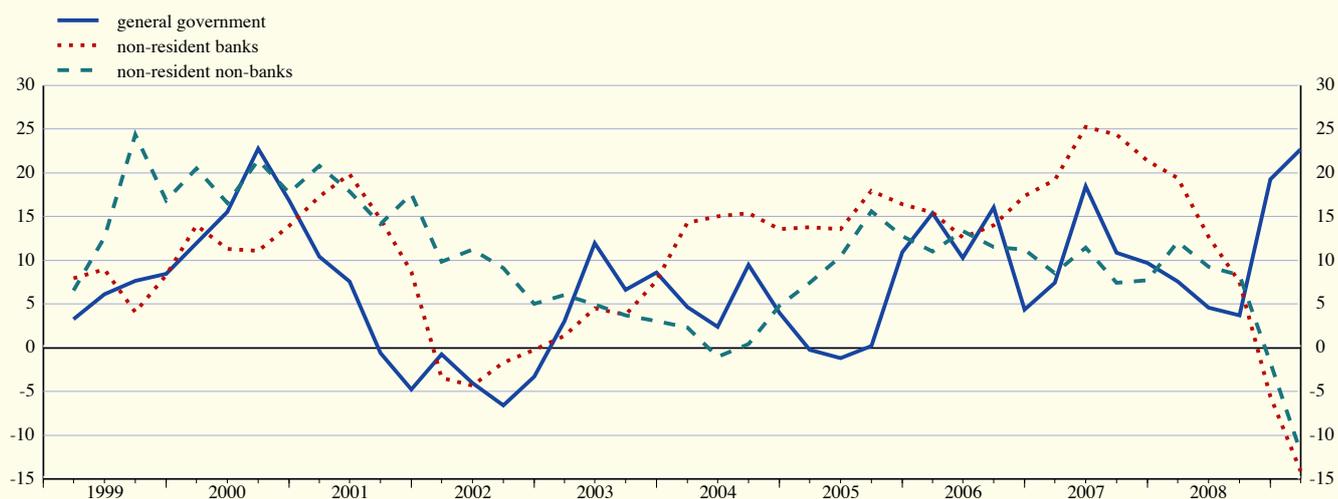
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

**3. Deposits by government and non-euro area residents**

	General government					Non-euro area residents				
	Total	Central government	Other general government			Total	Banks <sup>3)</sup>	Non-banks		
			State government	Local government	Social security funds			Total	General government	Other
	1	2	3	4	5	6	7	8	9	10
Outstanding amounts										
2006	329.6	124.1	45.4	91.4	68.8	3,430.0	2,561.5	868.6	128.5	740.1
2007	374.8	126.9	59.0	108.5	80.4	3,857.3	2,948.5	908.8	143.3	765.5
2008 Q2	412.3	156.0	56.4	113.5	86.4	4,020.6	3,041.2	979.4	129.3	850.1
Q3	401.7	139.9	61.7	114.4	85.7	4,145.6	3,142.2	1,003.4	141.8	861.6
Q4	445.1	190.8	52.3	116.1	85.9	3,707.4	2,809.9	897.5	65.8	831.7
2009 Q1 <sup>(p)</sup>	464.0	216.1	50.6	113.5	83.8	3,662.5	2,793.6	868.8	63.1	805.7
Transactions										
2006	13.6	-24.6	7.0	7.6	23.6	475.9	387.2	88.7	6.6	82.1
2007	31.9	-3.1	13.6	9.8	11.6	610.6	543.5	67.1	20.2	46.8
2008	72.3	63.5	-6.5	8.4	7.0	-181.9	-164.8	-17.1	-36.8	19.6
2008 Q2	35.2	16.1	6.8	4.9	7.4	-16.6	-36.1	19.5	-1.7	21.2
Q3	-10.8	-16.0	5.2	0.8	-0.8	-15.4	-16.8	1.3	8.7	-7.4
Q4	45.9	50.8	-9.2	2.7	1.5	-427.4	-331.5	-95.9	-35.3	-60.6
2009 Q1 <sup>(p)</sup>	15.2	22.4	-1.7	-3.4	-2.2	-104.7	-63.8	-41.7	-3.0	-38.7
Growth rates										
2006 Dec.	4.3	-16.6	18.4	9.3	52.1	15.7	17.3	11.2	5.3	12.4
2007 Dec.	9.7	-2.4	29.9	10.7	16.9	17.9	21.4	7.8	15.8	6.3
2008 June	4.6	-12.1	28.9	10.5	21.0	11.9	12.7	9.2	-0.2	10.8
Sep.	3.7	-6.8	2.9	8.3	18.9	7.7	7.5	8.3	-1.2	10.1
Dec.	19.3	49.9	-11.0	7.7	8.7	-4.6	-5.5	-1.7	-25.5	2.7
2009 Mar. <sup>(p)</sup>	22.7	52.5	2.2	4.6	7.4	-13.5	-14.1	-11.9	-24.5	-9.9

**C13 Deposits by government and non-euro area residents<sup>2)</sup>**

(annual growth rates)



Source: ECB.

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

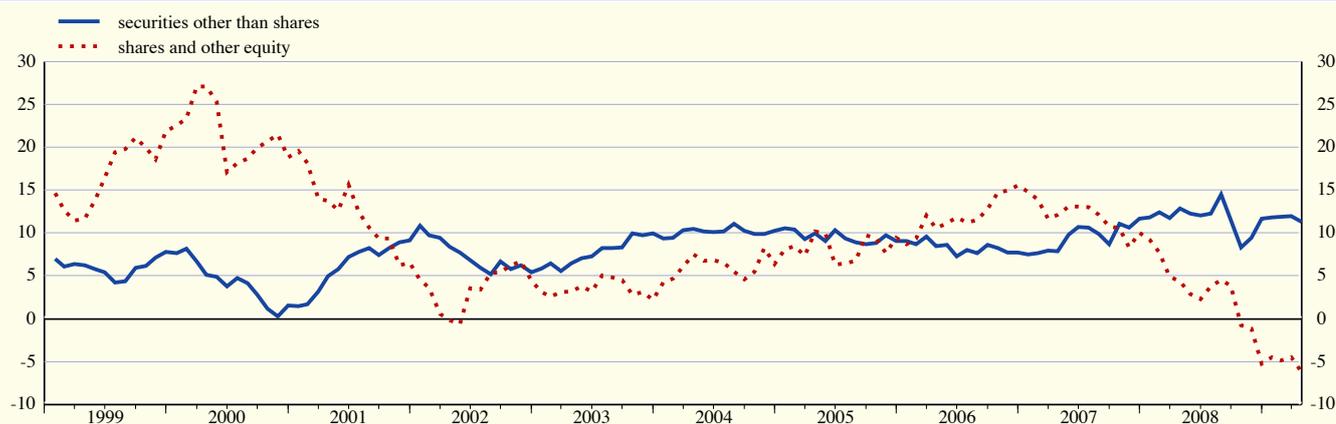
## 2.6 MFI holdings of securities, breakdown <sup>1), 2)</sup>

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

	Securities other than shares							Shares and other equity				
	Total	MFIs		General government		Other euro area residents		Non-euro area residents	Total	MFIs	Non-MFIs	Non-euro area residents
		Euro	Non-euro	Euro	Non-euro	Euro	Non-euro					
	1	2	3	4	5	6	7	8	9	10	11	12
<b>Outstanding amounts</b>												
2006	4,671.3	1,564.7	72.3	1,262.7	16.1	615.7	30.1	1,109.8	1,465.0	372.7	798.7	293.6
2007	5,124.7	1,656.3	84.0	1,180.3	16.6	919.6	33.3	1,234.6	1,636.5	424.5	869.3	342.7
2008 Q3	5,516.3	1,803.6	102.0	1,179.8	15.6	1,057.4	49.4	1,308.5	1,605.7	452.1	864.0	289.5
2008 Q4	5,858.4	1,887.4	92.4	1,225.4	19.3	1,355.2	51.2	1,227.5	1,477.1	423.3	776.4	277.4
2009 Jan.	6,046.9	1,947.8	104.6	1,285.5	23.4	1,352.2	55.5	1,278.0	1,489.6	425.4	779.6	284.6
Feb.	6,135.2	1,969.8	107.1	1,321.4	20.9	1,372.0	55.9	1,288.1	1,463.9	421.3	768.0	274.6
Mar.	6,144.6	1,985.6	103.5	1,368.3	20.6	1,399.7	50.7	1,216.3	1,457.6	421.9	764.6	271.2
Apr. <sup>(p)</sup>	6,213.0	2,013.9	102.9	1,385.4	20.9	1,421.5	51.0	1,217.4	1,492.6	429.7	788.9	274.0
<b>Transactions</b>												
2006	340.2	123.6	10.7	-120.1	0.7	100.2	6.5	218.7	197.3	62.5	96.4	38.4
2007	543.8	136.1	18.0	-86.2	1.5	269.5	9.5	195.4	147.8	51.3	55.4	41.0
2008	600.4	212.5	6.0	36.6	1.9	295.3	19.1	28.9	-84.1	22.9	-56.5	-50.5
2008 Q4	217.3	79.5	-8.2	37.6	3.4	152.7	2.4	-50.1	-86.1	-8.7	-71.3	-6.0
2009 Q1	263.0	98.8	8.5	135.3	0.3	44.3	-2.6	-21.6	-3.8	0.5	-0.9	-3.4
2009 Jan.	123.1	58.7	5.2	52.9	2.1	-6.0	0.2	9.9	23.8	4.4	10.9	8.5
Feb.	90.6	25.1	2.3	36.3	-2.4	21.2	-0.1	8.3	-17.6	-2.5	-7.4	-7.6
Mar.	49.3	15.0	1.1	46.2	0.6	29.1	-2.8	-39.8	-10.0	-1.3	-4.3	-4.3
Apr. <sup>(p)</sup>	58.5	28.1	-2.1	17.4	0.2	23.4	-0.2	-8.3	28.6	5.3	21.6	1.7
<b>Growth rates</b>												
2006 Dec.	7.7	8.5	16.5	-8.7	4.4	19.2	25.6	24.1	15.5	20.1	13.6	15.1
2007 Dec.	11.7	8.7	25.3	-6.8	10.7	43.3	33.4	17.7	10.0	13.7	6.9	13.9
2008 Sep.	11.5	11.1	24.2	-1.8	6.5	31.6	46.0	10.0	3.9	11.0	7.9	-14.6
2008 Dec.	11.7	12.7	8.2	3.1	9.9	32.2	57.5	2.4	-5.3	5.4	-6.7	-15.3
2009 Jan.	11.8	14.4	5.5	6.2	16.4	30.9	44.2	-0.3	-4.5	5.2	-6.5	-12.2
Feb.	11.9	13.9	6.3	9.3	18.9	29.8	45.1	-1.6	-4.9	2.5	-5.3	-13.6
Mar.	12.0	14.6	10.8	12.6	16.0	30.7	3.3	-5.2	-4.5	-0.1	-6.1	-6.4
Apr. <sup>(p)</sup>	11.3	14.9	3.9	12.9	20.4	28.8	-3.5	-7.0	-6.2	-0.1	-9.1	-6.6

## C14 MFI holdings of securities <sup>2)</sup>

(annual growth rates)



Source: ECB.

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

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

**2.7 Revaluation of selected MFI balance sheet items <sup>1), 2)</sup>**

(EUR billions)

**1. Write-offs/write-downs of loans to households <sup>3)</sup>**

	Consumer credit				Lending for house purchase				Other lending			
	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9	10	11	12
2006	-3.9	-1.5	-0.9	-1.6	-2.7	-0.1	-0.1	-2.5	-6.7	-1.1	-2.0	-3.6
2007	-4.2	-1.2	-1.4	-1.6	-2.7	-0.2	-0.2	-2.3	-6.9	-0.8	-2.3	-3.7
2008	-4.5	-1.1	-1.5	-1.9	-2.7	0.0	-0.2	-2.5	-6.7	-1.2	-2.3	-3.2
2008 Q4	-1.5	-0.3	-0.5	-0.7	-0.6	0.0	-0.1	-0.5	-2.1	-0.4	-0.8	-1.0
2009 Q1	-1.7	-0.4	-0.5	-0.8	-1.2	0.0	-0.1	-1.1	-2.1	-0.7	-0.2	-1.3
2009 Jan.	-0.6	-0.2	-0.2	-0.3	-0.6	0.0	0.0	-0.6	-0.9	-0.5	0.0	-0.4
Feb.	-0.5	0.0	-0.2	-0.3	-0.1	0.0	0.0	-0.1	-0.5	-0.1	-0.1	-0.4
Mar.	-0.6	-0.1	-0.2	-0.3	-0.5	0.0	0.0	-0.4	-0.7	-0.1	-0.1	-0.5
Apr. <sup>(p)</sup>	-0.6	0.0	-0.2	-0.3	-0.2	0.0	0.0	-0.2	-0.2	0.0	0.0	-0.2

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

	Non-financial corporations				Non-euro area residents		
	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year
	1	2	3	4	5	6	7
2006	-13.2	-3.5	-4.6	-5.1	-0.8	-0.1	-0.7
2007	-12.5	-2.1	-5.4	-4.9	-5.2	-3.4	-1.8
2008	-17.7	-4.0	-9.1	-4.5	-6.6	-3.4	-3.2
2008 Q4	-5.5	-1.2	-2.7	-1.6	-2.9	-0.8	-2.1
2009 Q1	-4.7	-1.9	-1.0	-1.8	-2.6	-1.3	-1.3
2009 Jan.	-1.8	-0.8	-0.4	-0.6	-1.3	-0.9	-0.5
Feb.	-1.4	-0.6	-0.3	-0.4	-0.4	-0.1	-0.3
Mar.	-1.6	-0.5	-0.3	-0.7	-0.9	-0.3	-0.6
Apr. <sup>(p)</sup>	-1.8	-0.7	-0.6	-0.6	0.1	-0.6	0.2

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

	Securities other than shares							Shares and other equity				
	Total	MFIs		General government		Other euro area residents		Non-euro area residents	Total	MFIs	Non-MFIs	Non-euro area residents
		Euro	Non-euro	Euro	Non-euro	Euro	Non-euro					
	1	2	3	4	5	6	7	8	9	10	11	12
2006	-12.2	0.7	-0.3	-10.6	-0.4	-0.5	-0.2	-0.8	28.9	3.4	17.3	8.2
2007	-14.2	-3.3	0.1	-0.3	-0.2	-3.2	-0.6	-6.7	27.6	3.8	11.7	12.1
2008	-56.4	-8.0	0.0	5.2	0.0	-20.1	-2.2	-31.2	-60.6	-8.2	-44.1	-8.2
2008 Q4	-12.9	-0.8	0.1	7.6	0.1	-10.1	-1.2	-8.6	-28.2	-7.2	-14.8	-6.1
2009 Q1	-15.9	-0.7	-0.1	-3.1	0.0	-4.0	0.4	-8.3	-16.2	-3.5	-11.5	-1.1
2009 Jan.	-9.1	1.1	0.0	-3.6	0.0	-0.9	0.1	-5.9	-11.7	-3.9	-8.2	0.4
Feb.	-5.5	-2.5	0.0	-0.3	0.0	-1.7	0.2	-1.1	-8.2	-1.6	-4.1	-2.4
Mar.	-1.3	0.7	0.0	0.8	0.0	-1.4	0.0	-1.3	3.7	2.0	0.9	0.9
Apr. <sup>(p)</sup>	-0.2	1.1	0.2	-0.4	0.0	-1.8	0.2	0.6	6.4	2.5	2.8	1.1

Source: ECB.

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

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

3) Including non-profit institutions serving households.

## 2.8 Currency breakdown of selected MFI balance sheet items <sup>1),2)</sup>

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

### 1. Deposits

	MFIs <sup>3)</sup>							Non-MFIs						
	All currencies (outstanding amount)	Euro <sup>4)</sup>	Non-euro currencies				All currencies (outstanding amount)	Euro <sup>4)</sup>	Non-euro currencies					
			Total						Total					
			USD	JPY	CHF	GBP			USD	JPY	CHF	GBP		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
	By euro area residents													
2006	5,239.3	90.7	9.3	5.6	0.4	1.5	1.2	8,025.9	96.4	3.6	2.2	0.3	0.1	0.6
2007	6,085.8	92.1	7.9	4.8	0.4	1.1	1.0	9,012.4	96.4	3.6	2.2	0.4	0.1	0.5
2008 Q2	6,284.2	91.6	8.4	5.0	0.4	1.4	1.0	9,399.0	96.4	3.6	2.1	0.5	0.1	0.5
Q3	6,746.8	89.4	10.6	6.9	0.4	1.5	1.0	9,487.6	96.2	3.8	2.2	0.5	0.1	0.6
Q4	6,858.5	89.7	10.3	7.3	0.4	1.2	0.8	9,901.3	96.9	3.1	1.9	0.5	0.1	0.4
2009 Q1 <sup>4)</sup>	6,604.4	90.9	9.1	6.4	0.3	1.1	0.7	10,001.3	96.9	3.1	1.9	0.4	0.1	0.5
	By non-euro area residents													
2006	2,561.5	45.4	54.6	35.0	2.3	2.7	11.5	868.6	50.8	49.2	31.9	1.3	2.0	10.4
2007	2,948.5	46.9	53.1	33.6	2.9	2.4	11.0	908.8	50.1	49.9	32.9	1.6	1.8	9.9
2008 Q2	3,041.2	46.6	53.4	33.8	3.0	2.7	10.6	979.4	51.9	48.1	31.8	1.2	1.7	9.3
Q3	3,142.2	45.8	54.2	35.2	3.2	2.7	9.8	1,003.4	52.6	47.4	30.3	1.3	1.5	10.3
Q4	2,809.9	48.2	51.8	33.4	2.8	2.6	10.2	897.5	54.9	45.1	28.7	1.4	1.9	9.4
2009 Q1 <sup>4)</sup>	2,793.6	47.1	52.9	34.1	2.6	2.5	10.8	868.8	53.2	46.8	30.8	1.3	1.9	8.6

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

	All currencies (outstanding amount)	Euro <sup>4)</sup>	Non-euro currencies			
			Total			
			USD	JPY	CHF	GBP
1	2	3	4	5	6	7
2006	4,470.8	80.6	19.4	10.0	1.6	3.5
2007	4,933.2	81.5	18.5	9.2	1.7	3.4
2008 Q2	5,133.1	82.1	17.9	8.8	1.7	3.5
Q3	5,168.4	81.9	18.1	8.9	1.9	3.3
Q4	5,111.7	83.3	16.7	8.4	2.0	2.5
2009 Q1 <sup>4)</sup>	5,194.0	83.3	16.7	8.7	1.9	2.5

Source: ECB.

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

**2.8 Currency breakdown of selected MFI balance sheet items <sup>1),2)</sup>**

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

**3. Loans**

	MFIs <sup>3)</sup>							Non-MFIs						
	All currencies (outstanding amount)	Euro <sup>4)</sup>	Non-euro currencies				All currencies (outstanding amount)	Euro <sup>4)</sup>	Non-euro currencies					
			Total	USD	JPY	CHF			GBP	Total	USD	JPY	CHF	GBP
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
To euro area residents														
2006	4,938.0	-	-	-	-	-	9,943.7	96.4	3.6	1.6	0.2	1.1	0.5	
2007	5,800.8	-	-	-	-	-	11,093.4	96.2	3.8	1.8	0.2	0.9	0.6	
2008 Q2	6,012.5	-	-	-	-	-	11,613.6	96.0	4.0	1.9	0.2	1.0	0.6	
Q3	6,355.5	-	-	-	-	-	11,778.9	95.8	4.2	2.1	0.2	1.0	0.5	
Q4	6,317.6	-	-	-	-	-	11,735.8	95.9	4.1	2.1	0.3	1.0	0.4	
2009 Q1 <sup>(p)</sup>	6,119.4	-	-	-	-	-	11,785.5	95.9	4.1	2.1	0.3	1.0	0.4	
To non-euro area residents														
2006	2,070.6	50.9	49.1	28.7	2.0	2.3	11.0	861.2	39.3	60.7	43.1	1.1	4.0	8.6
2007	2,352.4	48.3	51.7	28.8	2.3	2.4	12.7	955.1	40.9	59.1	41.2	1.2	3.7	8.2
2008 Q2	2,312.5	46.6	53.4	29.2	2.3	2.9	12.7	1,008.8	43.0	57.0	38.3	1.1	4.0	8.7
Q3	2,461.8	42.7	57.3	33.2	2.9	2.6	12.4	1,063.9	41.4	58.6	40.5	1.5	3.9	8.0
Q4	2,284.6	45.8	54.2	31.8	3.0	2.6	11.3	965.5	40.5	59.5	41.9	1.4	4.3	7.4
2009 Q1 <sup>(p)</sup>	2,114.5	44.7	55.3	31.0	2.9	2.9	13.0	942.3	38.1	61.9	44.4	1.1	4.3	7.7

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

	Issued by MFIs <sup>3)</sup>							Issued by non-MFIs						
	All currencies (outstanding amount)	Euro <sup>4)</sup>	Non-euro currencies				All currencies (outstanding amount)	Euro <sup>4)</sup>	Non-euro currencies					
			Total	USD	JPY	CHF			GBP	Total	USD	JPY	CHF	GBP
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
Issued by euro area residents														
2006	1,636.9	95.6	4.4	2.3	0.2	0.3	1.3	1,924.6	97.6	2.4	1.3	0.3	0.1	0.7
2007	1,740.3	95.2	4.8	2.4	0.3	0.3	1.5	2,149.8	97.7	2.3	1.4	0.2	0.1	0.5
2008 Q2	1,897.9	94.8	5.2	2.6	0.4	0.3	1.6	2,310.8	97.3	2.7	1.8	0.3	0.1	0.5
Q3	1,905.6	94.6	5.4	2.9	0.4	0.3	1.5	2,302.2	97.2	2.8	1.9	0.3	0.1	0.4
Q4	1,979.8	95.3	4.7	2.6	0.4	0.2	1.2	2,651.1	97.3	2.7	1.7	0.3	0.1	0.4
2009 Q1 <sup>(p)</sup>	2,089.1	95.0	5.0	2.7	0.1	0.4	1.3	2,839.2	97.5	2.5	1.7	0.2	0.1	0.4
Issued by non-euro area residents														
2006	515.3	52.3	47.7	28.8	0.7	0.4	14.5	594.5	38.9	61.1	36.5	4.9	0.8	14.2
2007	582.3	53.9	46.1	27.3	0.7	0.4	14.4	652.2	35.9	64.1	39.3	4.5	0.8	12.6
2008 Q2	664.8	50.3	49.7	30.6	0.7	0.5	14.8	627.4	38.6	61.4	36.9	5.8	0.8	10.4
Q3	645.1	51.1	48.9	30.7	0.8	0.5	14.2	663.4	37.2	62.8	38.1	6.4	0.9	10.5
Q4	580.8	54.0	46.0	28.6	0.9	0.5	13.3	646.7	39.0	61.0	37.1	6.4	0.8	11.0
2009 Q1 <sup>(p)</sup>	593.6	51.9	48.1	27.6	0.3	1.6	14.0	622.7	34.4	65.6	38.6	5.9	0.8	15.1

Source: ECB.

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

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

(EUR billions; outstanding amounts at end of period)

### 1. Assets

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

### 2. Liabilities

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

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

## C15 Total assets of investment funds

(EUR billions)



Source: ECB.

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

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

(EUR billions; outstanding amounts at end of period)

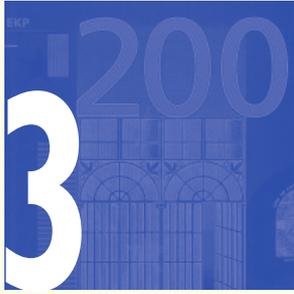
## 1. Funds by investment policy

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

## 2. Funds by type of investor

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

Source: ECB.



## EURO AREA ACCOUNTS

### 3.1 Integrated economic and financial accounts by institutional sector

(EUR billions)

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

Sources: ECB and Eurostat.

1) For the calculation of the balancing items, see the Technical notes.

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

(EUR billions)

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

Sources: ECB and Eurostat.

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

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

(EUR billions)

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

Source: ECB.

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

(EUR billions)

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

Source: ECB.

## 3.2 Euro area non-financial accounts

(EUR billions; four-quarter cumulated flows)

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

Sources: ECB and Eurostat.

1) For the calculation of the balancing items, see the Technical notes.

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

(EUR billions; four-quarter cumulated flows)

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

Sources: ECB and Eurostat.

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

### 3.3 Households

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

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

Sources: ECB and Eurostat.

1) Excluding changes in net worth due to other changes in non-financial assets such as revaluations of residential property.

2) Securities issued by MFIs with a maturity of less than two years and by other sectors with a maturity of less than one year.

## 3.4 Non-financial corporations

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

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

Sources: ECB and Eurostat.

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

### 3.5 Insurance corporations and pension funds

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

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

Source: ECB.

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

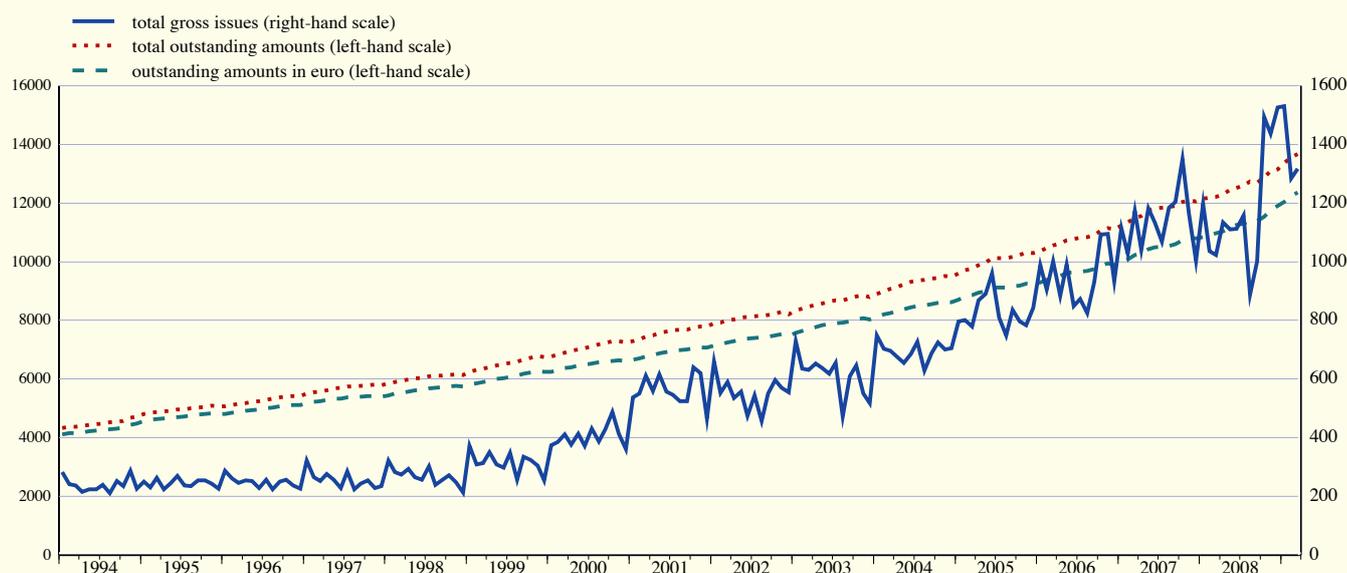
## FINANCIAL MARKETS

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

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

	Total in euro <sup>1)</sup>			By euro area residents								
	Outstanding amounts	Gross issues	Net issues	In euro			In all currencies					
				Outstanding amounts	Gross issues	Net issues	Outstanding amounts	Gross issues	Net issues	Annual growth rates	Seasonally adjusted <sup>2)</sup>	
1	2	3	4	5	6	7	8	9	10	Net issues	6-month growth rates	
	Total											
2008 Mar.	13,121.1	1,072.8	104.5	10,963.4	968.3	45.4	12,214.4	1,023.7	43.6	7.1	19.9	6.0
Apr.	13,172.0	1,161.1	50.8	11,029.6	1,069.4	66.1	12,293.7	1,133.8	77.8	7.1	58.7	5.0
May	13,351.1	1,126.2	178.0	11,169.2	1,036.4	138.6	12,457.0	1,110.1	153.4	6.7	98.3	5.8
June	13,487.0	1,155.4	136.3	11,244.0	1,040.1	75.3	12,528.1	1,112.4	81.7	6.8	88.4	5.7
July	13,499.5	1,138.0	11.1	11,301.5	1,072.4	55.6	12,603.5	1,159.1	75.0	7.1	97.2	6.8
Aug.	13,626.2	879.7	123.9	11,410.3	815.0	106.1	12,734.3	888.5	111.7	7.8	162.8	8.8
Sep.	13,630.0	1,022.1	2.3	11,378.7	930.5	-32.9	12,695.1	1,001.3	-42.4	7.0	-13.6	8.2
Oct.	13,727.8	1,454.3	97.4	11,529.3	1,417.3	150.3	12,893.2	1,494.5	145.4	7.0	103.5	8.9
Nov.	13,945.8	1,422.2	218.5	11,756.5	1,369.7	227.9	13,086.3	1,436.8	213.7	8.1	199.6	10.6
Dec.	14,131.0	1,536.7	188.8	11,908.3	1,448.1	155.6	13,158.5	1,525.3	142.1	9.5	274.0	13.6
2009 Jan.	14,234.0	1,503.7	98.8	12,049.0	1,451.3	137.3	13,360.3	1,529.9	146.6	10.1	104.3	13.6
Feb.	14,427.3	1,259.6	190.8	12,234.0	1,198.3	182.9	13,562.7	1,283.7	202.8	11.1	165.3	13.5
Mar.	14,604.0	1,317.2	177.1	12,374.8	1,229.0	141.2	13,667.1	1,317.0	150.4	11.9	119.4	15.7
	Long-term											
2008 Mar.	11,724.1	180.1	34.6	9,750.6	145.2	24.0	10,818.5	160.6	21.3	5.3	11.7	4.5
Apr.	11,811.9	259.6	87.8	9,814.8	208.5	64.1	10,892.7	226.1	69.1	5.5	64.8	4.4
May	11,965.9	290.7	153.4	9,929.0	234.9	113.6	11,017.4	257.4	122.7	5.1	69.0	4.9
June	12,080.0	283.7	114.3	10,016.4	230.2	87.6	11,104.1	253.4	95.0	5.3	68.0	4.8
July	12,106.8	207.3	25.2	10,048.5	177.1	30.1	11,143.3	195.2	35.7	5.4	60.6	5.7
Aug.	12,196.8	159.0	88.1	10,127.3	132.8	77.0	11,242.9	148.2	78.0	6.1	133.9	7.7
Sep.	12,186.6	183.6	-9.5	10,106.1	145.6	-20.4	11,227.2	158.6	-30.8	5.7	-16.8	7.1
Oct.	12,210.8	198.9	24.8	10,141.8	182.7	36.3	11,319.4	195.4	30.8	5.3	23.0	6.3
Nov.	12,386.1	275.5	174.4	10,317.5	253.9	175.0	11,475.2	262.5	165.9	6.3	145.9	7.7
Dec.	12,564.5	362.2	179.6	10,488.4	327.6	172.4	11,569.3	339.3	153.0	7.3	181.7	9.8
2009 Jan.	12,644.7	294.7	78.4	10,578.7	276.8	89.4	11,704.2	300.2	90.2	8.2	112.3	10.7
Feb.	12,815.4	301.0	169.5	10,739.4	268.0	159.7	11,875.9	295.1	172.3	9.2	148.2	10.8
Mar.	13,000.3	319.2	157.1	10,914.3	279.6	147.0	12,015.3	301.2	148.1	10.4	142.4	13.8

### C16 Total outstanding amounts and gross issues of securities, other than shares, issued by euro area residents (EUR billions)



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

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

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

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

### 1. Outstanding amounts and gross issues

	Outstanding amounts						Gross issues <sup>1)</sup>					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government
1	2	3	4	5	6	7	8	9	10	11	12	
	Total											
2007	12,070	5,046	1,510	654	4,534	327	1,138	841	59	109	116	12
2008	13,159	5,266	1,927	696	4,929	340	1,177	817	73	100	163	24
2008 Q2	12,528	5,231	1,629	670	4,677	320	1,119	787	70	102	140	20
Q3	12,695	5,267	1,697	681	4,726	324	1,016	691	54	97	147	27
Q4	13,159	5,266	1,927	696	4,929	340	1,486	1,005	132	107	214	28
2009 Q1	13,667	5,392	2,009	719	5,205	343	1,377	922	68	92	259	35
2008 Dec.	13,159	5,266	1,927	696	4,929	340	1,525	1,032	178	112	170	34
2009 Jan.	13,360	5,340	1,946	711	5,027	337	1,530	1,016	75	105	278	56
Feb.	13,563	5,405	1,990	718	5,111	338	1,284	872	72	81	235	23
Mar.	13,667	5,392	2,009	719	5,205	343	1,317	878	59	90	264	27
	Short-term											
2007	1,287	787	36	100	345	18	946	754	18	101	64	9
2008	1,589	822	61	115	566	25	962	723	26	92	101	19
2008 Q2	1,424	835	51	111	415	11	873	666	21	92	77	17
Q3	1,468	826	62	111	457	13	849	614	25	92	94	24
Q4	1,589	822	61	115	566	25	1,220	911	38	95	152	23
2009 Q1	1,652	839	41	98	656	18	1,078	806	17	74	154	27
2008 Dec.	1,589	822	61	115	566	25	1,186	916	27	93	120	30
2009 Jan.	1,656	862	38	108	630	19	1,230	905	18	82	178	47
Feb.	1,687	884	38	103	642	19	989	748	16	67	140	18
Mar.	1,652	839	41	98	656	18	1,016	764	17	74	144	17
	Long-term <sup>2)</sup>											
2007	10,783	4,259	1,473	553	4,189	309	191	86	41	8	52	3
2008	11,569	4,444	1,866	581	4,363	315	215	94	47	8	61	4
2008 Q2	11,104	4,397	1,578	559	4,262	309	246	121	48	10	64	3
Q3	11,227	4,442	1,635	570	4,270	311	167	76	29	5	53	3
Q4	11,569	4,444	1,866	581	4,363	315	266	95	93	11	62	5
2009 Q1	12,015	4,553	1,968	621	4,549	324	299	116	51	18	105	8
2008 Dec.	11,569	4,444	1,866	581	4,363	315	339	116	151	19	50	3
2009 Jan.	11,704	4,478	1,908	603	4,397	319	300	111	56	23	100	9
Feb.	11,876	4,521	1,951	615	4,469	319	295	124	56	15	95	6
Mar.	12,015	4,553	1,968	621	4,549	324	301	114	42	16	120	10
	Of which long-term fixed rate											
2007	7,325	2,263	594	420	3,797	250	107	44	10	5	45	3
2008	7,603	2,325	625	445	3,958	250	119	48	8	6	54	3
2008 Q2	7,471	2,347	605	424	3,846	248	145	66	11	9	56	2
Q3	7,528	2,370	619	432	3,859	248	101	42	7	3	47	2
Q4	7,603	2,325	625	445	3,958	250	120	42	9	10	57	2
2009 Q1	7,923	2,394	663	487	4,127	252	207	72	17	18	96	5
2008 Dec.	7,603	2,325	625	445	3,958	250	133	55	14	16	46	3
2009 Jan.	7,704	2,348	644	467	3,994	251	214	76	18	23	92	6
Feb.	7,830	2,382	661	480	4,058	250	202	75	22	15	87	4
Mar.	7,923	2,394	663	487	4,127	252	205	65	11	15	108	6
	Of which long-term variable rate											
2007	3,004	1,621	861	123	342	58	69	31	30	3	4	0
2008	3,477	1,724	1,212	126	351	64	81	36	38	1	4	1
2008 Q2	3,177	1,683	947	125	362	60	89	47	36	1	4	1
Q3	3,226	1,698	989	129	348	61	52	24	21	2	4	1
Q4	3,477	1,724	1,212	126	351	64	129	39	83	1	3	2
2009 Q1	3,588	1,758	1,280	124	356	70	74	32	34	0	5	3
2008 Dec.	3,477	1,724	1,212	126	351	64	182	41	136	2	4	1
2009 Jan.	3,497	1,724	1,236	125	345	66	63	19	37	0	3	3
Feb.	3,537	1,731	1,264	125	350	68	79	38	34	0	6	2
Mar.	3,588	1,758	1,280	124	356	70	81	39	30	1	6	4

Source: ECB.

1) Monthly averages of/monthly data for the transactions during this period.

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

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

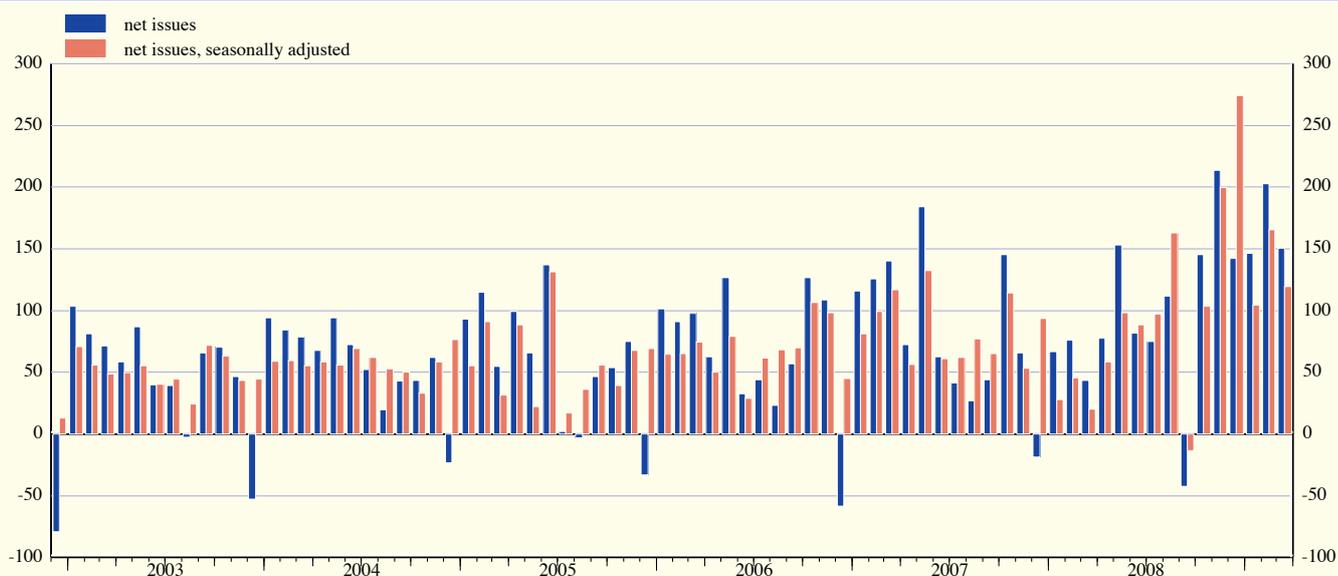
(EUR billions unless otherwise indicated; transactions during the period; nominal values)

## 2. Net issues

	Non-seasonally adjusted <sup>1)</sup>						Seasonally adjusted <sup>1)</sup>					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government
1	2	3	4	5	6	7	8	9	10	11	12	
	Total											
2007	83.8	40.7	27.8	4.2	9.9	1.2	84.3	41.3	27.3	4.3	10.2	1.2
2008	95.4	23.1	34.8	3.9	32.5	1.1	96.9	23.3	34.1	4.0	34.4	1.1
2008 Q2	104.3	46.7	35.0	4.8	16.9	0.9	81.8	48.6	30.8	0.7	1.1	0.6
Q3	48.1	11.0	19.9	1.9	14.1	1.2	82.1	18.9	33.2	5.2	22.4	2.4
Q4	167.1	11.2	77.4	5.9	67.2	5.3	192.4	21.1	55.6	7.8	103.0	4.8
2009 Q1	166.6	41.5	26.0	7.0	91.2	0.9	129.7	21.9	38.8	6.3	62.1	0.6
2008 Dec.	142.1	-15.9	136.0	11.6	1.9	8.6	274.0	44.3	95.1	21.7	101.7	11.1
2009 Jan.	146.6	40.5	9.1	9.4	90.6	-3.0	104.3	9.9	42.2	6.4	50.3	-4.6
Feb.	202.8	66.7	43.9	7.6	83.7	0.9	165.3	47.4	43.7	7.8	66.1	0.3
Mar.	150.4	17.2	25.0	3.9	99.3	4.9	119.4	8.5	30.5	4.7	69.7	6.1
	Long-term											
2007	61.9	23.9	27.2	2.4	7.8	0.7	61.6	24.1	26.7	2.4	7.8	0.7
2008	66.0	16.2	32.7	2.5	14.1	0.5	65.5	16.3	32.1	2.5	14.1	0.5
2008 Q2	95.6	42.6	34.1	4.0	14.1	0.9	67.3	36.2	30.0	0.4	-0.2	0.7
Q3	27.6	7.5	16.4	2.5	0.7	0.5	59.2	15.3	29.1	4.1	9.2	1.6
Q4	116.6	2.6	77.6	4.4	30.5	1.5	116.9	10.8	56.8	3.8	44.9	0.5
2009 Q1	136.9	26.7	32.9	12.8	61.4	3.0	134.3	17.5	45.2	15.6	53.0	3.0
2008 Dec.	153.0	-4.4	135.7	11.5	9.0	1.4	181.7	23.1	99.3	12.4	44.5	2.4
2009 Jan.	90.2	9.1	32.5	16.7	28.8	3.1	112.3	9.7	64.1	20.7	14.9	2.9
Feb.	172.3	44.2	43.7	12.6	71.3	0.5	148.2	24.2	43.7	14.6	65.1	0.6
Mar.	148.1	26.8	22.4	9.2	84.2	5.6	142.4	18.5	27.7	11.5	79.2	5.5

## C17 Net issues of securities, other than shares, seasonally adjusted and non-seasonally adjusted

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



Source: ECB.

1) Monthly averages of/monthly data for the transactions during this period.

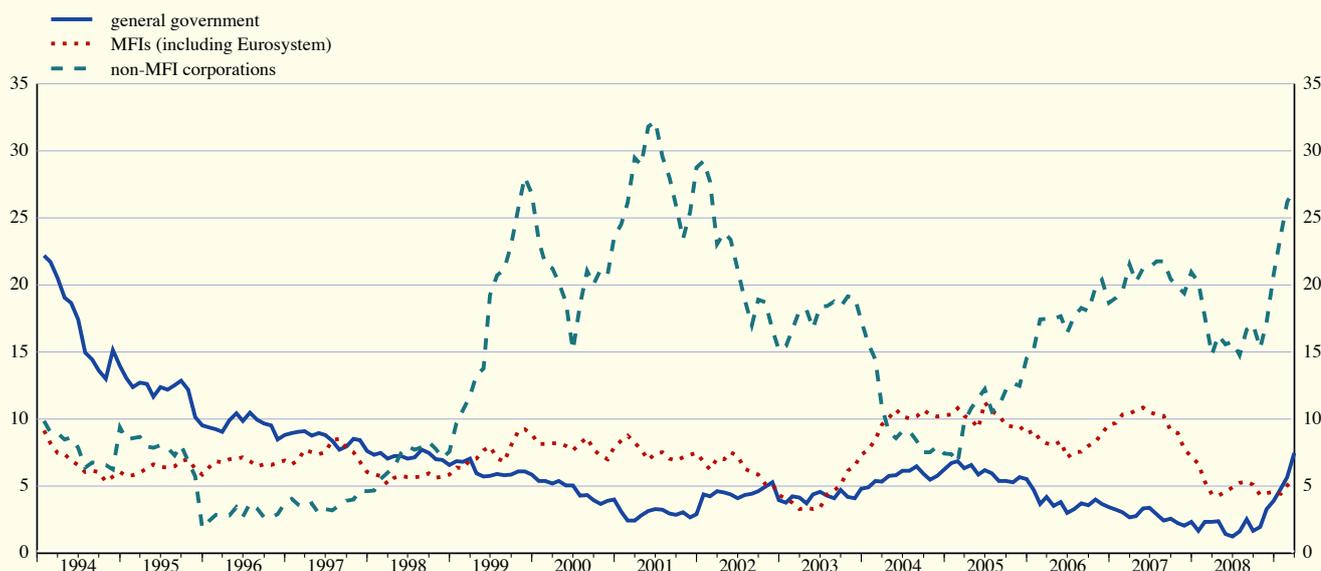
### 4.3 Growth rates of securities, other than shares, issued by euro area residents <sup>1)</sup>

(percentage changes)

	Annual growth rates (non-seasonally adjusted)						6-month seasonally adjusted growth rates					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government
	1	2	3	4	5	6	7	8	9	10	11	12
	Total											
2008 Mar.	7.1	7.9	20.2	7.4	2.8	1.1	6.0	5.8	22.4	6.6	2.0	-1.0
Apr.	7.1	7.4	22.2	6.1	3.0	0.3	5.0	4.2	19.0	4.2	2.4	-3.3
May	6.7	7.9	21.2	6.2	1.7	1.9	5.8	6.4	19.9	4.1	1.6	-0.9
June	6.8	8.3	23.1	3.4	1.4	2.1	5.7	6.4	20.2	2.7	1.6	-5.2
July	7.1	8.6	22.0	2.7	2.0	3.3	6.8	7.4	20.2	1.1	3.1	2.2
Aug.	7.8	8.4	24.5	4.9	3.0	3.4	8.8	9.2	27.1	2.7	3.7	6.6
Sep.	7.0	6.9	24.4	5.9	2.6	2.3	8.2	8.1	26.7	5.4	3.1	5.8
Oct.	7.0	5.3	21.6	4.3	4.9	2.8	8.9	6.4	24.4	4.3	7.4	9.5
Nov.	8.1	5.7	24.2	4.2	6.8	2.8	10.6	4.9	28.8	4.3	12.1	6.7
Dec.	9.5	5.5	27.6	7.1	8.6	3.9	13.6	4.6	35.4	12.0	16.9	14.1
2009 Jan.	10.1	5.3	29.0	6.9	10.0	5.4	13.6	3.2	38.5	12.9	17.9	8.6
Feb.	11.1	6.3	30.4	7.9	10.8	6.5	13.5	3.5	33.8	13.4	18.5	6.3
Mar.	11.9	6.5	30.9	8.9	12.3	7.9	15.7	5.0	35.3	12.7	22.1	10.2
	Long-term											
2008 Mar.	5.3	4.4	19.0	4.8	2.4	0.9	4.5	2.9	19.2	3.9	1.9	0.0
Apr.	5.5	4.3	21.1	4.7	2.5	0.4	4.4	2.8	17.7	4.2	2.2	-1.9
May	5.1	4.6	19.9	5.1	1.4	1.8	4.9	4.6	18.4	4.3	1.4	0.5
June	5.3	4.9	21.5	2.2	1.2	1.9	4.8	5.6	18.4	2.2	0.3	-0.1
July	5.4	5.2	20.0	2.1	1.5	3.1	5.7	6.3	17.5	0.4	2.0	3.0
Aug.	6.1	5.3	22.3	3.0	2.4	3.5	7.7	7.8	25.8	1.5	2.5	6.2
Sep.	5.7	5.1	22.2	4.4	1.6	2.2	7.1	7.4	25.4	5.0	1.3	4.6
Oct.	5.3	4.3	19.9	3.7	2.0	1.4	6.3	5.9	22.0	3.1	1.8	5.0
Nov.	6.3	4.5	22.8	3.1	3.4	1.3	7.7	4.4	27.3	2.0	5.5	2.2
Dec.	7.3	4.6	26.6	5.4	4.0	2.1	9.8	3.6	35.3	8.7	7.8	4.1
2009 Jan.	8.2	4.4	29.6	8.0	4.9	3.3	10.7	2.5	43.2	16.2	7.8	3.5
Feb.	9.2	5.1	32.1	10.4	5.8	3.9	10.8	2.4	38.7	19.9	9.1	1.7
Mar.	10.4	5.6	32.5	12.9	7.6	5.7	13.8	3.8	40.0	21.5	14.3	6.8

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

(annual percentage changes)



Source: ECB.

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

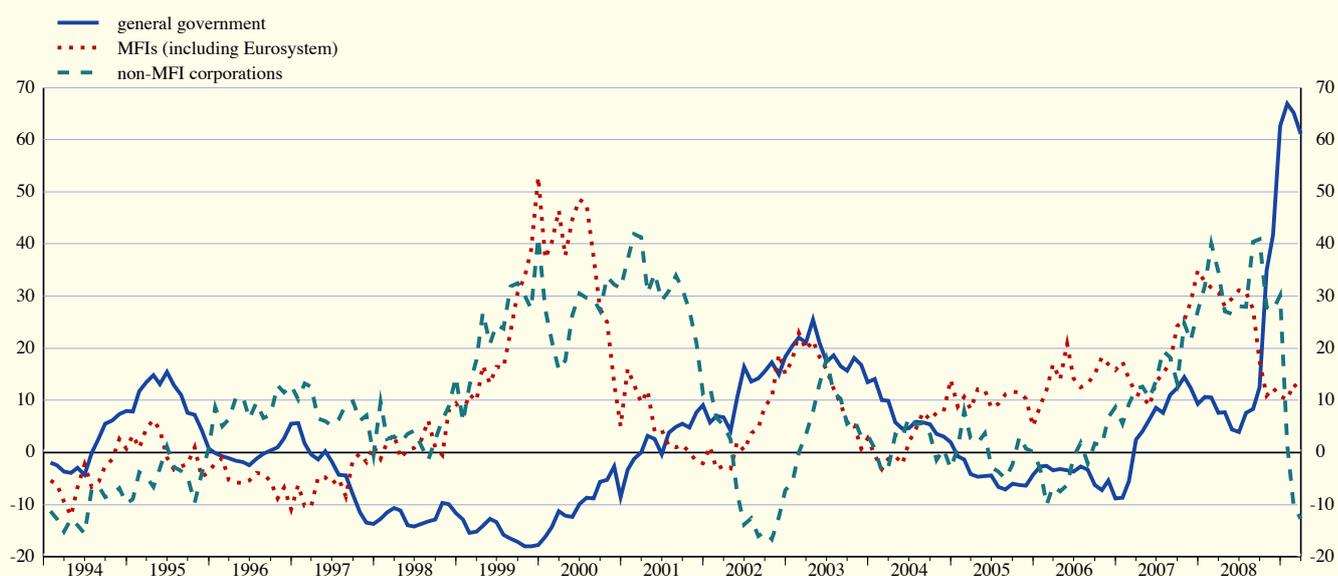
4.3 Growth rates of securities, other than shares, issued by euro area residents <sup>1)</sup> (cont'd)

(percentage changes)

	Long-term fixed rate						Long-term variable rate					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government
13	14	15	16	17	18	19	20	21	22	23	24	
In all currencies combined												
2007	5.2	7.2	17.0	4.0	2.5	6.6	15.8	11.1	37.8	18.4	3.8	-1.8
2008	3.1	4.9	5.6	4.1	1.6	1.4	12.9	5.5	34.4	7.2	6.4	3.2
2008 Q2	2.7	4.3	5.0	4.0	1.3	1.4	12.0	5.0	32.3	8.7	7.2	0.4
Q3	3.1	5.6	5.0	3.4	1.4	2.0	12.5	5.3	33.3	3.4	6.0	6.0
Q4	3.2	4.5	4.3	4.4	2.5	-0.8	13.2	5.6	35.0	4.5	1.9	10.2
2009 Q1	6.1	4.9	8.8	12.2	6.1	1.4	15.9	5.4	45.3	0.4	-0.7	11.2
2008 Oct.	2.8	4.6	3.5	3.9	1.7	-0.7	11.8	5.3	31.3	5.3	1.3	9.2
Nov.	3.4	4.2	4.1	3.3	3.1	-1.7	13.7	6.0	35.8	4.8	2.0	12.2
Dec.	4.1	4.0	5.0	6.7	4.1	-0.4	15.6	6.1	40.9	2.1	2.5	10.9
2009 Jan.	5.4	4.2	7.6	10.6	5.5	1.2	15.6	5.3	44.7	0.6	-1.3	10.0
Feb.	6.7	5.4	10.5	13.9	6.5	2.0	16.1	5.1	47.1	0.1	-1.3	9.7
Mar.	8.4	6.6	11.4	17.5	8.4	2.6	16.4	5.1	47.3	-0.9	-1.1	16.7
In euro												
2007	4.6	6.5	13.7	2.3	2.7	6.7	15.1	10.3	35.5	18.2	3.9	-2.4
2008	2.9	4.8	5.9	2.0	1.8	1.3	14.4	6.5	36.1	7.3	6.8	2.0
2008 Q2	2.4	4.0	4.4	1.9	1.5	1.4	13.2	5.7	33.5	8.5	7.6	-1.1
Q3	3.0	5.4	6.0	1.0	1.6	1.8	14.3	6.8	35.3	4.1	6.4	4.6
Q4	3.4	4.7	6.5	2.1	2.7	-1.2	15.5	7.6	37.7	5.2	2.1	9.2
2009 Q1	6.6	6.1	12.4	9.4	6.1	0.8	18.8	7.9	48.3	0.4	-0.6	11.0
2008 Oct.	2.8	4.7	5.5	1.8	1.9	-1.2	13.9	7.1	33.9	6.2	1.5	8.3
Nov.	3.5	4.4	6.5	1.1	3.3	-2.3	16.1	8.1	38.6	5.6	2.2	11.4
Dec.	4.5	4.8	7.5	3.7	4.3	-1.0	18.3	8.5	43.7	2.3	2.7	9.7
2009 Jan.	5.8	5.2	10.6	7.8	5.6	0.6	18.6	8.1	47.6	0.8	-1.2	9.2
Feb.	7.2	6.6	14.9	11.0	6.5	1.4	19.0	7.5	50.1	0.1	-1.2	10.1
Mar.	8.9	8.1	15.8	15.3	8.3	1.9	19.3	7.6	50.5	-1.7	-1.2	17.7

## C19 Annual growth rates of short-term debt securities, by sector of the issuer, in all currencies combined

(annual percentage changes)



Source: ECB.

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

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

(EUR billions, unless otherwise indicated; market values)

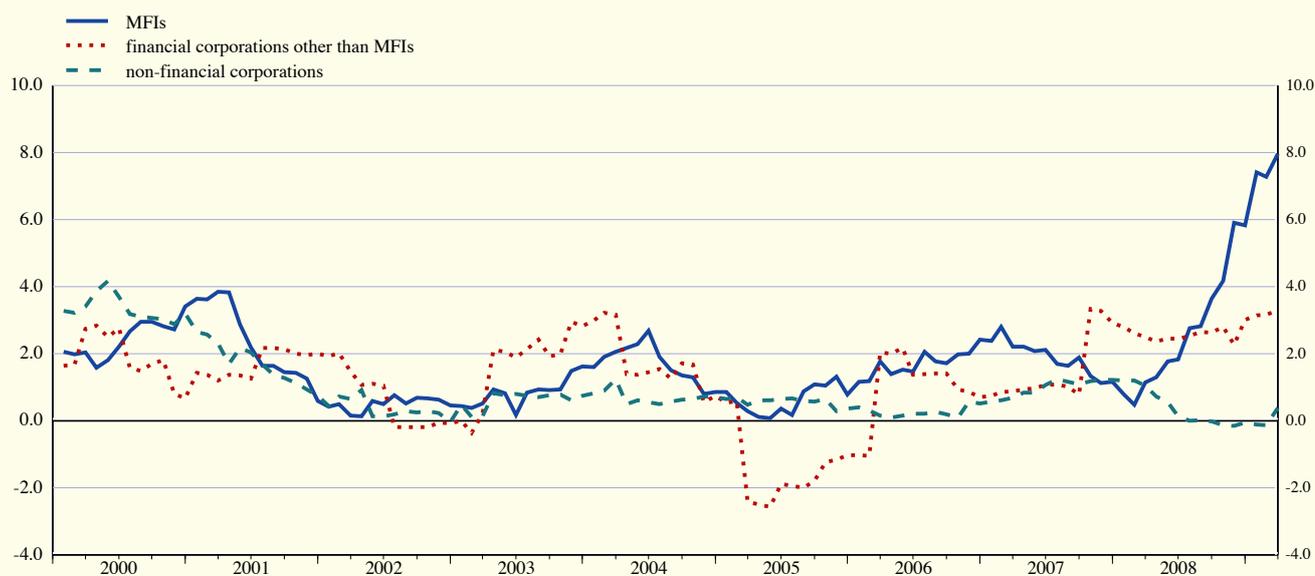
##### 1. Outstanding amounts and annual growth rates

(outstanding amounts as end-of-period)

	Total			MFIs		Financial corporations other than MFIs		Non-financial corporations	
	Total	Index Dec. 01 = 100	Annual growth rates (%)	Total	Annual growth rates (%)	Total	Annual growth rates (%)	Total	Annual growth rates (%)
	1	2	3	4	5	6	7	8	9
2007 Mar.	6,519.7	103.2	1.0	1,113.2	2.2	650.1	0.9	4,756.4	0.7
Apr.	6,769.2	103.5	1.1	1,170.5	2.2	675.6	0.9	4,923.2	0.8
May	7,048.9	103.5	1.1	1,176.3	2.1	688.9	1.0	5,183.7	0.8
June	6,971.4	103.8	1.3	1,130.4	2.1	678.1	1.1	5,162.9	1.1
July	6,741.3	104.0	1.3	1,101.6	1.7	609.9	1.1	5,029.8	1.2
Aug.	6,626.8	103.9	1.2	1,062.0	1.6	583.9	1.0	4,981.0	1.2
Sep.	6,691.8	104.0	1.2	1,050.6	1.9	598.3	0.8	5,042.9	1.1
Oct.	6,945.9	104.3	1.4	1,074.6	1.3	629.3	3.3	5,242.0	1.2
Nov.	6,631.8	104.3	1.4	1,034.6	1.1	579.2	3.3	5,018.0	1.2
Dec.	6,588.7	104.4	1.4	1,019.0	1.2	579.0	2.9	4,990.6	1.2
2008 Jan.	5,766.1	104.4	1.3	889.8	0.8	497.4	2.8	4,378.9	1.2
Feb.	5,820.8	104.5	1.2	860.1	0.5	492.4	2.6	4,468.3	1.2
Mar.	5,567.1	104.5	1.2	860.5	1.1	501.4	2.5	4,205.2	1.1
Apr.	5,748.0	104.4	1.0	837.2	1.3	519.5	2.4	4,391.3	0.7
May	5,729.4	104.5	0.9	771.0	1.8	497.1	2.5	4,461.2	0.6
June	5,081.0	104.4	0.6	665.3	1.8	435.8	2.4	3,979.9	0.1
July	4,972.6	104.6	0.6	691.6	2.8	428.3	2.5	3,852.7	0.0
Aug.	4,999.2	104.6	0.6	665.5	2.8	438.5	2.7	3,895.2	0.0
Sep.	4,430.0	104.7	0.7	612.2	3.6	382.2	2.6	3,435.6	0.0
Oct.	3,743.7	105.0	0.7	451.9	4.2	280.3	2.8	3,011.5	-0.1
Nov.	3,489.2	105.2	0.9	394.5	5.9	265.3	2.3	2,829.4	-0.2
Dec.	3,482.5	105.4	1.0	377.0	5.8	269.2	3.0	2,836.2	-0.1
2009 Jan.	3,286.8	105.6	1.1	344.6	7.4	240.0	3.1	2,702.1	-0.1
Feb.	2,922.0	105.6	1.1	276.7	7.3	189.1	3.2	2,456.2	-0.1
Mar.	3,009.8	106.1	1.5	315.8	8.0	204.8	3.3	2,489.2	0.4

#### C20 Annual growth rates for quoted shares issued by euro area residents

(annual percentage changes)



Source: ECB.

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

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

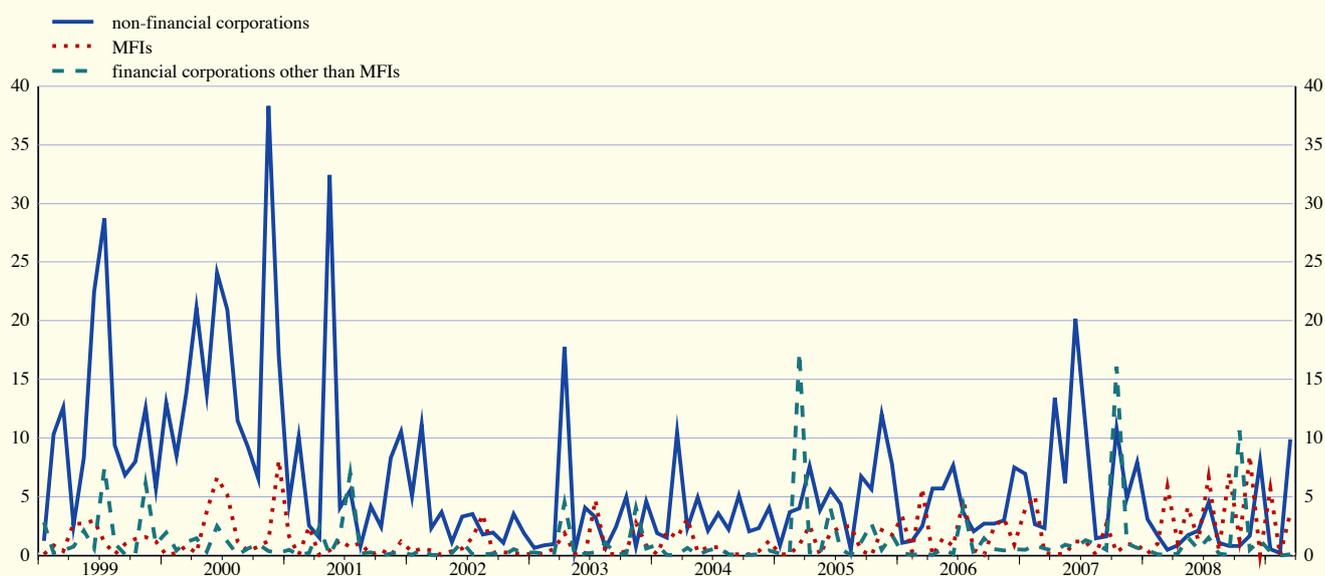
(EUR billions; market values)

## 2. Transactions during the month

	Total			MFIs			Financial corporations other than MFIs			Non-financial corporations		
	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues
	1	2	3	4	5	6	7	8	9	10	11	12
2007 Mar.	3.1	1.7	1.4	0.2	0.0	0.2	0.6	0.3	0.3	2.3	1.4	1.0
Apr.	13.9	0.4	13.4	0.1	0.3	-0.2	0.3	0.0	0.3	13.4	0.2	13.2
May	7.2	2.0	5.2	0.1	0.0	0.1	0.9	0.0	0.9	6.1	2.0	4.1
June	22.0	1.6	20.5	1.2	0.0	1.1	0.7	0.0	0.7	20.2	1.6	18.6
July	13.3	1.8	11.5	1.2	0.0	1.2	1.3	0.3	1.0	10.9	1.5	9.3
Aug.	2.5	6.6	-4.2	0.0	0.1	-0.1	1.0	1.4	-0.5	1.5	5.1	-3.6
Sep.	4.7	2.5	2.2	2.6	0.0	2.6	0.4	0.3	0.1	1.6	2.1	-0.5
Oct.	27.2	8.0	19.1	0.2	3.2	-3.0	16.1	0.5	15.6	10.8	4.3	6.5
Nov.	6.8	3.3	3.5	0.9	0.0	0.9	1.0	1.3	-0.3	4.9	2.0	2.9
Dec.	9.5	4.6	4.9	0.9	0.0	0.9	0.7	2.2	-1.5	7.9	2.5	5.5
2008 Jan.	3.6	1.4	2.3	0.1	0.0	0.1	0.4	0.7	-0.2	3.1	0.7	2.4
Feb.	2.8	1.9	0.9	1.0	0.0	1.0	0.1	0.3	-0.2	1.7	1.6	0.1
Mar.	6.4	6.0	0.3	5.9	0.0	5.9	0.0	0.5	-0.4	0.4	5.6	-5.1
Apr.	2.0	3.0	-0.9	1.1	0.0	1.1	0.1	0.5	-0.3	0.8	2.5	-1.7
May	7.3	6.0	1.4	4.1	0.1	4.1	1.5	0.3	1.2	1.7	5.6	-3.9
June	3.9	4.8	-0.9	1.3	0.0	1.3	0.5	0.1	0.4	2.1	4.7	-2.6
July	12.7	3.4	9.4	6.7	0.0	6.7	1.5	0.5	1.0	4.5	2.9	1.6
Aug.	1.5	3.0	-1.4	0.3	0.0	0.3	0.1	0.0	0.1	1.1	3.0	-1.9
Sep.	7.8	2.8	5.0	7.0	0.0	7.0	0.0	0.1	-0.1	0.8	2.7	-1.9
Oct.	12.8	0.6	12.2	1.4	0.0	1.4	10.7	0.0	10.7	0.8	0.6	0.1
Nov.	10.6	2.9	7.7	8.4	0.5	8.0	0.5	2.1	-1.6	1.7	0.3	1.4
Dec.	9.3	2.6	6.8	0.0	0.0	0.0	1.3	0.0	1.2	8.0	2.5	5.5
2009 Jan.	6.5	0.5	6.0	5.7	0.0	5.7	0.3	0.0	0.3	0.5	0.4	0.1
Feb.	0.2	0.9	-0.7	0.0	0.0	0.0	0.0	0.1	-0.1	0.2	0.8	-0.6
Mar.	13.6	0.2	13.3	3.6	0.0	3.6	0.1	0.0	0.1	9.9	0.2	9.6

## C21 Gross issues of quoted shares by sector of the issuer

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



Source: ECB.

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

## 4.5 MFI interest rates on euro-denominated deposits and loans by euro area residents <sup>1)</sup>

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

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

	Deposits from households					Deposits from non-financial corporations				Repos	
	Overnight <sup>2)</sup>	With agreed maturity			Redeemable at notice <sup>2),3)</sup>		Overnight <sup>2)</sup>	With agreed maturity			
		Up to 1 year	Over 1 and up to 2 years	Over 2 years	Up to 3 months	Over 3 months		Up to 1 year	Over 1 and up to 2 years		Over 2 years
	1	2	3	4	5	6	7	8	9	10	11
2008 Apr.	1.22	4.28	4.16	3.14	2.72	3.81	2.06	4.27	4.56	4.64	4.00
May	1.23	4.32	4.27	3.16	2.73	3.84	2.08	4.26	4.68	4.48	4.03
June	1.24	4.43	4.62	3.28	2.74	3.88	2.07	4.28	4.72	4.01	4.11
July	1.26	4.61	4.83	3.37	2.81	3.94	2.14	4.46	5.06	4.56	4.26
Aug.	1.29	4.59	4.87	3.45	2.87	3.98	2.17	4.46	5.34	4.55	4.30
Sep.	1.32	4.65	4.85	3.36	2.97	4.01	2.20	4.52	5.19	4.69	4.27
Oct.	1.34	4.77	4.85	3.57	3.01	4.12	2.20	4.26	5.12	4.57	3.66
Nov.	1.29	4.26	4.67	3.71	3.02	4.20	1.98	3.53	4.58	4.18	3.19
Dec.	1.16	3.75	4.35	3.69	2.95	4.17	1.63	2.87	4.23	4.10	2.63
2009 Jan.	1.02	3.27	3.90	3.52	2.88	4.08	1.28	2.25	3.81	3.78	2.05
Feb.	0.90	2.62	3.40	3.23	2.49	3.98	1.12	1.61	3.21	3.89	1.55
Mar.	0.80	2.24	2.97	3.12	2.33	3.87	0.95	1.39	2.98	2.94	1.23

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

	Bank overdrafts <sup>2)</sup>	Consumer credit				Lending for house purchase					Other lending by initial rate fixation		
		By initial rate fixation			Annual percentage rate of charge <sup>4)</sup>	By initial rate fixation				Annual percentage rate of charge <sup>4)</sup>	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
2008 Apr.	10.53	8.33	7.02	8.46	8.55	5.23	4.90	4.95	5.12	5.29	5.83	5.80	5.45
May	10.57	8.69	7.01	8.44	8.63	5.34	4.96	4.98	5.13	5.37	5.99	5.87	5.59
June	10.63	8.61	6.93	8.44	8.57	5.48	5.11	5.08	5.20	5.47	6.04	6.12	5.67
July	10.65	8.82	7.15	8.58	8.80	5.67	5.27	5.21	5.34	5.62	6.09	6.21	5.82
Aug.	10.77	8.85	7.22	8.69	8.95	5.77	5.36	5.29	5.27	5.69	6.05	6.28	5.70
Sep.	10.80	8.77	7.20	8.70	8.85	5.80	5.43	5.28	5.37	5.71	6.24	6.36	5.77
Oct.	10.83	8.88	7.22	8.69	8.92	5.84	5.42	5.28	5.37	5.70	6.37	6.26	5.80
Nov.	10.78	8.98	7.17	8.69	8.92	5.62	5.34	5.22	5.28	5.58	5.84	6.15	5.75
Dec.	10.45	8.22	7.03	8.39	8.50	5.09	5.06	5.10	5.13	5.30	4.98	5.75	5.29
2009 Jan.	10.12	8.33	7.03	8.63	8.67	4.38	4.77	4.92	5.00	4.86	4.41	5.44	5.23
Feb.	10.13	8.19	6.65	8.49	8.39	3.97	4.54	4.80	4.89	4.61	4.08	5.03	5.16
Mar.	9.93	7.73	6.51	8.29	8.12	3.66	4.34	4.61	4.74	4.39	3.83	4.73	5.04

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

	Bank overdrafts <sup>2)</sup>	Other loans up to EUR 1 million by initial rate fixation			Other loans over EUR 1 million by initial rate fixation			
		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years	Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years	
								1
2008 Apr.		6.54	6.03	5.77	5.20	5.30	5.42	5.39
May		6.57	6.10	5.93	5.25	5.26	5.70	5.39
June		6.67	6.16	6.09	5.43	5.35	5.68	5.52
July		6.74	6.26	6.29	5.53	5.44	5.82	5.55
Aug.		6.76	6.27	6.33	5.49	5.44	5.60	5.56
Sep.		6.91	6.34	6.37	5.64	5.62	5.83	5.64
Oct.		6.89	6.52	6.35	5.57	5.59	5.75	5.08
Nov.		6.66	6.04	6.10	5.41	4.86	5.02	4.97
Dec.		6.26	5.38	5.78	5.32	4.29	4.50	4.77
2009 Jan.		5.67	4.73	5.46	5.24	3.51	3.96	4.58
Feb.		5.40	4.32	5.25	4.96	3.10	3.52	4.23
Mar.		5.12	4.03	5.07	4.75	2.83	3.25	3.87

Source: ECB.

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

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

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

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

#### 4.5 MFI interest rates on euro-denominated deposits and loans by euro area residents (cont'd)

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

#### 4. Interest rates on deposits (outstanding amounts)

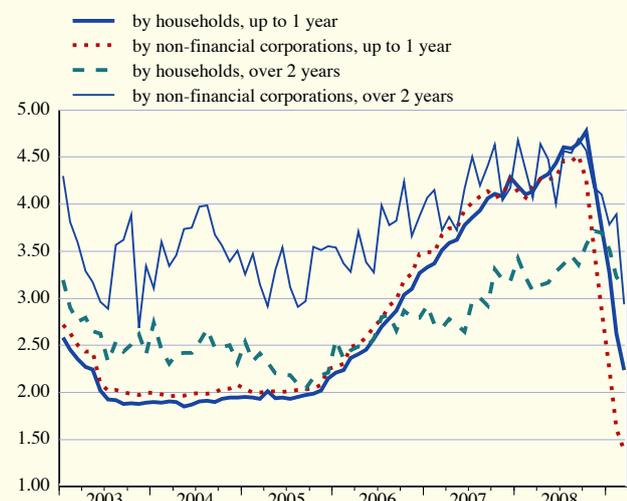
	Deposits from households					Deposits from non-financial corporations			Repos
	Overnight <sup>2)</sup>	With agreed maturity		Redeemable at notice <sup>2),3)</sup>		Overnight <sup>2)</sup>	With agreed maturity		
		Up to 2 years	Over 2 years	Up to 3 months	Over 3 months		Up to 2 years	Over 2 years	
	1	2	3	4	5	6	7	8	9
2008 Apr.	1.22	4.07	3.07	2.72	3.81	2.06	4.36	4.29	3.91
May	1.23	4.13	3.06	2.73	3.84	2.08	4.43	4.27	4.04
June	1.24	4.20	3.08	2.74	3.88	2.07	4.47	4.31	4.12
July	1.26	4.31	3.07	2.81	3.94	2.14	4.59	4.40	4.24
Aug.	1.29	4.38	3.09	2.87	3.98	2.17	4.65	4.39	4.23
Sep.	1.32	4.45	3.11	2.97	4.01	2.20	4.73	4.45	4.32
Oct.	1.34	4.54	3.08	3.01	4.12	2.20	4.68	4.45	4.06
Nov.	1.29	4.51	3.12	3.02	4.20	1.98	4.44	4.40	3.95
Dec.	1.16	4.40	3.07	2.95	4.17	1.63	4.02	4.30	3.56
2009 Jan.	1.02	4.16	3.10	2.88	4.08	1.28	3.50	4.11	3.08
Feb.	0.90	3.98	3.17	2.49	3.98	1.12	3.19	4.00	2.68
Mar.	0.80	3.79	3.05	2.33	3.87	0.95	2.84	3.88	2.27

#### 5. Interest rates on loans (outstanding amounts)

	Loans to households						Loans to non-financial corporations		
	Lending for house purchase, with maturity			Consumer credit and other loans, with maturity			With maturity		
	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Up to 1 year	Over 1 and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9
2008 Apr.	5.59	4.85	5.03	9.07	7.22	6.28	6.04	5.54	5.29
May	5.61	4.85	5.05	9.08	7.22	6.26	6.08	5.59	5.32
June	5.68	4.89	5.07	9.11	7.29	6.35	6.18	5.68	5.39
July	5.72	4.93	5.11	9.19	7.34	6.37	6.25	5.76	5.44
Aug.	5.78	4.95	5.11	9.26	7.38	6.41	6.28	5.79	5.46
Sep.	5.77	5.03	5.14	9.38	7.47	6.47	6.39	5.90	5.54
Oct.	5.78	5.06	5.17	9.45	7.48	6.48	6.43	5.99	5.58
Nov.	5.71	5.01	5.16	9.24	7.48	6.46	6.16	5.81	5.51
Dec.	5.49	4.90	5.08	9.01	7.38	6.38	5.72	5.42	5.27
2009 Jan.	5.22	4.72	4.93	8.72	7.22	6.22	5.11	4.89	4.89
Feb.	5.14	4.75	4.91	8.61	7.27	6.21	4.77	4.59	4.74
Mar.	4.90	4.58	4.78	8.43	7.07	6.06	4.42	4.27	4.47

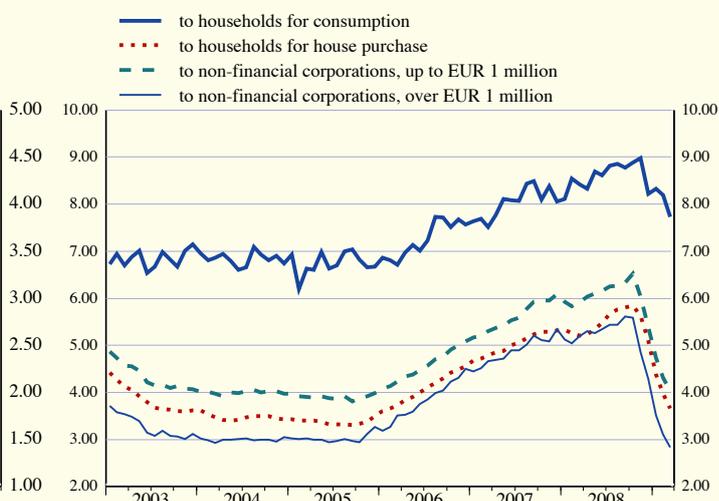
#### C22 New deposits with agreed maturity

(percentages per annum excluding charges; period averages)



#### C23 New loans at floating rate and up to 1 year initial rate fixation

(percentages per annum excluding charges; period averages)



Source: ECB.

## 4.6 Money market interest rates

(percentages per annum; period averages)

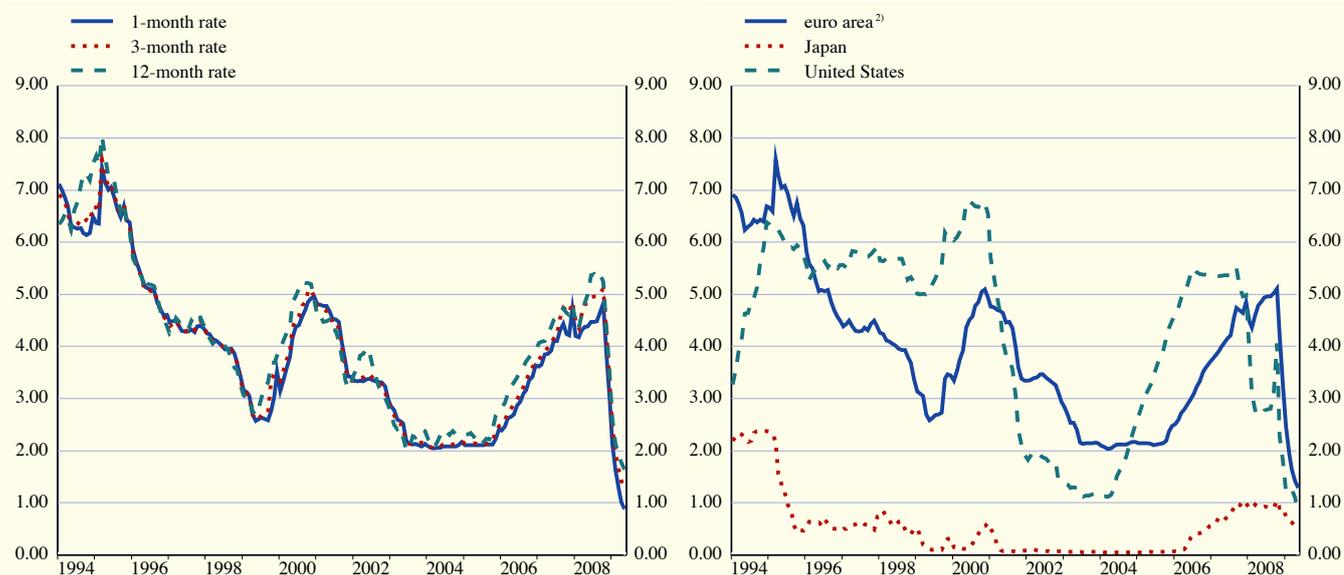
	Euro area <sup>1,2)</sup>					United States	Japan
	Overnight deposits (EONIA)	1-month deposits (EURIBOR)	3-month deposits (EURIBOR)	6-month deposits (EURIBOR)	12-month deposits (EURIBOR)	3-month deposits (LIBOR)	3-month deposits (LIBOR)
	1	2	3	4	5	6	7
2006	2.83	2.94	3.08	3.23	3.44	5.20	0.30
2007	3.87	4.08	4.28	4.35	4.45	5.30	0.79
2008	3.87	4.28	4.64	4.73	4.83	2.93	0.93
2008 Q1	4.05	4.23	4.48	4.48	4.48	3.29	0.92
Q2	4.00	4.41	4.86	4.93	5.05	2.75	0.92
Q3	4.25	4.54	4.98	5.18	5.37	2.91	0.90
Q4	3.17	3.92	4.24	4.31	4.38	2.77	0.96
2009 Q1	1.37	1.67	2.01	2.11	2.22	1.24	0.67
2008 May	4.01	4.39	4.86	4.90	4.99	2.69	0.92
June	4.01	4.47	4.94	5.09	5.36	2.77	0.92
July	4.19	4.47	4.96	5.15	5.39	2.79	0.92
Aug.	4.30	4.49	4.97	5.16	5.32	2.81	0.89
Sep.	4.27	4.66	5.02	5.22	5.38	3.12	0.91
Oct.	3.82	4.83	5.11	5.18	5.25	4.06	1.04
Nov.	3.15	3.84	4.24	4.29	4.35	2.28	0.91
Dec.	2.49	2.99	3.29	3.37	3.45	1.83	0.92
2009 Jan.	1.81	2.14	2.46	2.54	2.62	1.21	0.73
Feb.	1.26	1.63	1.94	2.03	2.14	1.24	0.64
Mar.	1.06	1.27	1.64	1.77	1.91	1.27	0.62
Apr.	0.84	1.01	1.42	1.61	1.77	1.11	0.57
May	0.78	0.88	1.28	1.48	1.64	0.82	0.53

### C24 Euro area money market rates <sup>2)</sup>

(monthly; percentages per annum)

### C25 3-month money market rates

(monthly; percentages per annum)



Source: ECB.

- 1) Before January 1999 synthetic euro area rates were calculated on the basis of national rates weighted by GDP. For further information, see the General notes.
- 2) Data refer to the changing composition of the euro area. For further information, see the General notes.

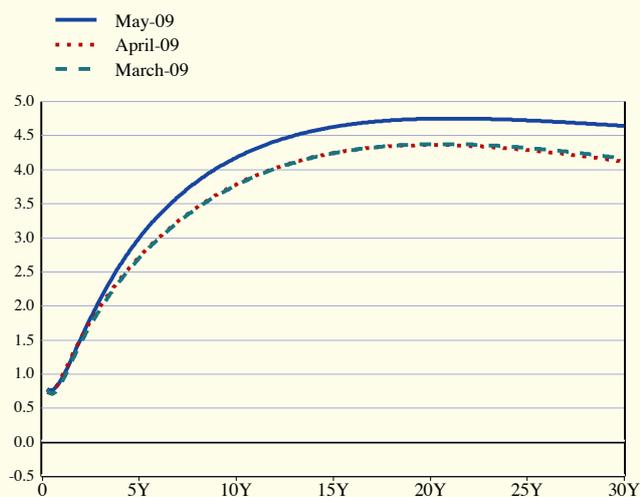
### 4.7 Euro area yield curves <sup>1)</sup>

(AAA-rated euro area central government bonds; end-of-period; rates in percentages per annum; spreads in percentage points)

	Spot rates							Instantaneous forward rates				
	3 months	1 year	2 years	5 years	7 years	10 years	10 years - 3 months (spread)	10 years - 2 years (spread)	1 year	2 years	5 years	10 years
	1	2	3	4	5	6	7	8	9	10	11	12
2006 Dec.	3.44	3.76	3.82	3.83	3.86	3.91	0.47	0.09	3.92	3.85	3.88	4.08
2007 Jan.	3.54	3.84	3.92	3.96	4.00	4.06	0.53	0.15	4.01	3.97	4.05	4.25
Feb.	3.63	3.79	3.80	3.81	3.85	3.92	0.29	0.12	3.85	3.77	3.90	4.13
Mar.	3.70	3.92	3.95	3.93	3.96	4.02	0.33	0.08	4.03	3.93	3.97	4.25
Apr.	3.81	4.01	4.06	4.06	4.08	4.13	0.32	0.07	4.14	4.08	4.08	4.33
May	3.86	4.21	4.31	4.32	4.33	4.37	0.51	0.06	4.44	4.37	4.33	4.51
June	3.90	4.26	4.38	4.43	4.46	4.51	0.61	0.13	4.51	4.48	4.49	4.68
July	3.98	4.23	4.28	4.28	4.30	4.36	0.38	0.08	4.36	4.28	4.32	4.53
Aug.	3.86	3.98	4.03	4.12	4.20	4.32	0.47	0.29	4.07	4.09	4.32	4.67
Sep.	3.80	3.96	4.03	4.15	4.25	4.38	0.57	0.35	4.08	4.13	4.39	4.75
Oct.	3.87	4.01	4.06	4.10	4.17	4.29	0.42	0.23	4.11	4.08	4.25	4.63
Nov.	3.86	3.84	3.82	3.91	4.03	4.21	0.35	0.39	3.81	3.80	4.19	4.76
Dec.	3.85	4.00	4.01	4.11	4.23	4.38	0.52	0.36	4.06	4.02	4.40	4.78
2008 Jan.	3.81	3.55	3.42	3.59	3.79	4.05	0.24	0.62	3.32	3.34	4.08	4.80
Feb.	3.83	3.42	3.20	3.43	3.72	4.06	0.23	0.86	3.04	3.03	4.16	4.99
Mar.	3.87	3.70	3.60	3.70	3.87	4.13	0.26	0.54	3.53	3.49	4.10	4.91
Apr.	3.90	3.89	3.86	3.95	4.10	4.32	0.42	0.46	3.86	3.81	4.29	4.95
May	3.88	4.20	4.28	4.27	4.35	4.52	0.64	0.24	4.41	4.29	4.40	5.03
June	4.21	4.49	4.62	4.63	4.65	4.73	0.52	0.11	4.73	4.72	4.64	5.00
July	4.20	4.31	4.31	4.31	4.39	4.53	0.33	0.21	4.36	4.27	4.46	4.93
Aug.	4.24	4.20	4.13	4.11	4.19	4.34	0.10	0.21	4.13	4.02	4.26	4.82
Sep.	3.71	3.60	3.59	3.88	4.09	4.34	0.63	0.75	3.52	3.67	4.45	5.00
Oct.	2.52	2.86	2.68	3.58	3.95	4.25	1.74	1.58	2.27	2.99	4.80	4.97
Nov.	2.00	2.10	2.38	3.16	3.49	3.77	1.78	1.40	2.33	2.97	4.16	4.48
Dec.	1.75	1.85	2.14	2.95	3.32	3.69	1.94	1.55	2.09	2.76	4.04	4.60
2009 Jan.	1.19	1.27	1.79	3.02	3.53	4.02	2.83	2.24	1.70	2.85	4.53	5.26
Feb.	0.93	1.01	1.56	2.79	3.31	3.85	2.93	2.30	1.48	2.64	4.32	5.25
Mar.	0.78	0.88	1.46	2.70	3.23	3.77	3.00	2.31	1.41	2.58	4.24	5.19
Apr.	0.74	0.96	1.53	2.72	3.25	3.79	3.05	2.26	1.52	2.58	4.24	5.19
May	0.79	0.93	1.53	3.00	3.60	4.18	3.39	2.65	1.43	2.77	4.81	5.61

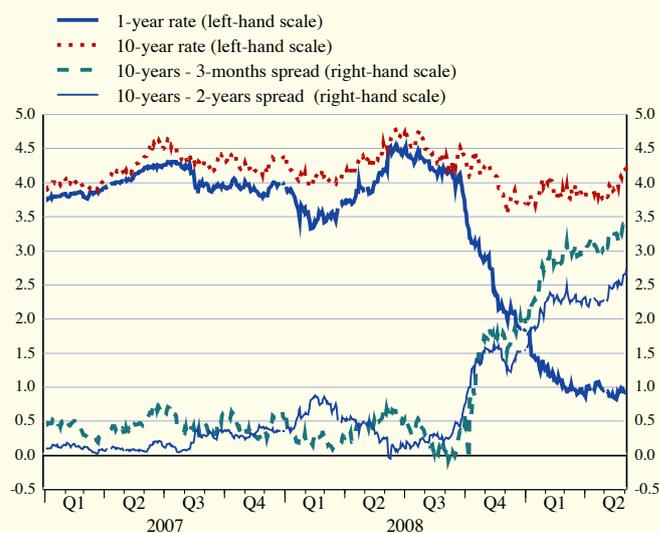
### C26 Euro area spot yield curves

(percentages per annum; end-of-period)



### C27 Euro area spot rates and spreads

(daily data; rates in percentages per annum; spreads in percentage points)



Source: ECB, underlying data provided by EuroMTS, ratings provided by Fitch Ratings.

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

## 4.8 Stock market indices

(index levels in points; period averages)

	Dow Jones EURO STOXX indices <sup>1)</sup>												United States	Japan
	Benchmark		Main industry indices										Standard & Poor's 500	Nikkei 225
	Broad	50	Basic materials	Consumer services	Consumer goods	Oil & gas	Financials	Industrials	Technology	Utilities	Telecom.	Health care		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
2006	357.3	3,795.4	402.3	205.0	293.7	419.8	370.3	391.3	345.3	440.0	416.8	530.2	1,310.5	16,124.0
2007	416.4	4,315.8	543.8	235.4	366.5	449.6	408.3	488.4	383.4	561.4	492.7	519.2	1,476.5	16,984.4
2008	313.7	3,319.5	480.4	169.3	290.7	380.9	265.0	350.9	282.5	502.0	431.5	411.5	1,220.7	12,151.6
2008 Q1	361.8	3,809.4	520.9	194.0	327.1	412.0	318.1	413.3	339.2	573.3	490.1	454.4	1,351.7	13,372.6
Q2	355.9	3,705.6	576.2	185.0	317.8	442.8	313.7	408.2	306.5	557.1	437.7	427.1	1,371.7	13,818.3
Q3	309.7	3,278.8	506.0	162.2	282.2	382.8	260.5	345.7	285.6	494.8	412.4	407.4	1,252.7	12,758.7
Q4	228.7	2,497.7	320.7	136.5	236.9	287.6	169.3	238.1	200.0	384.7	387.0	358.1	910.9	8,700.4
2009 Q1	200.2	2,166.4	293.6	131.6	207.9	272.5	126.3	223.0	175.7	340.6	367.2	345.7	810.1	7,968.8
2008 May	367.1	3,812.8	588.9	189.2	328.2	462.5	325.8	424.3	313.2	567.2	447.5	436.3	1,402.0	14,000.2
June	340.2	3,527.8	586.2	176.1	299.6	442.6	287.6	393.5	292.8	553.8	415.3	414.7	1,341.3	14,084.6
July	311.9	3,298.7	529.0	158.2	272.7	401.5	260.0	348.6	281.7	513.7	412.7	418.1	1,257.6	13,153.0
Aug.	316.1	3,346.0	513.7	167.1	287.0	388.1	266.0	356.6	304.4	504.4	411.2	403.0	1,281.5	12,989.4
Sep.	301.3	3,193.7	474.6	161.8	287.4	358.2	255.8	332.2	271.8	465.8	413.2	400.6	1,220.0	12,126.2
Oct.	241.5	2,627.3	342.1	135.6	249.1	287.9	195.0	245.1	212.8	392.4	378.2	363.7	968.8	9,080.5
Nov.	225.0	2,452.9	315.2	136.2	237.6	294.8	159.0	229.5	197.7	393.6	386.0	361.7	883.3	8,502.7
Dec.	219.0	2,407.0	304.0	137.8	224.2	281.0	152.5	238.7	189.4	369.2	396.6	349.4	877.2	8,492.1
2009 Jan.	215.5	2,344.9	309.7	136.8	220.8	280.5	143.4	236.4	188.1	376.5	384.1	364.8	866.6	8,402.5
Feb.	200.4	2,159.8	299.2	132.7	208.0	280.9	123.3	226.1	175.7	341.0	361.7	354.1	806.3	7,707.3
Mar.	184.6	1,993.9	272.5	125.3	194.9	256.9	111.8	206.8	163.5	304.2	355.2	319.1	757.1	7,772.8
Apr.	209.3	2,256.3	308.4	134.6	219.0	268.1	145.0	237.9	196.0	323.2	356.8	327.7	848.5	8,755.5
May	225.7	2,426.7	331.6	140.1	233.8	296.0	164.5	259.8	203.1	346.3	348.0	346.7	901.7	9,257.7

### C28 Dow Jones EURO STOXX Broad, Standard & Poor's 500 and Nikkei 225

(January 1994 = 100; monthly averages)



Source: ECB.

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

# PRICES, OUTPUT, DEMAND AND LABOUR MARKETS



## 5.1 HICP, other prices and costs

(annual percentage changes, unless otherwise indicated)

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

	Total					Total (s.a., percentage change on previous period)						Memo item: Administered prices <sup>2)</sup>	
	Index 2005 = 100	Total		Goods	Services	Total	Processed food	Unprocessed food	Non-energy industrial goods	Energy (n.s.a.)	Services	Total HICP excluding administered prices	Administered prices
		Total excl. unprocessed food and energy											
% of total <sup>3)</sup>	100.0	100.0	83.0	58.6	41.4	100.0	11.9	7.5	29.7	9.6	41.4	89.3	10.7
	1	2	3	4	5	6	7	8	9	10	11	12	13
2005	100.0	2.2	1.5	2.1	2.3	-	-	-	-	-	-	2.1	2.5
2006	102.2	2.2	1.5	2.3	2.0	-	-	-	-	-	-	2.1	2.7
2007	104.4	2.1	2.0	1.9	2.5	-	-	-	-	-	-	2.1	2.1
2008	107.8	3.3	2.4	3.8	2.6	-	-	-	-	-	-	3.3	3.0
2008 Q1	106.4	3.4	2.5	3.9	2.6	1.0	2.1	0.6	0.2	3.4	0.8	3.5	2.5
Q2	108.1	3.6	2.5	4.5	2.4	1.1	1.1	1.2	0.2	6.0	0.5	3.7	2.8
Q3	108.4	3.8	2.5	4.7	2.6	0.7	0.8	0.8	0.2	2.1	0.7	3.9	3.3
Q4	108.2	2.3	2.2	2.1	2.6	-0.6	0.2	0.3	0.3	-8.7	0.5	2.1	3.4
2009 Q1	107.4	1.0	1.6	0.1	2.2	-0.2	-0.1	0.4	0.1	-4.9	0.5	0.7	2.9
2008 Dec.	107.9	1.6	2.1	0.9	2.6	-0.4	0.0	0.2	0.0	-4.7	0.2	1.4	3.4
2009 Jan.	107.0	1.1	1.8	0.2	2.4	0.0	0.0	0.1	-0.1	0.0	0.1	0.9	2.9
Feb.	107.4	1.2	1.7	0.3	2.4	0.2	0.0	0.5	0.1	0.5	0.2	1.0	2.9
Mar.	107.8	0.6	1.5	-0.4	1.9	0.0	0.0	-0.2	0.1	-1.2	0.2	0.3	2.9
Apr.	108.2	0.6	1.7	-0.7	2.5	0.1	0.0	-0.4	0.1	0.2	0.2	0.4	1.9
May <sup>4)</sup>	.	0.0	.	.	.	.	.	.	.	.	.	.	.

	Goods						Services						
	Food (incl. alcoholic beverages and tobacco)			Industrial goods			Housing	Transport	Communication	Recreation and personal	Miscellaneous		
	Total	Processed food	Unprocessed food	Total	Non-energy industrial goods	Energy						Rents	
% of total <sup>3)</sup>	19.3	11.9	7.5	39.3	29.7	9.6	10.1	6.0	6.3	3.2	14.9	6.8	
	14	15	16	17	18	19	20	21	22	23	24	25	
2005	1.6	2.0	0.8	2.4	0.3	10.1	2.6	2.0	2.7	-2.2	2.3	3.1	
2006	2.4	2.1	2.8	2.3	0.6	7.7	2.5	2.1	2.5	-3.3	2.3	2.3	
2007	2.8	2.8	3.0	1.4	1.0	2.6	2.7	2.0	2.6	-1.9	2.9	3.2	
2008	5.1	6.1	3.5	3.1	0.8	10.3	2.3	1.9	3.9	-2.2	3.2	2.5	
2008 Q1	5.2	6.4	3.5	3.2	0.8	10.7	2.5	1.9	3.1	-2.5	3.2	3.2	
Q2	5.7	6.9	3.7	3.9	0.8	13.6	2.3	1.9	3.6	-1.8	3.0	2.2	
Q3	5.6	6.7	3.9	4.2	0.7	15.1	2.3	1.9	4.4	-2.4	3.4	2.3	
Q4	3.8	4.3	3.0	1.2	0.9	2.1	2.2	1.9	4.5	-2.0	3.3	2.2	
2009 Q1	2.4	2.1	2.8	-1.1	0.7	-6.1	2.0	1.7	3.6	-1.7	2.7	2.1	
2008 Nov.	3.7	4.2	2.8	0.8	0.9	0.7	2.2	1.8	4.4	-2.1	3.4	2.2	
Dec.	3.3	3.5	2.8	-0.3	0.8	-3.7	2.2	1.8	4.5	-1.8	3.2	2.1	
2009 Jan.	2.7	2.7	2.6	-1.0	0.5	-5.3	2.0	1.7	3.9	-1.9	3.1	2.2	
Feb.	2.5	2.0	3.3	-0.7	0.7	-4.9	2.0	1.8	3.9	-1.4	3.0	2.1	
Mar.	1.9	1.6	2.4	-1.5	0.8	-8.1	2.0	1.8	3.1	-1.8	2.2	2.0	
Apr.	1.4	1.2	1.6	-1.7	0.8	-8.8	2.0	1.8	3.5	-1.6	3.4	2.1	

Sources: Eurostat and ECB calculations.

- 1) Data refer to the changing composition of the euro area. For further information, see the General notes.
- 2) ECB estimates based on Eurostat data; these experimental statistics can only provide an approximate measure of price administration since changes in administered prices cannot be fully isolated from other influences. Please refer to <http://www.ecb.europa.eu/stats/prices/hicp/html/index.en.html> for a note explaining the methodology used in the compilation of this indicator.
- 3) Referring to the index period 2009.
- 4) Estimate based on provisional national releases usually covering around 95% of the euro area, as well as on early information on energy prices.

## 5.1 HICP, other prices and costs

(annual percentage changes, unless otherwise indicated)

### 2. Industry, construction and residential property prices<sup>1)</sup>

	Industrial producer prices excluding construction										Construction <sup>2)</sup>	Residential property prices <sup>3)</sup>
	Total (index 2005 = 100)	Total		Industry excluding construction and energy						Energy		
		Manu- facturing	Total	Intermediate goods	Capital goods	Consumer goods						
						Total	Durable	Non-durable				
% of total <sup>4)</sup>	100.0	100.0	83.0	75.8	30.1	21.9	23.7	2.7	21.0	24.2		
	1	2	3	4	5	6	7	8	9	10	11	12
2005	100.0	4.1	3.3	1.8	2.9	1.2	1.1	1.5	0.9	13.9	2.8	7.6
2006	105.0	5.0	3.5	2.8	4.6	1.6	1.7	1.5	1.5	13.3	4.1	6.5
2007	107.9	2.7	3.0	3.2	4.7	2.2	2.3	2.4	2.1	1.3	4.0	4.4
2008	114.2	5.9	4.8	3.5	4.0	2.1	3.9	2.8	4.0	13.7	4.1	1.7
2008 Q1	111.8	5.3	5.5	3.5	3.9	1.6	4.7	3.1	4.9	11.1	3.1	-
Q2	114.6	6.8	6.3	3.7	4.0	2.0	4.8	2.8	5.1	16.8	4.0	2.8 <sup>5)</sup>
Q3	117.0	8.2	6.6	4.3	5.5	2.3	4.2	2.7	4.4	21.1	5.5	-
Q4	113.5	3.3	0.7	2.4	2.6	2.5	2.0	2.7	1.9	6.3	3.9	0.6 <sup>5)</sup>
2009 Q1	109.9	-1.7	-4.0	-0.9	-2.7	1.8	-0.6	1.9	-1.0	-4.1	-	-
2008 Nov.	113.3	2.9	0.3	2.3	2.4	2.7	1.9	2.6	1.8	4.5	-	-
Dec.	111.6	1.2	-1.6	1.4	1.2	2.1	1.2	2.6	1.0	0.6	-	-
2009 Jan.	110.5	-0.6	-3.0	-0.1	-1.2	1.9	-0.1	2.0	-0.4	-2.1	-	-
Feb.	110.0	-1.6	-3.9	-1.0	-3.0	1.9	-0.6	1.9	-1.0	-3.5	-	-
Mar.	109.2	-2.9	-5.1	-1.7	-4.0	1.6	-1.2	1.8	-1.6	-6.6	-	-
Apr.	108.1	-4.6	-5.8	-2.4	-5.2	1.2	-1.4	1.5	-1.8	-11.1	-	-

### 3. Commodity prices and gross domestic product deflators<sup>1)</sup>

	Oil prices <sup>6)</sup> (EUR per barrel)	Non-energy commodity prices						Total (s.a. index 2000 = 100)	Total	GDP deflators				Exports <sup>9)</sup>	Imports <sup>9)</sup>	
		Import-weighted <sup>7)</sup>			Use-weighted <sup>8)</sup>					Domestic demand						
		Total	Food	Non-food	Total	Food	Non-food			Total	Private consumption	Government consumption	Gross fixed capital formation			
																Total
% of total		100.0	35.0	65.0	100.0	44.3	55.7									
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2005	44.6	11.9	0.9	17.9	9.0	2.5	14.4	111.6	2.0	2.3	2.1	2.4	2.5	2.4	3.3	
2006	52.9	27.5	5.8	37.6	24.4	5.9	38.1	113.8	1.9	2.4	2.2	2.1	2.9	2.7	3.9	
2007	52.8	7.5	14.3	5.0	5.1	9.4	2.7	116.4	2.3	2.2	2.2	1.6	2.7	1.7	1.4	
2008	65.9	2.0	18.2	-4.3	-1.7	9.7	-8.5	119.1	2.3	2.9	2.9	2.8	2.5	2.5	3.8	
2008 Q1	64.2	8.4	36.4	-1.3	7.2	31.6	-5.8	118.0	2.1	2.9	3.0	2.4	2.3	2.4	4.3	
Q2	78.5	2.5	32.4	-7.5	-0.3	20.3	-11.1	118.9	2.3	3.2	3.3	3.6	2.5	2.7	4.7	
Q3	77.6	6.8	16.2	2.8	0.6	4.3	-1.9	119.4	2.3	3.3	3.5	2.8	3.0	3.5	5.7	
Q4	43.5	-10.1	-7.7	-11.2	-14.5	-12.9	-15.8	120.2	2.5	2.1	1.9	2.4	2.1	1.4	0.6	
2009 Q1	35.1	-23.5	-14.8	-27.6	-25.0	-17.3	-30.6	119.9	1.7	1.1	0.5	2.8	0.5	-2.8	-4.2	
2008 Dec.	32.1	-17.2	-14.3	-18.7	-21.5	-18.6	-23.7	-	-	-	-	-	-	-	-	
2009 Jan.	34.3	-21.0	-10.4	-26.0	-22.3	-13.5	-28.7	-	-	-	-	-	-	-	-	
Feb.	34.6	-24.3	-16.1	-28.2	-26.6	-20.4	-31.4	-	-	-	-	-	-	-	-	
Mar.	36.5	-25.0	-17.7	-28.5	-25.8	-17.8	-31.7	-	-	-	-	-	-	-	-	
Apr.	39.0	-19.8	-11.7	-23.6	-20.1	-10.8	-26.6	-	-	-	-	-	-	-	-	
May	42.8	-19.2	-8.9	-24.1	-18.5	-6.8	-26.6	-	-	-	-	-	-	-	-	

Sources: Eurostat, ECB calculations based on Eurostat data (column 7 in Table 2 in Section 5.1 and columns 8-15 in Table 3 in Section 5.1), ECB calculations based on Thomson Financial Datastream data (column 1 in Table 3 in Section 5.1) and ECB calculations (column 12 in Table 2 in Section 5.1 and columns 2-7 in Table 3 in Section 5.1).

1) Data refer to the Euro 16.

2) Input prices for residential buildings.

3) Experimental data based on non-harmonised national sources (see the ECB website for further details).

4) In 2005.

5) The quarterly data for the second (fourth) quarter refer to semi-annual averages of the first (second) half of the year, respectively. Since some national data are only available at annual frequency, the semi-annual estimate is partially derived from annual results; therefore, the accuracy of semi-annual data is lower than the accuracy of annual data.

6) Brent Blend (for one-month forward delivery).

7) Refers to prices expressed in euro. Weighted according to the structure of euro area imports in the period 2004-06.

8) Refers to prices expressed in euro. Weighted according to euro area domestic demand (domestic production plus imports minus exports) in the period 2004-06. Experimental data (see the ECB website for details).

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

**5.1 HICP, other prices and costs**

(annual percentage changes, unless otherwise indicated)

**4. Unit labour costs, compensation per employee and labour productivity<sup>1)</sup>**

(seasonally adjusted)

	Total (index 2000 = 100)	Total	By economic activity					Memo: indicator of negotiated wages <sup>5)</sup>
			Agriculture, hunting, forestry and fishing	Mining, manufacturing and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business services	
	1	2	3	4	5	6	7	8
Unit labour costs <sup>2)</sup>								
2005	109.0	1.2	8.7	-1.1	2.9	1.3	2.1	2.0
2006	110.0	0.9	2.9	-0.6	3.6	0.0	2.4	2.1
2007	111.8	1.6	0.9	-0.4	3.9	1.1	2.7	2.2
2008	115.4	3.3	0.0	3.6	1.9	3.3	3.1	3.3
2007 Q4	113.0	2.5	0.6	0.2	4.0	2.3	3.4	2.9
2008 Q1	113.4	2.4	0.7	1.0	1.9	1.8	3.8	3.0
Q2	114.7	2.8	-0.8	1.4	1.9	2.6	2.8	4.5
Q3	115.7	3.5	-0.1	4.0	2.6	4.4	3.4	2.8
Q4	118.3	4.8	0.1	9.7	2.1	5.2	2.7	3.3
Compensation per employee								
2005	112.3	2.0	2.4	1.8	2.0	2.1	2.4	1.9
2006	114.8	2.2	3.4	3.5	3.5	1.4	2.3	1.5
2007	117.7	2.5	2.7	2.9	2.9	2.2	2.4	2.4
2008	121.4	3.2	3.2	3.1	3.8	3.0	2.4	3.5
2007 Q4	119.2	3.0	2.6	3.2	3.1	2.3	2.8	3.3
2008 Q1	120.1	3.1	3.2	3.4	3.2	2.5	2.5	3.4
Q2	121.1	3.2	2.9	2.7	4.0	2.5	2.2	4.3
Q3	121.8	3.4	3.7	3.1	4.5	4.1	2.7	3.2
Q4	122.8	3.0	2.8	3.2	3.8	3.0	2.2	3.3
Labour productivity <sup>3)</sup>								
2005	103.1	0.8	-5.8	2.9	-0.8	0.8	0.3	-0.1
2006	104.4	1.3	0.5	4.2	-0.2	1.4	-0.1	-0.5
2007	105.3	0.9	1.8	3.2	-0.9	1.0	-0.3	0.2
2008	105.2	-0.1	3.1	-0.5	1.9	-0.3	-0.7	0.2
2007 Q4	105.5	0.4	2.0	3.0	-1.0	0.0	-0.6	0.4
2008 Q1	105.9	0.6	2.5	2.4	1.3	0.7	-1.3	0.4
Q2	105.5	0.4	3.7	1.3	2.1	-0.1	-0.6	-0.1
Q3	105.3	-0.1	3.8	-0.8	1.9	-0.3	-0.7	0.5
Q4	103.8	-1.7	2.8	-6.0	1.6	-2.1	-0.5	0.0

**5. Hourly labour costs<sup>1), 4)</sup>**

	Total (s.a. index 2000 = 100)	Total	By component		By selected economic activity			Memo: indicator of negotiated wages <sup>5)</sup>
			Wages and salaries	Employers' social contributions	Mining, manufacturing and energy	Construction	Services	
% of total <sup>6)</sup>	100.0	100.0	73.1	26.9	34.6	9.1	56.3	
	1	2	3	4	5	6	7	8
2005	116.5	2.4	2.5	2.2	2.4	2.1	2.5	2.1
2006	119.4	2.5	2.6	2.1	3.4	1.6	2.1	2.3
2007	122.5	2.7	2.8	2.3	2.6	3.1	2.6	2.1
2008	126.8	3.5	3.6	3.4	4.1	4.6	3.1	3.2
2008 Q1	124.8	3.5	3.7	3.1	4.3	4.2	3.0	2.8
Q2	125.9	2.6	2.7	2.4	2.7	4.0	2.4	2.9
Q3	127.4	4.2	4.2	4.3	3.8	5.0	4.3	3.4
Q4	128.9	3.8	3.9	3.6	5.4	5.1	2.6	3.6
2009 Q1	.	.	.	.	.	.	.	3.2

Sources: Eurostat, ECB calculations based on Eurostat data (Table 4 in Section 5.1 and column 7 in Table 5 in Section 5.1) and ECB calculations (column 8 in Table 5 in Section 5.1).

1) Data refer to Euro 16.

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

3) Value added (volumes) per person employed.

4) Hourly labour costs for the whole economy, excluding agriculture, public administration, education, health and services not elsewhere classified. Owing to differences in coverage, the estimates for the components may not be consistent with the total.

5) Experimental data (see the ECB website for further details).

6) In 2000.

## 5.2 Output and demand

### 1. GDP and expenditure components<sup>1)</sup>

	GDP								
	Total	Domestic demand					External balance <sup>2)</sup>		
		Total	Private consumption	Government consumption	Gross fixed capital formation	Changes in inventories <sup>3)</sup>	Total	Exports <sup>2)</sup>	Imports <sup>2)</sup>
1	2	3	4	5	6	7	8	9	
<i>Current prices (EUR billions, seasonally adjusted)</i>									
2005	8,144.1	8,022.7	4,667.9	1,664.9	1,684.5	5.4	121.3	3,113.8	2,992.5
2006	8,557.8	8,456.4	4,872.3	1,732.2	1,834.4	17.5	101.4	3,471.8	3,370.4
2007	8,998.6	8,859.4	5,063.0	1,799.5	1,972.3	24.6	139.2	3,740.7	3,601.6
2008	9,266.2	9,174.2	5,232.3	1,885.8	2,016.3	39.8	92.0	3,871.9	3,779.9
2008 Q1	2,312.1	2,279.5	1,298.5	461.4	511.9	7.7	32.5	982.8	950.3
Q2	2,324.7	2,291.5	1,307.8	472.8	509.9	1.0	33.3	988.0	954.8
Q3	2,328.3	2,313.6	1,319.0	473.4	509.0	12.2	14.7	994.2	979.5
Q4	2,301.1	2,289.5	1,307.0	478.1	485.6	18.8	11.6	906.9	895.3
2009 Q1	2,239.1	2,236.6	1,291.0	482.7	461.2	1.7	2.5	808.0	805.4
<i>percentage of GDP</i>									
2008	100.0	99.0	56.5	20.4	21.8	0.4	1.0	-	-
<i>Chain-linked volumes (prices of the previous year, seasonally adjusted<sup>4)</sup>)</i>									
<i>quarter-on-quarter percentage changes</i>									
2008 Q1	0.7	0.5	0.1	0.4	1.1	-	-	1.6	1.2
Q2	-0.3	-0.5	-0.3	0.8	-1.3	-	-	-0.3	-0.8
Q3	-0.3	0.3	0.1	0.5	-1.0	-	-	-0.6	1.1
Q4	-1.8	-0.8	-0.4	0.4	-4.3	-	-	-7.2	-5.1
2009 Q1	-2.5	-2.1	-0.5	0.0	-4.2	-	-	-8.1	-7.2
<i>annual percentage changes</i>									
2005	1.7	1.9	1.8	1.5	3.3	-	-	5.0	5.7
2006	2.9	2.8	2.0	1.9	5.5	-	-	8.3	8.2
2007	2.7	2.5	1.6	2.2	4.8	-	-	5.9	5.3
2008	0.7	0.7	0.4	1.9	0.0	-	-	1.0	1.0
2008 Q1	2.2	1.6	1.4	1.5	3.1	-	-	5.1	3.9
Q2	1.5	0.9	0.5	2.0	1.6	-	-	3.8	2.4
Q3	0.5	0.5	0.1	2.0	-0.3	-	-	1.4	1.4
Q4	-1.7	-0.4	-0.6	2.1	-5.5	-	-	-6.5	-3.7
2009 Q1	-4.8	-3.1	-1.1	1.7	-10.4	-	-	-15.5	-11.7
<i>contributions to quarter-on-quarter percentage changes of GDP in percentage points</i>									
2008 Q1	0.7	0.5	0.0	0.1	0.2	0.2	0.2	-	-
Q2	-0.3	-0.5	-0.2	0.2	-0.3	-0.2	0.2	-	-
Q3	-0.3	0.3	0.0	0.1	-0.2	0.4	-0.7	-	-
Q4	-1.8	-0.8	-0.2	0.1	-0.9	0.3	-1.0	-	-
2009 Q1	-2.5	-2.1	-0.3	0.0	-0.9	-1.0	-0.4	-	-
<i>contributions to annual percentage changes of GDP in percentage points</i>									
2005	1.7	1.9	1.0	0.3	0.7	-0.2	-0.1	-	-
2006	2.9	2.8	1.2	0.4	1.1	0.1	0.2	-	-
2007	2.7	2.4	0.9	0.5	1.0	0.0	0.3	-	-
2008	0.7	0.7	0.2	0.4	0.0	0.1	0.0	-	-
2008 Q1	2.2	1.6	0.8	0.3	0.7	-0.2	0.6	-	-
Q2	1.5	0.9	0.3	0.4	0.4	-0.2	0.6	-	-
Q3	0.5	0.4	0.0	0.4	-0.1	0.1	0.0	-	-
Q4	-1.7	-0.4	-0.3	0.4	-1.2	0.7	-1.3	-	-
2009 Q1	-4.8	-3.0	-0.6	0.3	-2.3	-0.4	-1.8	-	-

Sources: Eurostat and ECB calculations.

1) Data refer to Euro 16.

2) Exports and imports cover goods and services and include cross-border intra-euro area trade. They are not fully consistent with Tables 7.1.2 and 7.3.1.

3) Including acquisitions less disposals of valuables.

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

## 5.2 Output and demand

2. Value added by economic activity<sup>1)</sup>

	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>								
2005	7,299.2	144.0	1,482.3	441.7	1,540.5	2,021.2	1,669.4	844.9
2006	7,643.9	142.1	1,557.3	476.8	1,602.7	2,138.0	1,727.1	913.9
2007	8,040.4	151.9	1,643.5	514.7	1,673.0	2,261.7	1,795.6	958.1
2008	8,311.5	147.9	1,672.4	536.9	1,727.8	2,357.2	1,869.4	954.7
2008 Q1	2,070.2	38.6	423.7	135.0	431.4	583.0	458.5	241.9
Q2	2,085.0	37.3	425.6	134.7	431.0	589.1	467.4	239.7
Q3	2,088.6	36.7	422.3	135.0	434.5	592.5	467.6	239.7
Q4	2,067.6	35.4	400.8	132.1	430.9	592.6	475.9	233.4
2009 Q1	2,012.6	36.1	359.3	132.1	420.5	586.7	478.0	226.6
<i>percentage of value added</i>								
2008	100.0	1.8	20.1	6.5	20.8	28.4	22.5	-
<i>Chain-linked volumes (prices of the previous year, seasonally adjusted<sup>2)</sup>)</i>								
<i>quarter-on-quarter percentage changes</i>								
2008 Q1	0.6	1.4	0.4	1.8	0.8	0.6	0.2	1.4
Q2	-0.1	-0.2	-0.6	-2.1	-0.5	0.5	0.4	-1.3
Q3	-0.3	-0.4	-1.4	-1.7	-0.2	-0.1	0.5	-0.4
Q4	-1.7	0.9	-5.7	-1.7	-1.8	-0.6	0.2	-2.0
2009 Q1	-2.5	-0.3	-8.8	-0.5	-2.6	-0.9	0.0	-2.4
<i>annual percentage changes</i>								
2005	1.7	-6.5	1.8	1.8	1.5	2.8	1.3	1.8
2006	2.9	-1.5	3.9	2.6	3.1	3.7	1.3	3.3
2007	3.0	0.5	3.6	3.1	3.0	3.7	1.6	0.7
2008	0.9	1.7	-0.7	-0.5	1.0	1.8	1.4	-0.7
2008 Q1	2.4	1.2	2.7	1.7	3.1	2.7	1.3	0.3
Q2	1.6	1.7	1.4	0.3	1.6	2.4	1.2	0.1
Q3	0.7	2.3	-1.0	-1.2	0.7	1.6	1.5	-1.0
Q4	-1.6	1.8	-7.2	-3.7	-1.7	0.4	1.4	-2.3
2009 Q1	-4.7	0.1	-15.7	-5.8	-5.0	-1.0	1.2	-6.0
<i>contributions to quarter-on-quarter percentage changes of value added in percentage points</i>								
2008 Q1	0.6	0.0	0.1	0.1	0.2	0.2	0.1	-
Q2	-0.1	0.0	-0.1	-0.1	-0.1	0.1	0.1	-
Q3	-0.3	0.0	-0.3	-0.1	0.0	0.0	0.1	-
Q4	-1.7	0.0	-1.1	-0.1	-0.4	-0.2	0.1	-
2009 Q1	-2.5	0.0	-1.7	0.0	-0.5	-0.2	0.0	-
<i>contributions to annual percentage changes of value added in percentage points</i>								
2005	1.7	-0.1	0.4	0.1	0.3	0.8	0.3	-
2006	2.9	0.0	0.8	0.2	0.7	1.0	0.3	-
2007	3.0	0.0	0.7	0.2	0.6	1.0	0.4	-
2008	0.9	0.0	-0.2	0.0	0.2	0.5	0.3	-
2008 Q1	2.4	0.0	0.6	0.1	0.6	0.8	0.3	-
Q2	1.6	0.0	0.3	0.0	0.3	0.7	0.3	-
Q3	0.7	0.0	-0.2	-0.1	0.1	0.4	0.3	-
Q4	-1.6	0.0	-1.5	-0.2	-0.3	0.1	0.3	-
2009 Q1	-4.7	0.0	-3.2	-0.4	-1.0	-0.3	0.3	-

Sources: Eurostat and ECB calculations.

1) Data refer to Euro 16.

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

## 5.2 Output and demand

(annual percentage changes, unless otherwise indicated)

### 3. Industrial production<sup>1)</sup>

	Total		Industry excluding construction								Construction	
	% of total <sup>2)</sup>	Total (s.a. index 2005 = 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	
2006	4.1	104.3	4.3	4.7	4.7	4.9	5.9	3.7	4.8	3.5	0.6	3.6
2007	3.4	108.3	3.8	4.2	4.3	3.8	6.7	3.2	1.4	3.4	-0.9	1.8
2008	-2.3	106.3	-1.7	-1.9	-1.9	-3.3	-0.4	-2.2	-5.4	-1.6	0.2	-4.4
2008 Q2	0.0	109.0	1.1	1.0	1.0	0.3	3.4	-1.6	-2.0	-1.5	2.2	-3.9
Q3	-2.2	105.9	-1.5	-1.5	-1.6	-1.9	-0.7	-2.9	-7.0	-2.2	-0.4	-5.1
Q4	-8.8	99.1	-9.0	-9.3	-9.5	-13.5	-8.7	-4.6	-11.4	-3.5	-4.4	-8.2
2009 Q1	-16.7	91.5	-18.4	-20.3	-20.6	-25.0	-23.7	-8.0	-20.6	-5.9	-3.8	-9.8
2008 Oct.	-5.9	102.0	-5.9	-6.0	-6.0	-7.8	-5.7	-4.0	-8.4	-3.3	-2.6	-6.0
Nov.	-8.5	99.1	-9.1	-9.3	-9.5	-12.8	-8.9	-5.6	-12.1	-4.4	-5.4	-6.4
Dec.	-12.4	96.2	-12.3	-13.2	-13.5	-21.5	-11.7	-4.3	-14.2	-2.9	-4.9	-12.8
2009 Jan.	-15.0	93.6	-16.4	-18.7	-19.1	-23.2	-22.5	-6.4	-17.9	-4.6	0.0	-10.1
Feb.	-17.5	91.2	-19.1	-21.0	-21.5	-25.4	-25.0	-8.6	-21.8	-6.5	-3.7	-11.8
Mar.	-17.4	89.7	-19.6	-21.0	-21.0	-26.2	-23.4	-8.8	-22.0	-6.5	-8.0	-7.6
<i>month-on-month percentage changes (s.a.)</i>												
2008 Oct.	-1.6	-	-2.2	-2.3	-2.2	-3.1	-2.8	-0.4	-1.5	-0.3	-1.1	0.1
Nov.	-2.6	-	-2.8	-3.0	-3.2	-4.3	-3.2	-1.0	-4.1	-0.5	-2.7	-1.3
Dec.	-3.2	-	-3.0	-3.4	-3.5	-6.6	-2.9	-0.4	-2.8	-0.1	0.6	-2.8
2009 Jan.	-1.6	-	-2.7	-3.5	-3.6	-1.8	-7.2	-0.9	-2.2	-0.6	0.4	1.4
Feb.	-2.2	-	-2.5	-2.4	-2.6	-2.5	-3.0	-1.7	-3.5	-1.5	-2.1	-1.3
Mar.	-1.2	-	-1.6	-1.7	-1.2	-2.3	-0.5	-0.8	-1.6	-0.6	-1.8	0.5

### 4. Industrial new orders and turnover, retail sales and new passenger car registrations<sup>1)</sup>

	Industrial new orders		Industrial turnover		Retail sales (excluding automotive fuel)							New passenger car registrations	
	Manufacturing <sup>3)</sup> (current prices)		Manufacturing (current prices)		Current prices	Constant prices						Total (s.a., thousands) <sup>4)</sup>	Total
	Total (s.a. index 2005 = 100)	Total	Total (s.a. index 2005 = 100)	Total	Total	Total (s.a. index 2005 = 100)	Total	Food, beverages, tobacco	Non-food				
									Textiles, clothing, footwear	Household equipment			
1	2	3	4	5	6	7	8	9	10	11	12	13	
% of total <sup>2)</sup>	100.0	100.0	100.0	100.0	100.0	100.0	100.0	43.3	56.7	10.1	13.6		
2006	110.8	10.5	108.3	8.0	3.4	102.4	2.5	1.1	3.6	3.1	5.4	978	3.3
2007	120.2	8.7	115.1	6.5	2.8	104.1	1.6	0.0	2.7	3.5	2.4	970	-0.9
2008	113.3	-5.3	116.9	1.9	1.7	103.2	-0.8	-1.7	-0.3	-1.6	-1.6	893	-8.0
2008 Q2	120.0	-0.1	120.6	6.6	2.6	103.5	-0.6	-1.6	0.1	-1.6	-1.0	903	-4.8
Q3	116.0	-1.4	118.6	4.3	2.1	103.0	-1.1	-1.8	-0.6	-0.9	-2.6	893	-8.8
Q4	94.5	-22.3	107.3	-7.5	-0.3	102.3	-1.7	-2.2	-1.4	-2.9	-2.4	826	-18.5
2009 Q1	83.5	-31.8	95.0	-21.6	-2.7	101.6	-2.9	-4.1	-2.1	-0.1	-6.3	822	-12.6
2008 Nov.	94.6	-27.3	108.4	-12.0	-0.8	102.3	-2.0	-2.3	-1.7	-1.9	-2.4	815	-18.2
Dec.	85.5	-24.7	100.8	-7.9	-0.5	102.3	-1.3	-2.2	-0.6	-3.8	-1.1	822	-23.2
2009 Jan.	83.7	-34.5	96.0	-23.9	-1.3	101.9	-1.9	-2.4	-1.5	1.3	-5.6	775	-20.5
Feb.	83.7	-34.2	95.1	-24.8	-3.9	101.4	-4.1	-5.4	-3.2	-3.9	-6.7	843	-12.7
Mar.	83.1	-26.8	93.8	-16.1	-2.9	101.3	-2.8	-4.5	-1.6	1.4	-6.6	847	-5.9
Apr.	.	.	.	.	.	.	.	.	.	.	.	879	-3.6
<i>month-on-month percentage changes (s.a.)</i>													
2008 Dec.	-	-9.7	-	-7.1	-0.1	-	0.0	-0.3	0.0	-0.7	0.1	-	0.9
2009 Jan.	-	-2.1	-	-4.7	-0.4	-	-0.4	-0.6	-0.2	2.6	-1.7	-	-5.7
Feb.	-	0.0	-	-1.0	-0.6	-	-0.5	-0.7	-0.5	-2.3	-0.9	-	8.7
Mar.	-	-0.7	-	-1.3	0.0	-	-0.1	-0.1	0.1	1.1	-0.6	-	0.6
Apr.	-	.	-	.	.	-	.	.	.	.	.	-	3.8

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

1) Data refer to Euro 16.

2) In 2005.

3) Includes manufacturing industries working mainly on the basis of orders, representing 60.1% of total manufacturing in 2005.

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

## 5.2 Output and demand

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

## 5. Business and Consumer Surveys

	Economic sentiment indicator <sup>2)</sup> (long-term average = 100)	Manufacturing industry					Consumer confidence indicator				
		Industrial confidence indicator				Capacity utilisation <sup>3)</sup> (percentages)	Total <sup>4)</sup>	Financial situation over next 12 months	Economic situation over next 12 months	Unemployment situation over next 12 months	Savings over next 12 months
		Total <sup>4)</sup>	Order books	Stocks of finished products	Production expectations						
	1	2	3	4	5	6	7	8	9	10	11
2005	98.2	-7	-16	11	6	81.1	-14	-4	-15	28	-9
2006	106.8	2	0	6	13	83.1	-9	-3	-9	15	-9
2007	108.9	4	5	5	13	84.1	-5	-2	-4	4	-8
2008	91.1	-9	-15	11	-2	81.8	-18	-10	-25	23	-14
2008 Q1	101.4	1	-1	7	10	83.8	-12	-7	-17	11	-12
Q2	97.5	-3	-6	9	7	83.3	-15	-10	-22	13	-14
Q3	89.9	-10	-15	12	-2	82.2	-19	-12	-28	22	-15
Q4	75.8	-25	-36	18	-22	78.1	-26	-11	-34	44	-15
2009 Q1	65.7	-36	-56	20	-31	72.6	-32	-11	-41	62	-14
2008 Dec.	68.9	-33	-47	22	-30	-	-30	-11	-39	55	-14
2009 Jan.	67.2	-33	-49	20	-31	74.7	-31	-11	-38	58	-15
Feb.	65.3	-36	-57	20	-32	-	-33	-12	-41	62	-15
Mar.	64.7	-38	-61	21	-32	-	-34	-11	-44	66	-13
Apr.	67.2	-35	-60	20	-25	70.5	-31	-10	-38	66	-11
May	69.3	-34	-62	18	-21	-	-31	-9	-36	67	-13
	Construction confidence indicator			Retail trade confidence indicator				Services confidence indicator			
	Total <sup>4)</sup>	Order books	Employment expectations	Total <sup>4)</sup>	Present business situation	Volume of stocks	Expected business situation	Total <sup>4)</sup>	Business climate	Demand in recent months	Demand in the months ahead
	12	13	14	15	16	17	18	19	20	21	22
2005	-7	-12	-2	-7	-12	13	4	11	5	10	18
2006	1	-4	6	1	3	14	13	18	13	18	24
2007	0	-8	7	1	4	15	12	19	16	19	23
2008	-14	-20	-7	-7	-6	16	1	2	-5	4	7
2008 Q1	-7	-13	-1	0	3	16	12	10	4	12	15
Q2	-10	-17	-3	-3	-1	16	7	8	3	9	13
Q3	-14	-21	-7	-9	-9	17	-1	1	-7	3	6
Q4	-23	-31	-16	-15	-16	17	-13	-12	-20	-9	-6
2009 Q1	-31	-36	-26	-19	-21	15	-20	-24	-33	-21	-18
2008 Dec.	-27	-35	-19	-20	-23	19	-18	-17	-27	-15	-10
2009 Jan.	-30	-35	-26	-20	-21	20	-18	-22	-32	-19	-15
Feb.	-32	-37	-26	-19	-21	17	-20	-24	-33	-19	-19
Mar.	-32	-37	-26	-17	-20	9	-22	-25	-34	-23	-19
Apr.	-34	-41	-26	-20	-26	11	-22	-24	-32	-22	-19
May	-34	-44	-23	-15	-19	8	-17	-23	-29	-25	-14

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

- 1) Difference between the percentages of respondents giving positive and negative replies.
- 2) The economic sentiment indicator is composed of the industrial, services, consumer, construction and retail trade confidence indicators; the industrial confidence indicator has a weight of 40%, the services confidence indicator a weight of 30%, the consumer confidence indicator a weight of 20% and the two other indicators a weight of 5% each. Values of the economic sentiment indicator above (below) 100 indicate above-average (below-average) economic sentiment, calculated for the period 1990 to 2008.
- 3) Data are collected in January, April, July and October each year. The quarterly figures shown are averages of two successive surveys. Annual data are derived from quarterly averages.
- 4) The confidence indicators are calculated as simple averages of the components shown; the assessments of stocks (columns 4 and 17) and unemployment (column 10) are used with inverted signs for the calculation of confidence indicators.

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

(annual percentage changes, unless otherwise indicated)

### 1. Employment

	Whole economy		By employment status		By economic activity					
	Millions (s.a.)		Employees	Self-employed	Agriculture, hunting, forestry and fishing	Mining, manufacturing and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business services	Public administration, education, health and other services
% of total <sup>2)</sup>	100.0	100.0	85.2	14.8	3.9	17.0	7.5	25.6	16.0	30.0
	1	2	3	4	5	6	7	8	9	10
2005	141.863	1.0	1.1	0.4	-0.7	-1.1	2.7	0.7	2.5	1.5
2006	144.179	1.6	1.8	0.7	-1.9	-0.3	2.7	1.7	3.8	1.8
2007	146.830	1.8	2.0	0.9	-1.3	0.3	4.1	1.9	4.0	1.4
2008	148.005	0.8	1.0	-0.3	-1.4	-0.3	-2.4	1.3	2.5	1.2
2007 Q4	147.598	1.7	1.9	0.5	-1.6	0.1	2.4	2.3	3.9	1.4
2008 Q1	148.118	1.5	1.6	0.7	-1.2	0.3	0.4	2.4	4.0	0.8
Q2	148.237	1.1	1.3	-0.1	-2.0	0.1	-1.6	1.6	3.0	1.4
Q3	148.065	0.6	0.9	-0.9	-1.5	-0.1	-2.9	1.0	2.3	1.0
Q4	147.598	0.0	0.1	-0.6	-1.0	-1.3	-5.4	0.4	0.9	1.5
	<i>quarter-on-quarter percentage changes (s.a.)</i>									
2007 Q4	0.386	0.3	0.4	-0.7	-0.3	0.1	0.0	0.2	0.8	0.3
2008 Q1	0.520	0.4	0.3	0.5	0.6	0.2	0.1	0.5	1.1	-0.1
Q2	0.119	0.1	0.2	-0.3	-1.3	-0.2	-1.6	0.2	0.3	0.6
Q3	-0.171	-0.1	-0.1	-0.4	-0.5	-0.4	-1.5	0.1	0.1	0.1
Q4	-0.467	-0.3	-0.3	-0.6	0.2	-1.0	-2.3	-0.4	-0.5	0.7

### 2. Unemployment

(seasonally adjusted)

	Total		By age <sup>3)</sup>				By gender <sup>4)</sup>			
	Millions	% of labour force	Adult		Youth		Male		Female	
			Millions	% of labour force	Millions	% of labour force	Millions	% of labour force	Millions	% of labour force
% of total <sup>2)</sup>	100.0		77.9		22.1		50.5		49.5	
	1	2	3	4	5	6	7	8	9	10
2005	13.718	9.0	10.674	7.9	3.044	17.5	6.925	8.1	6.793	10.0
2006	12.875	8.3	10.053	7.3	2.822	16.4	6.396	7.5	6.479	9.4
2007	11.651	7.5	9.114	6.6	2.537	14.9	5.734	6.7	5.918	8.5
2008	11.896	7.6	9.284	6.6	2.612	15.4	6.008	6.9	5.888	8.3
2008 Q1	11.388	7.2	8.893	6.4	2.495	14.6	5.614	6.5	5.773	8.2
Q2	11.602	7.4	9.056	6.5	2.546	14.9	5.790	6.7	5.812	8.2
Q3	11.935	7.6	9.316	6.6	2.619	15.5	6.067	7.0	5.868	8.3
Q4	12.659	8.0	9.872	7.0	2.787	16.4	6.560	7.6	6.099	8.6
2009 Q1	13.767	8.7	10.772	7.6	2.995	17.6	7.307	8.4	6.460	9.0
2008 Nov.	12.646	8.0	9.860	7.0	2.786	16.4	6.552	7.5	6.094	8.6
Dec.	12.945	8.2	10.103	7.2	2.841	16.7	6.750	7.8	6.195	8.7
2009 Jan.	13.360	8.4	10.453	7.4	2.907	17.1	7.039	8.1	6.321	8.9
Feb.	13.757	8.7	10.762	7.6	2.995	17.6	7.306	8.4	6.451	9.0
Mar.	14.183	8.9	11.100	7.8	3.083	18.1	7.576	8.7	6.607	9.2
Apr.	14.579	9.2	11.430	8.0	3.149	18.5	7.836	8.9	6.743	9.4

Source: Eurostat.

1) Data refer to Euro 16. Data for employment refer to persons and are based on the ESA 95. Data for unemployment refer to persons and follow ILO recommendations.

2) In 2008.

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

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

# GOVERNMENT FINANCE

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

### 1. Euro area – revenue

	Total		Current revenue								Capital revenue		Memo: fiscal burden <sup>2)</sup>	
	1	2	Direct taxes		Indirect taxes	Received by EU institutions		Social contributions		Sales	Capital taxes			
			Households	Corporations		Employers	Employees							
	3	4	5	6	7	8	9	10	11	12	13	14		
2000	46.5	46.2	12.6	9.6	3.0	13.9	0.6	15.8	8.2	4.8	2.2	0.3	0.3	42.6
2001	45.7	45.4	12.2	9.4	2.7	13.5	0.5	15.6	8.2	4.7	2.1	0.2	0.3	41.6
2002	45.1	44.8	11.8	9.2	2.5	13.5	0.4	15.6	8.2	4.6	2.1	0.3	0.3	41.2
2003	45.0	44.4	11.4	9.0	2.3	13.5	0.4	15.7	8.3	4.6	2.1	0.6	0.5	41.1
2004	44.5	44.1	11.3	8.7	2.5	13.5	0.3	15.5	8.2	4.5	2.1	0.5	0.4	40.8
2005	44.8	44.3	11.5	8.8	2.7	13.7	0.3	15.4	8.1	4.5	2.2	0.5	0.3	40.9
2006	45.4	45.0	12.1	8.9	3.0	13.9	0.3	15.3	8.1	4.5	2.1	0.3	0.3	41.5
2007	45.5	45.2	12.4	9.1	3.1	13.8	0.3	15.1	8.0	4.4	2.1	0.3	0.3	41.7
2008	44.8	44.6	12.2	9.3	2.7	13.3	0.3	15.3	8.1	4.4	2.1	0.2	0.3	41.0

### 2. Euro area – expenditure

	Total		Current expenditure						Capital expenditure				Memo: primary expenditure <sup>3)</sup>	
	1	2	Compensation of employees	Intermediate consumption	Interest	Current transfers	Social payments		Subsidies	Paid by EU institutions	Investment	Capital transfers		Paid by EU institutions
							7	8						
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2000	46.6	43.8	10.4	4.8	3.9	24.7	21.6	2.0	0.5	2.8	2.5	1.3	0.0	42.7
2001	47.6	43.7	10.3	4.8	3.8	24.8	21.7	1.9	0.5	3.9	2.5	1.4	0.0	43.8
2002	47.7	43.9	10.4	4.9	3.5	25.1	22.2	1.9	0.5	3.8	2.4	1.4	0.0	44.2
2003	48.1	44.1	10.5	5.0	3.3	25.4	22.5	1.9	0.5	3.9	2.5	1.4	0.1	44.8
2004	47.5	43.6	10.4	5.0	3.1	25.1	22.3	1.8	0.5	3.9	2.5	1.5	0.1	44.4
2005	47.3	43.4	10.4	5.0	3.0	25.0	22.3	1.7	0.5	3.9	2.5	1.4	0.0	44.3
2006	46.7	42.8	10.2	5.0	2.9	24.8	22.0	1.7	0.5	3.8	2.5	1.4	0.0	43.8
2007	46.1	42.3	10.0	5.0	3.0	24.4	21.6	1.6	0.4	3.9	2.5	1.3	0.0	43.1
2008	46.7	42.9	10.1	5.1	3.0	24.8	21.9	1.6	0.4	3.8	2.5	1.3	0.0	43.8

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

	Deficit (-)/surplus (+)					Primary deficit (-)/surplus (+)	Government consumption <sup>4)</sup>							
	Total	Central gov.	State gov.	Local gov.	Social security funds		Total	Compensation of employees	Intermediate consumption	Transfers in kind via market producers	Consumption of fixed capital	Sales (minus)	Collective consumption	Individual consumption
2000	-0.1	-0.5	-0.1	0.1	0.5	3.8	19.8	10.4	4.8	4.9	1.9	2.2	8.2	11.6
2001	-1.9	-1.7	-0.4	-0.1	0.3	1.9	19.9	10.3	4.8	4.9	1.8	2.1	8.2	11.7
2002	-2.6	-2.1	-0.5	-0.2	0.2	0.9	20.2	10.4	4.9	5.1	1.8	2.1	8.3	12.0
2003	-3.1	-2.4	-0.5	-0.2	0.0	0.2	20.5	10.5	5.0	5.2	1.9	2.1	8.3	12.2
2004	-3.0	-2.5	-0.4	-0.3	0.2	0.2	20.4	10.4	5.0	5.1	1.9	2.1	8.3	12.1
2005	-2.5	-2.2	-0.3	-0.2	0.2	0.4	20.4	10.4	5.0	5.1	1.9	2.2	8.2	12.3
2006	-1.3	-1.4	-0.1	-0.2	0.4	1.6	20.3	10.2	5.0	5.2	1.9	2.1	8.0	12.2
2007	-0.7	-1.2	0.0	0.0	0.5	2.3	20.0	10.0	5.0	5.2	1.9	2.1	7.9	12.1
2008	-1.9	-2.0	-0.2	-0.1	0.4	1.1	20.4	10.1	5.1	5.2	1.9	2.1	8.1	12.3

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

	BE	DE	IE	GR	ES	FR	IT	CY	LU	MT	NL	AT	PT	SI	SK	FI
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
2005	-2.7	-3.3	1.7	-5.1	1.0	-2.9	-4.3	-2.4	0.0	-2.9	-0.3	-1.6	-6.1	-1.4	-2.8	2.8
2006	0.3	-1.5	3.0	-2.8	2.0	-2.3	-3.3	-1.2	1.4	-2.6	0.6	-1.6	-3.9	-1.3	-3.5	4.0
2007	-0.2	-0.2	0.2	-3.6	2.2	-2.7	-1.5	3.4	3.6	-2.2	0.3	-0.5	-2.6	0.5	-1.9	5.2
2008	-1.2	-0.1	-7.1	-5.0	-3.8	-3.4	-2.7	0.9	2.6	-4.7	1.0	-0.4	-2.6	-0.9	-2.2	4.2

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

1) The data refer to the Euro 16. Revenue, expenditure and deficit/surplus are based on the ESA 95. Transactions involving the EU budget are included and consolidated.

Transactions among Member States' governments are not consolidated.

2) The fiscal burden comprises taxes and social contributions.

3) Comprises total expenditure minus interest expenditure.

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

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

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

(as a percentage of GDP)

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

	Total	Financial instruments				Holders				
		Currency and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors <sup>2)</sup>				Other creditors <sup>3)</sup>
						Total	MFIs	Other financial corporations	Other sectors	
1	2	3	4	5	6	7	8	9	10	
1999	71.9	2.9	14.4	4.3	50.3	48.7	25.4	13.7	9.6	23.2
2000	69.2	2.7	13.2	3.7	49.6	44.1	22.1	12.4	9.7	25.1
2001	68.1	2.8	12.4	4.0	49.0	42.0	20.6	11.1	10.3	26.2
2002	67.9	2.7	11.8	4.6	48.9	40.1	19.4	10.6	10.0	27.9
2003	69.0	2.1	12.4	5.0	49.6	39.4	19.6	11.1	8.7	29.7
2004	69.4	2.2	11.9	5.0	50.4	37.6	18.4	10.8	8.4	31.8
2005	70.0	2.4	11.8	4.7	51.1	35.5	17.1	11.2	7.2	34.5
2006	68.2	2.4	11.4	4.1	50.3	33.8	17.3	9.4	7.1	34.4
2007	66.0	2.2	10.8	4.2	48.8	32.1	16.6	8.6	6.9	33.9
2008	69.3	2.3	10.8	6.7	49.5	32.2	16.9	8.1	7.1	37.1

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

	Total	Issued by <sup>4)</sup>				Original maturity			Residual maturity			Currencies	
		Central gov.	State gov.	Local gov.	Social security funds	Up to 1 year	Over 1 year	Variable interest rate	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Euro or participating currencies <sup>5)</sup>	Other currencies
1999	71.9	60.4	6.0	5.1	0.4	7.3	64.6	7.0	13.5	27.8	30.6	69.9	2.0
2000	69.2	58.1	5.8	4.9	0.4	6.5	62.7	6.3	13.4	27.8	28.0	67.4	1.8
2001	68.1	57.0	6.0	4.7	0.4	7.0	61.1	5.3	13.7	26.6	27.9	66.6	1.5
2002	67.9	56.6	6.2	4.7	0.4	7.6	60.3	5.2	15.5	25.3	27.2	66.6	1.3
2003	69.0	56.9	6.5	5.0	0.6	7.8	61.2	5.0	14.9	26.0	28.2	68.1	0.9
2004	69.4	57.3	6.6	5.1	0.4	7.8	61.6	4.7	14.8	26.2	28.5	68.6	0.9
2005	70.0	57.6	6.7	5.2	0.5	7.9	62.1	4.6	14.8	25.5	29.6	69.0	1.0
2006	68.2	55.8	6.5	5.4	0.5	7.4	60.8	4.3	14.4	24.0	29.8	67.6	0.6
2007	66.0	54.0	6.2	5.2	0.5	7.4	58.5	4.3	14.1	22.5	29.3	65.6	0.4
2008	69.3	57.2	6.6	5.2	0.4	10.2	59.2	4.4	17.5	22.1	29.7	68.8	0.5

### 3. Euro area countries

	BE	DE	IE	GR	ES	FR	IT	CY	LU	MT	NL	AT	PT	SI	SK	FI
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
2005	92.2	67.8	27.5	98.8	43.0	66.4	105.8	69.1	6.1	69.8	51.8	63.7	63.6	27.0	34.2	41.4
2006	87.9	67.6	24.9	95.9	39.6	63.7	106.5	64.6	6.7	63.7	47.4	62.0	64.7	26.7	30.4	39.2
2007	84.0	65.1	25.0	94.8	36.2	63.8	103.5	59.4	6.9	62.1	45.6	59.4	63.5	23.4	29.4	35.1
2008	89.6	65.9	43.2	97.6	39.5	68.0	105.8	49.1	14.7	64.1	58.2	62.5	66.4	22.8	27.6	33.4

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

- 1) The data refer to the Euro 16. Gross general government debt at nominal value and consolidated between sub-sectors of government. Holdings by non-resident governments are not consolidated. Data are partially estimated.
- 2) Holders resident in the country whose government has issued the debt.
- 3) Includes residents of euro area countries other than the country whose government has issued the debt.
- 4) Excludes debt held by general government in the country whose government has issued it.
- 5) Before 1999, this comprises debt in ECU, in domestic currency and in the currencies of other Member States which have adopted the euro.

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

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

	Total	Source of change				Financial instruments				Holders			Other creditors <sup>7)</sup>
		Borrowing requirement <sup>5)</sup>	Valuation effects <sup>3)</sup>	Other changes in volume <sup>4)</sup>	Aggregation effect <sup>5)</sup>	Currency and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors <sup>6)</sup>	MFIs	Other financial corporations	
2000	1.0	1.2	0.0	-0.1	0.0	0.0	-0.5	-0.4	1.9	-2.1	-2.0	-0.6	3.1
2001	1.8	1.9	-0.1	0.1	0.0	0.2	-0.3	0.5	1.4	-0.3	-0.5	-0.8	2.1
2002	2.1	2.6	-0.5	0.0	0.0	0.0	-0.2	0.7	1.6	-0.5	-0.5	-0.1	2.6
2003	3.1	3.3	-0.2	0.0	0.0	-0.6	0.9	0.6	2.1	0.5	0.7	0.8	2.6
2004	3.1	3.2	-0.1	0.0	0.0	0.2	0.1	0.1	2.7	-0.2	-0.4	0.1	3.3
2005	3.0	3.0	0.0	0.0	0.0	0.3	0.3	-0.1	2.6	-0.8	-0.6	0.8	3.8
2006	1.5	1.4	0.1	0.0	0.0	0.2	0.2	-0.4	1.5	0.0	1.0	-1.2	1.5
2007	1.1	1.1	0.0	0.0	0.0	-0.1	-0.1	0.3	1.0	-0.1	0.1	-0.4	1.2
2008	5.3	5.2	0.1	0.0	0.0	0.1	0.4	2.6	2.2	1.1	0.8	-0.2	4.2

#### 2. Euro area – deficit-debt adjustment

	Change in debt	Deficit (-) / surplus (+) <sup>8)</sup>	Deficit-debt adjustment <sup>9)</sup>											Other <sup>10)</sup>
			Total	Transactions in main financial assets held by general government							Valuation effects	Exchange rate effects	Other changes in volume	
				Total	Currency and deposits	Loans	Securities <sup>11)</sup>	Shares and other equity	Privatisations	Equity injections				
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2000	1.0	-0.1	1.0	1.0	0.7	0.1	0.2	0.0	-0.4	0.2	0.0	0.1	-0.1	0.0
2001	1.8	-1.9	0.0	-0.5	-0.6	0.1	0.1	-0.1	-0.3	0.1	-0.1	0.0	0.1	0.5
2002	2.1	-2.6	-0.5	0.1	0.1	0.0	0.0	-0.1	-0.4	0.1	-0.5	-0.1	0.0	-0.1
2003	3.1	-3.1	0.0	0.1	0.1	0.0	0.0	0.1	-0.2	0.1	-0.2	-0.1	0.0	0.1
2004	3.1	-3.0	0.1	0.2	0.2	0.0	0.1	0.0	-0.5	0.2	-0.1	-0.1	0.0	0.1
2005	3.0	-2.5	0.5	0.6	0.3	0.1	0.1	0.1	-0.3	0.2	0.0	0.0	0.0	-0.1
2006	1.5	-1.3	0.2	0.3	0.3	-0.1	0.3	-0.2	0.0	0.1	0.1	0.0	0.0	-0.2
2007	1.1	-0.7	0.4	0.5	0.2	0.0	0.3	0.0	-0.1	0.1	0.0	0.0	0.0	-0.1
2008	5.3	-1.9	3.4	3.1	0.8	0.9	0.7	0.8	0.0	0.7	0.1	0.0	0.0	0.1

Source: ECB.

- 1) The data refer to the Euro 16 and are partially estimated. Annual change in gross nominal consolidated debt is expressed as a percentage of GDP, i.e.  $[\text{debt}(t) - \text{debt}(t-1)] \div \text{GDP}(t)$ .
- 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 <sup>1)</sup>

(as a percentage of GDP)

### 1. Euro area – quarterly revenue

	Total		Current revenue					Capital revenue		Memo: fiscal burden <sup>2)</sup>
	1	2	Direct taxes 3	Indirect taxes 4	Social contributions 5	Sales 6	Property income 7	8	Capital taxes 9	
2002 Q4	49.0	48.4	13.4	14.0	16.2	2.9	0.9	0.6	0.3	43.9
2003 Q1	42.0	41.5	9.8	12.9	15.5	1.7	0.7	0.5	0.2	38.5
Q2	45.8	44.3	11.9	12.7	15.7	2.0	1.4	1.4	1.2	41.4
Q3	42.7	42.2	10.8	12.6	15.5	1.9	0.6	0.5	0.2	39.1
Q4	49.2	48.2	13.1	14.1	16.2	2.9	0.8	1.0	0.3	43.8
2004 Q1	41.4	40.9	9.6	12.9	15.3	1.7	0.6	0.4	0.3	38.1
Q2	44.8	44.0	12.0	12.9	15.3	2.0	1.1	0.8	0.6	40.8
Q3	42.7	42.2	10.6	12.8	15.4	1.9	0.7	0.5	0.3	39.1
Q4	49.0	48.0	13.0	14.2	16.2	2.9	0.7	1.0	0.4	43.8
2005 Q1	42.0	41.4	9.9	13.0	15.2	1.7	0.6	0.5	0.3	38.4
Q2	44.4	43.8	11.7	13.2	15.1	2.0	1.1	0.6	0.3	40.2
Q3	43.3	42.6	11.0	13.0	15.2	1.9	0.7	0.7	0.3	39.5
Q4	49.1	48.3	13.4	14.2	16.1	2.9	0.8	0.8	0.3	43.9
2006 Q1	42.4	41.9	10.2	13.4	15.1	1.6	0.8	0.4	0.3	38.9
Q2	45.5	45.0	12.3	13.5	15.1	1.9	1.3	0.5	0.3	41.2
Q3	43.8	43.2	11.5	13.0	15.2	2.0	0.8	0.5	0.3	39.9
Q4	49.4	48.8	14.1	14.3	15.9	2.9	0.9	0.6	0.3	44.5
2007 Q1	42.1	41.8	10.3	13.5	14.8	1.7	0.8	0.4	0.3	38.8
Q2	45.7	45.3	12.8	13.4	15.0	1.9	1.5	0.4	0.3	41.5
Q3	43.7	43.2	12.0	12.8	14.9	1.9	0.8	0.5	0.3	40.1
Q4	49.8	49.2	14.5	14.2	15.8	3.0	0.9	0.5	0.3	44.7
2008 Q1	42.0	41.6	10.6	12.9	14.8	1.7	0.9	0.3	0.2	38.5
Q2	44.9	44.6	12.8	12.8	15.0	1.8	1.5	0.4	0.3	40.8
Q3	43.1	42.7	11.8	12.5	15.0	1.9	0.8	0.3	0.3	39.5
Q4	48.8	48.3	13.6	13.6	16.2	3.0	1.1	0.5	0.3	43.7

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

	Total		Current expenditure						Capital expenditure			Deficit (-)/ surplus (+)	Primary deficit (-)/ surplus (+)
	Total 1	Compensation of employees 2	Intermediate consumption 3	Interest 4	Current transfers 5	Social benefits 6	Subsidies 7	Investment 9	Capital transfers 10	11			
											12		
2002 Q4	50.8	46.3	11.0	5.7	3.3	26.4	22.7	1.6	4.4	2.8	1.7	-1.8	1.5
2003 Q1	46.8	43.3	10.3	4.5	3.5	24.9	21.4	1.3	3.5	1.9	1.6	-4.9	-1.3
Q2	47.1	43.5	10.4	4.7	3.4	25.1	21.6	1.3	3.5	2.3	1.2	-1.3	2.1
Q3	47.1	43.4	10.2	4.8	3.3	25.1	21.6	1.3	3.7	2.5	1.2	-4.4	-1.1
Q4	51.1	46.3	11.1	5.7	3.1	26.5	22.9	1.5	4.8	3.3	1.6	-1.9	1.2
2004 Q1	46.4	43.0	10.3	4.6	3.2	24.9	21.3	1.2	3.4	1.9	1.5	-5.0	-1.8
Q2	46.6	43.2	10.4	4.8	3.3	24.7	21.4	1.3	3.4	2.3	1.1	-1.8	1.5
Q3	46.0	42.6	9.9	4.7	3.1	24.9	21.5	1.3	3.4	2.4	1.0	-3.3	-0.2
Q4	50.9	45.7	11.0	5.7	2.9	26.1	22.6	1.4	5.2	3.1	2.1	-1.9	1.0
2005 Q1	46.8	43.1	10.2	4.6	3.1	25.1	21.3	1.2	3.7	1.9	1.8	-4.8	-1.7
Q2	46.1	42.7	10.2	4.9	3.2	24.4	21.3	1.1	3.4	2.3	1.1	-1.7	1.5
Q3	45.7	42.3	9.9	4.8	3.0	24.7	21.3	1.2	3.4	2.5	1.0	-2.4	0.5
Q4	50.5	45.7	11.1	5.8	2.7	26.1	22.5	1.3	4.8	3.1	1.7	-1.4	1.3
2006 Q1	45.2	42.1	10.0	4.5	2.9	24.6	21.1	1.2	3.1	1.9	1.2	-2.9	0.1
Q2	45.4	42.2	10.2	4.9	3.1	24.0	21.0	1.1	3.2	2.3	1.0	0.1	3.1
Q3	45.3	41.9	9.8	4.7	2.9	24.5	21.1	1.2	3.4	2.5	1.0	-1.6	1.4
Q4	50.3	45.0	10.7	5.8	2.7	25.9	22.2	1.4	5.3	3.2	2.2	-0.9	1.8
2007 Q1	44.2	41.1	9.8	4.5	2.9	23.9	20.4	1.2	3.2	2.0	1.2	-2.1	0.8
Q2	44.6	41.4	9.9	4.8	3.2	23.5	20.5	1.1	3.2	2.3	0.9	1.2	4.3
Q3	45.0	41.2	9.5	4.7	3.0	24.0	20.7	1.2	3.7	2.5	1.2	-1.3	1.7
Q4	50.3	45.1	10.6	5.8	2.8	26.0	22.2	1.5	5.1	3.3	1.8	-0.5	2.3
2008 Q1	44.4	41.3	9.7	4.6	2.9	24.0	20.4	1.2	3.2	2.0	1.2	-2.5	0.4
Q2	45.0	41.7	10.0	4.9	3.2	23.6	20.5	1.1	3.3	2.3	1.0	-0.1	3.1
Q3	45.3	41.9	9.6	4.8	3.1	24.4	21.2	1.2	3.5	2.5	1.0	-2.3	0.8
Q4	51.6	46.5	11.0	6.0	2.8	26.8	22.9	1.4	5.1	3.3	1.8	-2.8	0.0

Source: ECB calculations based on Eurostat and national data.

- The data refer to the Euro 16. Revenue, expenditure and deficit/surplus are based on the ESA 95. Transactions between the EU budget and entities outside the government sector are not included. Otherwise, and except for different data transmission deadlines, the quarterly data are consistent with the annual data. The data are not seasonally adjusted.
- The fiscal burden comprises taxes and social contributions.

## 6.5 Quarterly debt and change in debt <sup>1)</sup>

(as a percentage of GDP)

### 1. Euro area – Maastricht debt by financial instrument <sup>2)</sup>

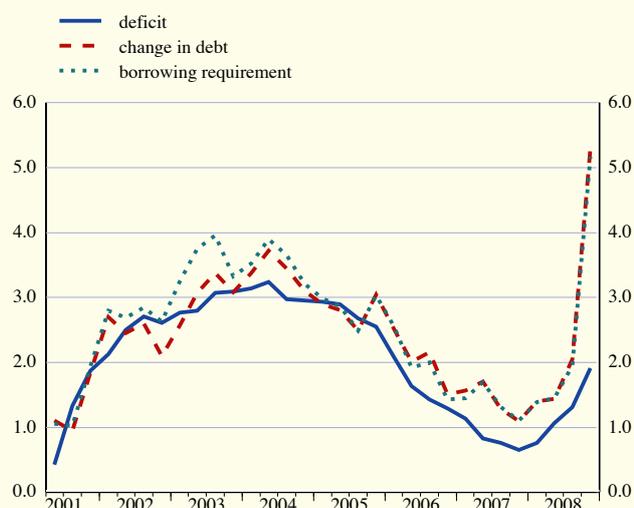
	Total 1	Financial instruments			
		Currency and deposits 2	Loans 3	Short-term securities 4	Long-term securities 5
2006 Q1	70.3	2.5	11.7	4.9	51.2
Q2	70.3	2.5	11.6	4.8	51.4
Q3	69.8	2.5	11.6	4.7	51.0
Q4	68.2	2.4	11.4	4.1	50.3
2007 Q1	68.5	2.4	11.4	4.8	49.9
Q2	68.6	2.2	11.1	5.1	50.3
Q3	67.7	2.1	11.0	5.1	49.4
Q4	66.0	2.2	10.8	4.2	48.8
2008 Q1	66.8	2.1	11.0	5.0	48.8
Q2	67.1	2.1	11.0	4.9	49.1
Q3	67.1	2.1	10.8	5.5	48.6
Q4	69.3	2.3	10.8	6.7	49.5

### 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			
2006 Q1	4.9	-2.9	2.0	1.3	1.1	0.1	0.6	-0.4	-0.4	1.1	5.2
Q2	3.2	0.1	3.3	3.3	2.6	0.1	0.4	0.1	0.6	-0.6	2.6
Q3	1.2	-1.6	-0.3	-0.9	-0.7	-0.2	0.2	-0.2	0.3	0.3	1.0
Q4	-2.9	-0.9	-3.8	-2.4	-1.5	-0.5	-0.2	-0.2	-0.2	-1.3	-2.8
2007 Q1	4.9	-2.1	2.8	1.9	1.0	0.0	0.7	0.2	-0.2	1.1	5.1
Q2	3.7	1.2	4.9	4.9	4.0	0.0	0.6	0.3	0.2	-0.2	3.5
Q3	-0.5	-1.3	-1.7	-1.7	-2.1	0.1	0.4	-0.1	0.1	-0.1	-0.5
Q4	-3.5	-0.5	-3.9	-2.9	-2.0	-0.1	-0.6	-0.3	-0.1	-0.9	-3.4
2008 Q1	6.0	-2.5	3.5	3.2	2.1	-0.1	0.9	0.4	-0.1	0.4	6.1
Q2	3.7	-0.1	3.7	3.6	2.0	0.2	1.1	0.2	0.1	0.0	3.7
Q3	2.1	-2.3	-0.2	-0.9	-1.6	-0.1	0.1	0.7	0.5	0.2	1.6
Q4	9.3	-2.8	6.5	6.5	0.6	3.4	0.8	1.8	0.0	-0.1	9.3

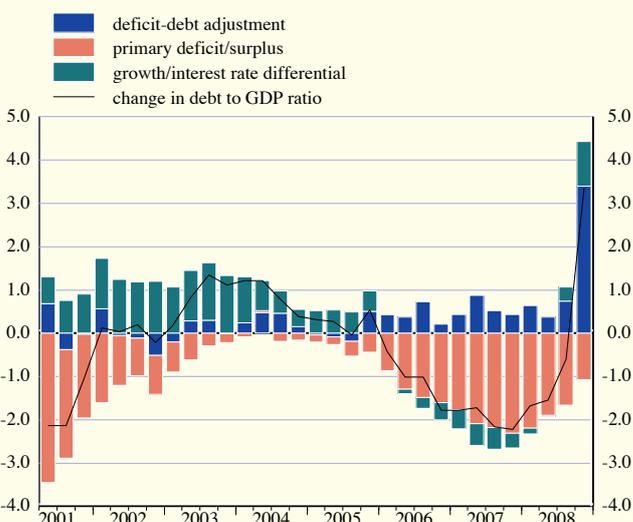
### C29 Deficit, borrowing requirement and change in debt

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



### C30 Maastricht debt

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



Source: ECB calculations based on Eurostat and national data.

1) The data refer to the Euro 16.

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



## EXTERNAL TRANSACTIONS AND POSITIONS

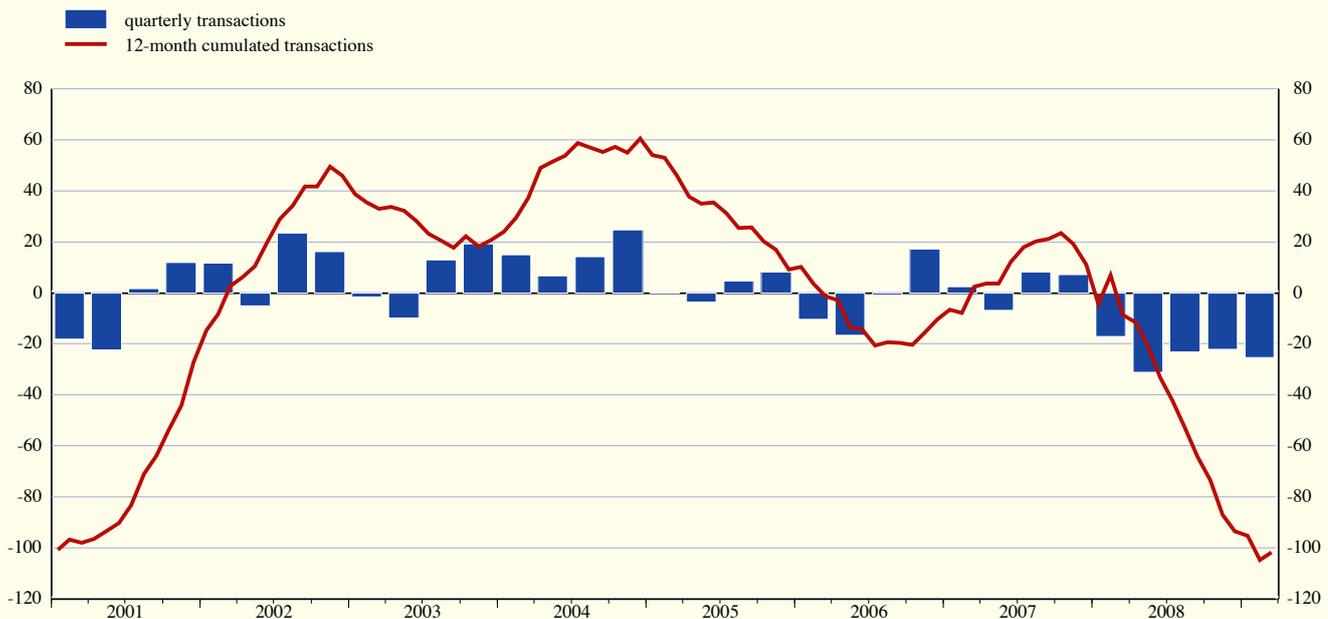
### 7.1 Summary balance of payments <sup>1)</sup>

(EUR billions; net transactions)

	Current account					Capital account	Net lending/borrowing to/from rest of the world (columns 1-6)	Financial account						Errors and omissions
	Total	Goods	Services	Income	Current transfers			Total	Direct investment	Portfolio investment	Financial derivatives	Other investment	Reserve assets	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2006	-10.5	12.3	43.3	13.6	-79.7	9.2	-1.2	141.4	-157.6	293.7	3.3	2.9	-0.9	-140.2
2007	11.1	46.4	49.2	1.4	-85.9	13.7	24.8	41.2	-92.5	159.7	-67.0	46.0	-5.1	-66.0
2008	-93.6	-6.1	41.7	-32.4	-96.8	12.4	-81.2	313.6	-251.3	439.2	-30.9	160.5	-3.9	-232.4
2008 Q1	-17.3	-2.5	10.0	3.4	-28.3	6.0	-11.2	35.5	-75.2	88.6	-22.8	50.0	-5.1	-24.3
Q2	-31.1	6.1	13.1	-32.0	-18.3	3.1	-28.0	79.7	-53.4	27.3	-8.9	114.8	0.0	-51.7
Q3	-23.1	-9.0	13.4	-3.0	-24.6	1.9	-21.2	61.7	-35.9	121.5	-8.4	-17.2	1.6	-40.4
Q4	-22.0	-0.7	5.2	-0.9	-25.7	1.3	-20.7	136.7	-86.7	201.8	9.2	12.8	-0.4	-116.0
2009 Q1	-25.4	-6.3	4.2	2.2	-25.6	3.1	-22.4	105.0	-52.4	144.6	10.5	-3.2	5.7	-82.6
2008 Mar.	-6.3	1.4	3.3	1.4	-12.4	1.1	-5.2	8.0	-22.7	14.7	3.8	15.4	-3.2	-2.8
Apr.	-7.5	5.1	2.9	-7.4	-8.1	0.7	-6.8	25.7	-23.0	-17.9	-3.1	73.0	-3.3	-18.9
May	-24.0	-1.6	4.1	-21.0	-5.6	1.9	-22.2	39.1	-5.4	1.4	-10.6	50.9	2.7	-16.9
June	0.4	2.6	6.1	-3.6	-4.7	0.6	0.9	14.9	-25.1	43.8	4.8	-9.0	0.5	-15.9
July	-4.1	0.4	4.3	-0.6	-8.2	0.9	-3.2	48.5	-1.6	29.1	-0.1	23.4	-2.3	-45.3
Aug.	-11.5	-7.1	5.0	-1.1	-8.2	0.5	-10.9	0.4	-11.8	19.3	-8.3	-1.1	2.3	10.6
Sep.	-7.5	-2.3	4.1	-1.2	-8.2	0.5	-7.1	12.8	-22.5	73.1	0.1	-39.5	1.6	-5.7
Oct.	-5.1	3.7	1.5	0.6	-10.9	0.0	-5.1	97.3	-10.9	135.3	17.7	-36.8	-8.0	-92.3
Nov.	-13.7	-4.0	0.9	-1.5	-9.2	1.5	-12.2	19.6	-53.3	60.2	-5.7	18.8	-0.4	-7.4
Dec.	-3.3	-0.4	2.8	-0.1	-5.6	-0.2	-3.4	19.7	-22.5	6.4	-2.9	30.8	7.9	-16.3
2009 Jan.	-19.9	-10.1	1.6	-1.7	-9.7	0.7	-19.2	51.2	-15.9	-7.4	5.8	63.3	5.4	-32.0
Feb.	-2.1	1.0	1.5	0.5	-5.1	0.9	-1.1	-3.4	-11.8	56.1	3.6	-52.5	1.1	4.5
Mar.	-3.5	2.8	1.1	3.3	-10.8	1.5	-2.0	57.2	-24.7	95.8	1.1	-14.1	-0.9	-55.2
	<i>12-month cumulated transactions</i>													
2009 Mar.	-101.8	-9.9	35.9	-33.7	-94.2	9.5	-92.3	383.1	-228.5	495.2	2.4	107.2	6.9	-290.8

### C31 B.o.p. current account balance

(EUR billions)



Source: ECB.

1) The sign convention is explained in the general notes.

**7.2 Current and capital accounts**

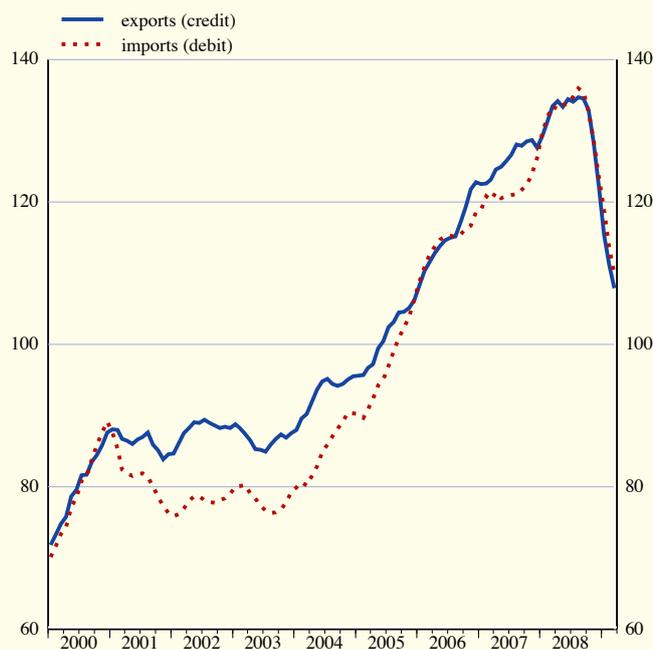
(EUR billions; transactions)

**1. Summary current and capital accounts**

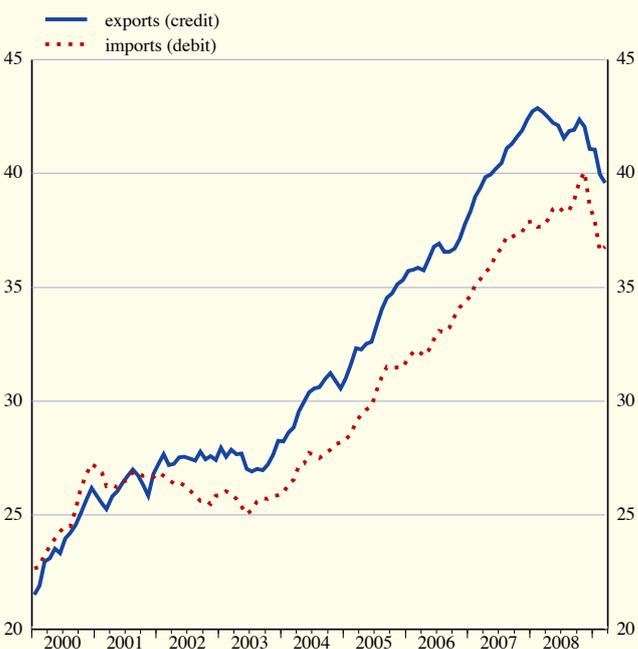
	Current account											Capital account			
	Total			Goods		Services		Income		Current transfers			Credit	Debit	
	Credit	Debit	Net	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Workers remittances				
											11	12	13		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
2006	2,423.8	2,434.3	-10.5	1,396.8	1,384.5	440.8	397.5	496.4	482.8	89.8	5.4	169.5	17.4	23.9	14.7
2007	2,686.1	2,675.0	11.1	1,513.7	1,467.3	490.3	441.1	592.3	591.0	89.8	6.4	175.7	20.5	25.9	12.2
2008	2,760.3	2,853.9	-93.6	1,579.3	1,585.4	504.0	462.3	588.8	621.2	88.2	6.6	185.0	21.1	25.7	13.3
2008 Q1	680.4	697.7	-17.3	390.3	392.7	116.9	106.9	147.1	143.7	26.1	1.6	54.3	5.1	8.9	2.9
Q2	709.2	740.4	-31.1	407.8	401.7	126.1	113.0	153.4	185.3	22.0	1.5	40.3	5.3	7.3	4.1
Q3	696.6	719.8	-23.1	403.1	412.1	136.2	122.8	143.8	146.7	13.5	1.8	38.1	5.4	4.8	2.9
Q4	674.0	696.1	-22.0	378.2	378.9	124.7	119.5	144.5	145.5	26.6	1.7	52.2	5.3	4.8	3.4
2009 Q1	570.3	595.8	-25.4	312.3	318.6	107.7	103.4	123.7	121.5	26.6	-	52.2	-	5.4	2.4
2009 Jan.	181.5	201.4	-19.9	98.5	108.6	37.0	35.4	40.2	41.9	5.7	.	15.5	.	1.7	1.0
Feb.	193.1	195.1	-2.1	102.9	101.9	34.4	32.9	39.8	39.3	16.0	.	21.1	.	1.5	0.6
Mar.	195.8	199.3	-3.5	111.0	108.1	36.3	35.2	43.6	40.3	4.9	.	15.7	.	2.2	0.7
	Seasonally adjusted														
2008 Q1	701.6	718.3	-16.7	400.4	400.5	128.1	113.1	151.2	157.5	21.8	.	47.2	.	.	.
Q2	702.1	718.9	-16.8	403.4	401.6	126.4	115.7	148.4	154.5	23.9	.	47.1	.	.	.
Q3	696.4	719.9	-23.5	403.5	406.4	125.8	116.5	147.8	154.9	19.3	.	42.1	.	.	.
Q4	653.4	688.7	-35.3	366.4	370.3	123.3	115.8	141.8	154.0	21.9	.	48.6	.	.	.
2009 Q1	592.5	619.1	-26.6	323.7	329.7	118.7	110.4	127.8	134.1	22.3	.	44.9	.	.	.
2008 Oct.	227.8	234.7	-6.9	130.4	127.6	41.9	40.1	48.2	50.5	7.3	.	16.6	.	.	.
Nov.	220.2	235.8	-15.6	120.9	124.9	42.0	40.1	50.2	55.1	7.1	.	15.7	.	.	.
Dec.	205.4	218.2	-12.8	115.1	117.8	39.4	35.7	43.4	48.3	7.5	.	16.4	.	.	.
2009 Jan.	203.4	215.7	-12.3	110.1	114.0	41.8	38.0	44.5	48.1	7.0	.	15.5	.	.	.
Feb.	197.2	205.1	-7.8	108.3	108.7	38.7	36.1	42.1	45.7	8.1	.	14.6	.	.	.
Mar.	191.9	198.4	-6.5	105.2	106.9	38.3	36.3	41.2	40.4	7.2	.	14.8	.	.	.

**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.

## 7.2 Current and capital accounts

(EUR billions)

### 2. Income account

(transactions)

	Compensation of employees		Investment income													
	Credit	Debit	Total		Direct investment						Portfolio investment				Other investment	
			Credit	Debit	Equity			Debt			Equity		Debt		Credit	Debit
	Credit	Debit			Reinv. earnings	Debit	Reinv. earnings	Credit	Debit	Credit	Debit	Credit	Debit			
			1	2										3	4	5
2006	17.4	9.8	478.9	472.9	182.7	41.4	111.5	36.6	20.6	20.2	39.2	99.1	103.6	91.5	132.9	150.6
2007	18.7	10.2	573.6	580.7	207.0	75.0	130.5	38.6	26.1	24.4	45.5	116.1	117.5	113.2	177.5	196.5
2008	19.1	10.4	569.7	610.8	192.3	65.8	126.6	43.3	30.0	25.7	42.8	124.4	123.0	129.3	181.6	204.8
2007 Q4	4.9	2.7	147.7	141.4	52.5	13.8	31.2	6.9	7.4	6.5	9.4	20.6	30.7	30.5	47.5	52.5
2008 Q1	4.9	2.0	142.2	141.7	50.1	22.2	31.7	15.9	6.8	6.2	9.7	21.0	30.3	31.4	45.3	51.4
Q2	4.7	2.6	148.7	182.7	52.0	13.3	34.7	4.6	7.5	6.9	14.4	58.5	30.4	31.4	44.4	51.2
Q3	4.6	3.1	139.2	143.6	45.8	18.1	31.9	15.5	7.1	6.1	10.2	23.8	32.0	31.1	44.0	50.7
Q4	4.9	2.7	139.7	142.7	44.4	12.2	28.4	7.3	8.6	6.5	8.5	21.0	30.3	35.3	47.9	51.6

### 3. Geographical breakdown

(cumulated transactions)

2008 Q1 to 2008 Q4	Total	European Union 27 (outside the euro area)						Brazil	Canada	China	India	Japan	Russia	Switzer-land	United States	Other
	1	Total	Den-mark	Sweden	United Kingdom	Other EU countries	EU insti-tutions	8	9	10	11	12	13	14	15	16
		Credits														
<b>Current account</b>	2,760.3	999.7	60.5	85.8	518.6	277.7	57.1	41.1	35.9	85.2	31.1	57.2	103.4	185.8	404.8	815.9
Goods	1,579.3	542.5	36.4	54.3	233.6	218.1	0.0	22.5	18.6	65.5	23.5	33.8	79.1	91.8	192.6	509.4
Services	504.0	171.4	12.9	13.7	110.0	29.0	5.7	7.3	6.8	15.2	5.7	11.3	14.2	50.6	79.8	141.8
Income	588.8	222.7	10.4	16.2	162.1	27.4	6.7	11.0	9.8	4.3	1.8	11.8	9.8	36.9	125.4	155.4
Investment income	569.7	216.1	10.3	16.0	160.3	26.6	2.9	11.0	9.7	4.2	1.7	11.7	9.7	29.9	123.6	152.1
Current transfers	88.2	63.2	0.8	1.5	13.0	3.2	44.6	0.2	0.8	0.3	0.1	0.4	0.4	6.5	7.1	9.3
<b>Capital account</b>	25.7	22.3	0.0	0.0	1.1	0.2	21.0	0.0	0.0	0.0	0.0	0.0	0.0	0.6	1.4	1.2
		Debits														
<b>Current account</b>	2,853.9	904.0	47.3	85.1	439.4	228.0	104.1	-	31.8	-	-	100.4	-	180.9	391.2	-
Goods	1,585.4	435.9	30.4	51.5	176.2	177.8	0.0	27.9	14.3	179.3	20.9	55.8	111.9	79.2	143.1	517.1
Services	462.3	141.2	8.2	11.7	87.6	33.4	0.2	5.3	6.8	11.2	4.6	8.3	9.4	39.9	95.4	140.2
Income	621.2	212.7	7.7	20.6	163.5	11.9	9.0	-	8.9	-	-	35.7	-	55.8	144.1	-
Investment income	610.8	206.6	7.6	20.5	162.0	7.5	9.0	-	8.8	-	-	35.6	-	55.3	143.1	-
Current transfers	185.0	114.2	1.0	1.3	12.1	4.9	95.0	1.5	1.8	2.5	0.7	0.6	0.5	6.0	8.7	48.6
<b>Capital account</b>	13.3	2.3	0.0	0.1	1.2	0.2	0.8	0.2	1.1	0.1	0.2	0.1	0.1	0.6	1.3	7.6
		Net														
<b>Current account</b>	-93.6	95.7	13.2	0.7	79.2	49.7	-47.1	-	4.1	-	-	-43.2	-	4.9	13.6	-
Goods	-6.1	106.6	6.0	2.9	57.3	40.4	0.0	-5.4	4.3	-113.8	2.6	-22.0	-32.8	12.6	49.5	-7.7
Services	41.7	30.1	4.7	2.0	22.4	-4.5	5.5	2.0	0.0	4.0	1.1	3.0	4.8	10.7	-15.6	1.6
Income	-32.4	10.1	2.7	-4.5	-1.4	15.5	-2.3	-	0.8	-	-	-24.0	-	-18.9	-18.7	-
Investment income	-41.1	9.5	2.7	-4.5	-1.8	19.2	-6.1	-	0.9	-	-	-23.9	-	-25.4	-19.5	-
Current transfers	-96.8	-51.1	-0.2	0.3	0.9	-1.6	-50.3	-1.2	-1.1	-2.2	-0.6	-0.2	-0.1	0.6	-1.6	-39.3
<b>Capital account</b>	12.4	20.0	0.0	0.0	-0.1	-0.1	20.2	-0.1	-1.0	-0.1	-0.1	-0.1	0.0	0.0	0.2	-6.3

Source: ECB.

## 7.3 Financial account

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

## 1. Summary financial account

	Total <sup>1)</sup>			Total as a % of GDP			Direct investment		Portfolio investment		Net financial derivatives	Other investment		Reserve assets
	Assets	Liabilities	Net	Assets	Liabilities	Net	Assets	Liabilities	Assets	Liabilities		Assets	Liabilities	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
<b>Outstanding amounts (international investment position)</b>														
2004	8,602.5	9,518.4	-915.9	109.5	121.2	-11.7	2,268.7	2,235.4	3,045.0	4,080.2	-37.4	3,045.2	3,202.9	281.0
2005	10,785.2	11,605.3	-820.2	132.3	142.4	-10.1	2,790.8	2,444.3	3,887.5	5,109.1	-21.4	3,805.8	4,052.0	322.5
2006	12,258.8	13,306.1	-1,047.3	143.3	155.6	-12.2	3,131.7	2,728.7	4,371.5	5,866.5	-20.8	4,448.7	4,711.0	327.7
2007	13,750.6	14,915.4	-1,164.9	152.9	165.8	-13.0	3,526.1	3,091.6	4,653.8	6,340.0	-10.2	5,233.5	5,483.9	347.4
2008 Q3	13,929.1	15,185.3	-1,256.3	150.5	164.1	-13.6	3,777.4	3,198.8	4,281.0	6,029.1	23.2	5,476.5	5,957.5	370.9
Q4	13,126.5	14,847.4	-1,720.9	141.6	160.1	-18.6	3,753.7	3,185.7	3,747.3	5,978.2	19.7	5,222.0	5,683.5	383.9
<b>Changes to outstanding amounts</b>														
2004	740.8	888.6	-147.8	9.4	11.3	-1.9	99.2	151.2	389.4	494.0	-17.3	295.4	243.4	-25.7
2005	2,182.7	2,086.9	95.7	26.8	25.6	1.2	522.1	209.0	842.5	1,028.9	16.0	760.6	849.1	41.5
2006	1,473.6	1,700.8	-227.1	17.2	19.9	-2.7	340.9	284.3	484.0	757.4	0.6	642.9	659.0	5.2
2007	1,491.8	1,609.3	-117.5	16.6	17.9	-1.3	394.4	362.9	282.3	473.5	10.6	784.7	772.9	19.7
2008 Q3	229.7	288.3	-58.6	10.0	12.6	-2.6	112.7	45.7	-151.1	-20.8	27.9	223.2	263.4	17.0
Q4	-802.5	-337.9	-464.6	-34.0	-14.3	-19.7	-23.8	-13.0	-533.8	-50.9	-3.5	-254.5	-274.0	13.0
<b>Transactions</b>														
2005	1,329.2	1,339.4	-10.2	16.3	16.4	-0.1	358.4	152.4	416.2	543.3	17.3	554.9	643.7	-17.7
2006	1,680.0	1,821.4	-141.4	19.6	21.3	-1.7	417.4	259.8	527.6	821.4	-3.3	737.4	740.3	0.9
2007	1,896.7	1,937.9	-41.2	21.1	21.5	-0.5	474.2	381.7	439.5	599.3	67.0	910.9	956.9	5.1
2008	395.2	708.8	-313.6	4.3	7.6	-3.4	351.0	99.7	-14.7	424.5	30.9	24.2	184.7	3.9
2008 Q3	135.6	197.3	-61.7	5.9	8.6	-2.7	88.7	52.8	-60.9	60.7	8.4	101.0	83.8	-1.6
Q4	-373.1	-236.4	-136.7	-15.8	-10.0	-5.8	50.5	-36.2	-155.3	46.5	-9.2	-259.6	-246.8	0.4
2009 Q1	-237.3	-132.3	-105.0	.	.	.	78.0	25.6	-58.9	85.6	-10.5	-240.3	-243.5	-5.7
2008 Nov.	-49.9	-30.3	-19.6	.	.	.	33.3	-20.0	-2.1	58.1	5.7	-87.2	-68.4	0.4
Dec.	-225.5	-205.8	-19.7	.	.	.	8.0	-14.5	-22.1	-15.7	2.9	-206.4	-175.6	-7.9
2009 Jan.	-14.3	36.9	-51.2	.	.	.	27.2	11.3	20.8	13.5	-5.8	-51.2	12.1	-5.4
Feb.	-110.3	-113.7	3.4	.	.	.	20.4	8.6	-21.0	35.1	-3.6	-104.9	-157.4	-1.1
Mar.	-112.6	-55.5	-57.2	.	.	.	30.5	5.8	-58.7	37.0	-1.1	-84.1	-98.2	0.9
<b>Other changes</b>														
2004	-76.9	97.0	-173.9	-1.0	1.2	-2.2	-69.8	61.8	43.6	76.2	-25.8	-11.7	-41.0	-13.3
2005	853.5	747.5	105.9	10.5	9.2	1.3	163.7	56.5	426.3	485.6	-1.4	205.7	205.4	59.2
2006	-206.4	-120.6	-85.7	-2.4	-1.4	-1.0	-76.5	24.5	-43.6	-63.9	3.9	-94.4	-81.3	4.3
2007	-404.9	-328.5	-76.3	-4.5	-3.7	-0.8	-79.7	-18.8	-157.2	-125.8	-56.4	-126.1	-184.0	14.6
<b>Other changes due to exchange rate changes</b>														
2004	-168.8	-96.4	-72.4	-2.1	-1.2	-0.9	-36.0	7.4	-62.3	-50.2	.	-61.2	-53.5	-9.4
2005	369.3	214.4	154.9	4.5	2.6	1.9	86.9	-18.2	136.8	118.1	.	126.9	114.5	18.7
2006	-321.7	-207.9	-113.8	-3.8	-2.4	-1.3	-70.7	11.7	-131.1	-118.0	.	-104.6	-101.5	-15.3
2007	-501.6	-244.1	-257.5	-5.6	-2.7	-2.9	-110.0	27.1	-194.5	-124.1	.	-182.2	-147.1	-14.9
<b>Other changes due to price changes</b>														
2004	102.1	218.6	-116.5	1.3	2.8	-1.5	30.7	25.0	100.3	193.6	-25.8	.	.	-3.1
2005	288.1	327.5	-39.4	3.5	4.0	-0.5	60.7	48.6	186.6	278.9	-1.4	.	.	42.1
2006	297.0	309.5	-12.5	3.5	3.6	-0.1	61.2	39.4	215.7	270.1	3.9	.	.	16.3
2007	156.6	-63.8	220.3	1.7	-0.7	2.4	29.6	12.3	151.7	-76.1	-56.4	.	.	31.6
<b>Other changes due to other adjustments</b>														
2004	-10.3	-25.2	15.0	-0.1	-0.3	0.2	-64.5	29.4	5.6	-67.2	.	49.5	12.5	-0.8
2005	195.5	205.6	-10.2	2.4	2.5	-0.1	16.0	26.1	102.9	88.6	.	78.8	90.9	-2.2
2006	-181.4	-222.3	40.9	-2.1	-2.6	0.5	-67.0	-26.6	-128.2	-216.0	.	10.2	20.3	3.7
2007	-59.5	-20.7	-38.9	-0.7	-0.2	-0.4	0.6	-58.2	-114.3	74.4	.	56.0	-36.8	-1.9
<b>Growth rates of outstanding amounts</b>														
2004	10.3	9.1	-	.	.	.	7.8	4.2	12.8	11.5	.	11.1	9.5	-4.1
2005	14.9	13.7	-	.	.	.	15.2	6.8	13.1	12.8	.	17.6	19.5	-5.8
2006	15.7	15.8	-	.	.	.	15.0	10.6	13.8	16.3	.	19.5	18.4	0.2
2007	15.5	14.5	-	.	.	.	15.2	14.0	10.0	10.1	.	20.5	20.4	1.6
2008 Q3	8.2	8.1	-	.	.	.	12.2	8.9	5.3	6.6	.	7.4	9.6	-0.4
Q4	2.8	4.8	-	.	.	.	10.1	3.2	-0.6	7.1	.	0.4	3.4	1.1
2009 Q1	-3.0	-0.1	-	.	.	.	7.3	1.1	-3.6	6.0	.	-9.3	-6.9	-1.8

Source: ECB.

1) Net financial derivatives are included in assets.

## 7.3 Financial account

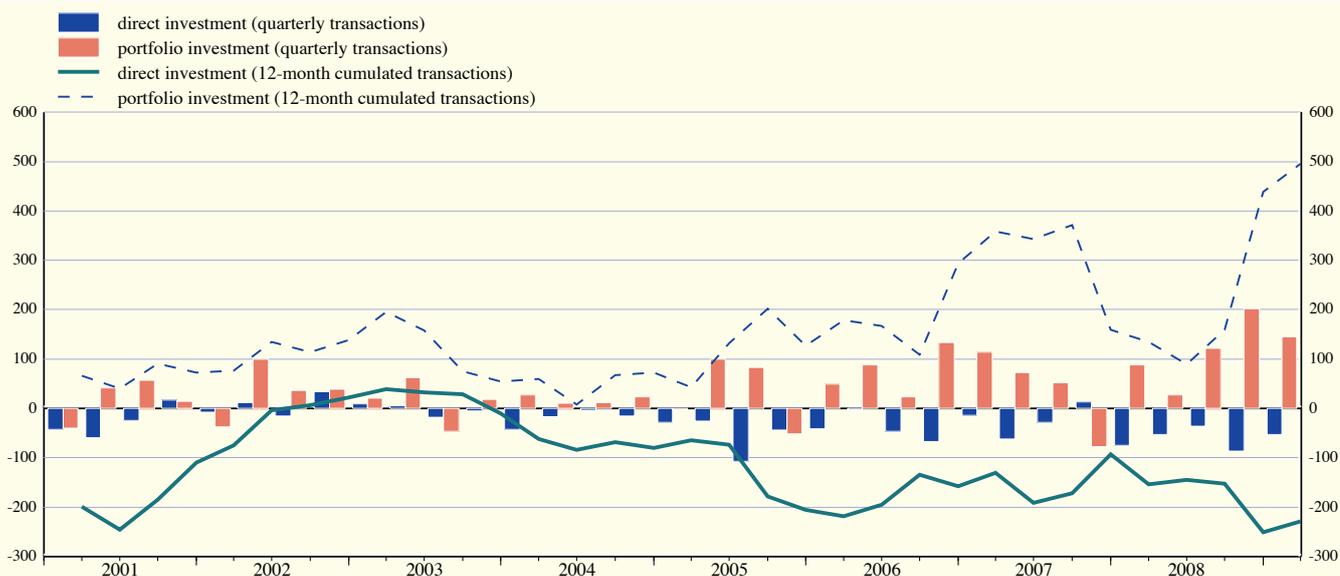
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

### 2. Direct investment

	By resident units abroad							By non-resident units in the euro area						
	Total	Equity capital and reinvested earnings			Other capital (mostly inter-company loans)			Total	Equity capital and reinvested earnings			Other capital (mostly inter-company loans)		
		Total	MFI	Non-MFI	Total	MFI	Non-MFI		Total	into MFI	into Non-MFI	Total	to MFI	to Non-MFI
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Outstanding amounts (international investment position)														
2006	3,131.7	2,540.4	217.4	2,323.0	591.3	2.2	589.1	2,728.7	2,091.9	65.5	2,026.4	636.8	9.7	627.1
2007	3,526.1	2,844.3	246.4	2,597.9	681.9	6.3	675.6	3,091.6	2,343.9	69.1	2,274.8	747.7	14.9	732.8
2008 Q3	3,777.4	3,007.4	253.2	2,754.2	770.1	6.7	763.4	3,198.8	2,371.8	65.7	2,306.2	826.9	18.3	808.7
Q4	3,753.7	2,970.1	241.2	2,728.8	783.6	6.4	777.2	3,185.7	2,368.9	65.6	2,303.3	816.8	17.1	799.7
Transactions														
2007	474.2	355.5	24.6	330.9	118.7	-0.1	118.8	381.7	267.4	5.2	262.2	114.3	1.4	112.9
2008	351.0	234.6	15.2	219.4	116.4	-0.2	116.6	99.7	69.0	-1.2	70.2	30.7	1.5	29.2
2008 Q3	88.7	65.7	-7.6	73.4	22.9	-0.4	23.3	52.8	30.9	0.8	30.2	21.9	0.5	21.4
Q4	50.5	35.0	7.1	28.0	15.5	-0.3	15.8	-36.2	0.7	0.0	0.7	-36.9	-0.2	-36.7
2009 Q1	78.0	36.4	7.4	29.0	41.6	2.2	39.4	25.6	20.3	-0.2	20.5	5.3	0.1	5.2
2008 Nov.	33.3	15.2	2.6	12.6	18.1	0.2	17.9	-20.0	-3.6	0.4	-4.0	-16.3	0.0	-16.4
Dec.	8.0	7.2	2.2	5.0	0.8	-0.5	1.3	-14.5	2.6	0.5	2.1	-17.1	-0.2	-16.9
2009 Jan.	27.2	15.1	5.6	9.5	12.1	1.6	10.5	11.3	6.3	0.6	5.7	5.0	0.4	4.6
Feb.	20.4	8.6	0.7	7.9	11.8	0.5	11.4	8.6	5.6	0.4	5.3	2.9	0.1	2.8
Mar.	30.5	12.8	1.2	11.6	17.7	0.1	17.6	5.8	8.3	-1.2	9.5	-2.6	-0.4	-2.2
Growth rates														
2006	15.0	14.6	20.1	14.1	17.1	-2.9	17.2	10.6	12.3	10.2	12.4	5.5	-1.2	5.6
2007	15.2	14.0	11.1	14.3	20.1	-82.4	20.3	14.0	12.8	8.5	12.9	18.0	9.0	18.2
2008 Q3	12.2	10.2	1.1	11.1	20.6	11.5	20.7	8.9	6.4	1.0	6.5	17.2	15.6	17.2
Q4	10.1	8.3	6.2	8.5	17.1	-4.5	17.3	3.2	3.0	-1.9	3.1	4.1	8.4	4.0
2009 Q1	7.3	5.3	5.9	5.3	15.1	-6.5	15.3	1.1	2.0	-2.3	2.1	-1.6	8.1	-1.8

### C34 B.o.p. net direct and portfolio investment

(EUR billions)



Source: ECB.

## 7.3 Financial account

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

## 3. Portfolio investment assets

	Total		Equity				Debt instruments												
	1	2	Total	MFIs	Non-MFIs		Bonds and notes			Money market instruments			12	MFIs	Non-MFIs				
					3	4	5	6	7	8	9	10			11	13	14	15	16
Outstanding amounts (international investment position)																			
2006	4,371.5	1,936.2	127.8	2.8	1,808.4	37.0	2,056.0	875.0	13.0	1,181.0	14.1	379.3	311.6	11.1	67.7	0.2			
2007	4,653.8	1,984.7	145.2	2.4	1,839.5	44.6	2,231.5	937.4	15.5	1,294.0	16.9	437.7	350.6	33.9	87.1	0.5			
2008 Q3	4,281.0	1,510.5	88.2	2.7	1,422.3	39.0	2,287.9	990.8	23.2	1,297.1	19.4	482.6	390.8	55.1	91.9	0.7			
2008 Q4	3,747.3	1,154.7	70.2	2.9	1,084.5	28.1	2,147.3	957.6	19.2	1,189.7	17.0	445.3	376.8	61.6	68.5	1.2			
Transactions																			
2007	439.5	79.5	36.0	-0.4	43.6	5.5	282.5	153.6	3.8	128.9	2.0	77.5	68.5	25.0	9.0	0.3			
2008	-14.7	-113.0	-55.4	0.6	-57.6	-0.5	91.1	49.7	6.9	41.4	2.4	7.1	24.9	24.5	-17.8	0.3			
2008 Q3	-60.9	-51.3	-4.4	0.1	-46.9	0.6	19.9	-0.8	-0.2	20.6	1.1	-29.4	-33.0	-1.2	3.6	-0.2			
2008 Q4	-155.3	-49.7	-4.0	0.4	-45.6	-1.3	-59.6	-15.3	-4.5	-44.3	-0.5	-46.1	-19.0	-1.8	-27.1	0.2			
2009 Q1	-58.9	-2.2	-7.5	0.0	5.3	-	-34.8	-20.4	-2.6	-14.4	-	-21.9	-19.1	-4.7	-2.8	-			
2008 Nov.	-2.1	1.1	5.9	0.3	-4.9	-	-5.3	1.3	-1.4	-6.6	-	2.2	3.0	-0.8	-0.8	-			
2008 Dec.	-22.1	-5.0	-1.7	0.1	-3.3	-	-23.3	-5.2	-1.5	-18.1	-	6.2	9.5	-0.5	-3.3	-			
2009 Jan.	20.8	7.8	-0.2	0.0	8.0	-	10.9	7.7	-0.7	3.2	-	2.2	1.7	1.0	0.4	-			
2009 Feb.	-21.0	-8.4	-3.5	0.0	-4.9	-	-12.8	-2.3	0.3	-10.5	-	0.1	-0.3	1.5	0.4	-			
2009 Mar.	-58.7	-1.6	-3.8	0.0	2.2	-	-33.0	-25.8	-2.2	-7.1	-	-24.2	-20.5	-7.2	-3.6	-			
Growth rates																			
2006	13.8	9.0	17.5	0.9	8.4	22.1	17.1	24.1	15.8	12.5	9.0	21.3	22.2	220.7	20.4	-27.3			
2007	10.0	4.0	29.0	-13.1	2.3	14.4	13.8	17.8	30.1	10.8	14.0	20.8	22.5	225.0	13.0	173.4			
2008 Q3	5.3	-2.4	-26.2	6.6	-0.6	4.4	9.8	10.3	65.0	9.4	19.3	16.9	22.7	146.4	-5.8	-94.1			
2008 Q4	-0.6	-6.5	-37.8	26.0	-3.9	-1.3	4.1	5.3	26.0	3.3	14.5	1.3	7.0	94.5	-22.7	52.8			
2009 Q1	-3.6	-4.6	-22.8	19.0	-3.2	-	0.8	0.0	-10.4	1.4	-	-17.6	-13.0	50.2	-37.1	-			

## 4. Portfolio investment liabilities

	Total		Equity				Debt instruments									
	1	2	Total	MFIs	Non-MFIs		Bonds and notes			Money market instruments			9	MFIs	Non-MFIs	
					3	4	5	6	7	8	10	11			12	
																Euro-system
Outstanding amounts (international investment position)																
2006	5,866.5	2,910.8	657.6	2,253.2	2,656.9	953.8	1,705.5	1,019.2	298.8	125.7	173.2	138.0				
2007	6,340.0	3,103.1	754.7	2,348.3	2,917.3	1,128.0	1,789.3	1,113.4	319.6	153.4	166.1	142.5				
2008 Q3	6,029.1	2,414.9	715.4	1,699.3	3,152.6	1,150.5	2,001.6	1,253.7	461.6	176.6	285.0	228.4				
2008 Q4	5,978.2	2,126.5	680.8	1,445.7	3,275.8	1,165.8	2,110.1	1,383.1	575.8	171.7	404.1	339.3				
Transactions																
2007	599.3	127.6	76.7	50.6	433.0	229.7	203.4	148.6	38.6	41.1	-2.6	8.1				
2008	424.5	-77.1	93.4	-170.5	281.6	45.1	237.0	197.4	219.9	-6.7	226.6	198.8				
2008 Q3	60.7	-73.6	-14.9	-58.8	63.9	10.3	53.7	54.8	70.4	-4.2	74.7	52.3				
2008 Q4	46.5	-45.9	17.8	-63.8	-13.0	-42.0	29.0	32.8	105.5	-11.0	116.5	108.7				
2009 Q1	85.6	-53.2	-0.5	-52.7	110.4	14.3	96.1	-	28.4	-29.6	58.0	-				
2008 Nov.	58.1	20.5	-	-	30.5	-	-	-	7.0	-	-	-				
2008 Dec.	-15.7	-6.1	-	-	-29.0	-	-	-	19.3	-	-	-				
2009 Jan.	13.5	-44.5	-	-	27.8	-	-	-	30.2	-	-	-				
2009 Feb.	35.1	-5.9	-	-	35.1	-	-	-	6.0	-	-	-				
2009 Mar.	37.0	-2.8	-	-	47.5	-	-	-	-7.7	-	-	-				
Growth rates																
2006	16.3	12.1	17.5	10.6	22.9	25.9	21.2	15.2	1.5	21.5	-10.0	-11.2				
2007	10.1	4.4	11.4	2.3	16.3	24.3	11.9	14.6	12.7	33.7	-0.2	6.6				
2008 Q3	6.6	-2.4	5.6	-5.1	13.0	10.9	14.3	17.8	26.0	19.1	34.3	27.6				
2008 Q4	7.1	-3.4	12.8	-8.8	9.9	4.1	13.4	18.1	65.5	-3.7	135.6	144.4				
2009 Q1	6.0	-7.6	2.8	-11.6	10.7	3.6	14.9	-	63.5	-22.9	147.3	-				

Source: ECB.

## 7.3 Financial account

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

### 5. Other investment assets

	Outstanding amounts (international investment position)														
	Total	Eurosystem			MFIs (excluding Eurosystem)			General government				Other sectors			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2006	4,448.7	14.1	12.7	1.4	2,937.6	2,874.9	62.8	120.0	14.2	58.2	15.4	1,377.1	187.9	1,062.1	395.6
2007	5,233.5	39.1	37.7	1.4	3,342.5	3,271.4	71.1	107.1	12.7	48.1	13.5	1,744.8	191.1	1,387.7	441.7
2008 Q3	5,476.5	34.2	33.2	1.0	3,553.1	3,477.3	75.8	100.8	12.3	39.9	8.7	1,788.5	199.8	1,365.6	371.0
2008 Q4	5,222.0	33.5	32.5	1.0	3,284.5	3,226.8	57.7	101.4	12.0	41.2	7.0	1,802.6	190.2	1,388.9	379.7
Transactions															
2007	910.9	22.0	22.0	0.0	548.3	541.0	7.3	-7.6	-1.4	-7.2	-2.0	348.3	13.7	292.7	38.7
2008	24.2	-4.3	-4.3	0.0	-31.0	-50.0	19.0	-7.0	-1.1	-6.7	-5.9	66.4	13.3	-5.9	-50.7
2008 Q3	101.0	-1.9	-1.9	0.0	81.3	81.3	0.0	-8.0	-0.1	-8.8	-8.3	29.6	2.7	6.8	-1.5
2008 Q4	-259.6	-2.2	-2.3	0.0	-227.2	-240.8	13.7	-0.3	-0.3	1.0	-1.9	-29.9	-5.6	-23.6	-9.5
2009 Q1	-240.3	-8.3	-	-	-229.7	-	-	6.5	-	-	9.0	-8.7	-	-	-5.0
2008 Nov. Dec.	-87.2	4.3	-	-	-86.1	-	-	7.2	-	-	8.1	-12.6	-	-	-0.4
	-206.4	-2.3	-	-	-161.5	-	-	-7.3	-	-	-7.2	-35.3	-	-	-26.1
2009 Jan. Feb. Mar.	-51.2	-2.4	-	-	-52.6	-	-	13.4	-	-	11.3	-9.7	-	-	-3.6
	-104.9	-3.6	-	-	-91.4	-	-	-7.8	-	-	-3.2	-2.2	-	-	-6.3
	-84.1	-2.3	-	-	-85.8	-	-	0.8	-	-	0.9	3.1	-	-	4.9
Growth rates															
2006	19.5	-37.6	-40.0	1.6	21.1	21.3	10.7	-5.5	-26.1	-4.3	24.5	20.0	3.4	24.5	8.5
2007	20.5	157.3	173.8	-1.7	18.8	18.9	11.5	-6.4	-9.7	-12.4	-13.1	25.2	7.4	27.3	9.8
2008 Q3	7.4	2.0	2.3	0.3	7.6	7.5	10.5	-5.1	-8.9	-13.2	-31.4	7.9	12.5	3.7	-12.5
2008 Q4	0.4	-13.6	-14.0	5.0	-0.9	-1.5	27.0	-6.5	-8.6	-14.1	-45.7	3.8	7.0	-0.5	-12.0
2009 Q1	-9.3	-47.4	-	-	-13.5	-	-	4.2	-	-	37.8	-0.9	-	-	-16.4

### 6. Other investment liabilities

	Outstanding amounts (international investment position)														
	Total	Eurosystem			MFIs (excluding Eurosystem)			General government				Other sectors			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2006	4,711.0	116.3	116.1	0.2	3,484.8	3,430.4	54.5	51.6	0.0	47.5	4.1	1,058.2	146.8	819.6	91.7
2007	5,483.9	201.7	201.4	0.2	3,938.7	3,871.7	67.0	51.8	0.0	46.6	5.2	1,291.7	158.4	1,024.1	109.3
2008 Q3	5,957.5	371.8	371.4	0.3	4,197.0	4,126.6	70.4	52.3	0.0	48.8	3.4	1,336.5	170.0	1,062.0	104.4
2008 Q4	5,683.5	481.7	481.5	0.3	3,774.7	3,718.0	56.7	61.3	0.0	57.7	3.6	1,365.8	166.8	1,090.4	108.6
Transactions															
2007	956.9	91.4	91.4	0.0	635.2	630.4	4.8	-0.9	0.0	-1.8	0.9	231.3	9.9	224.4	-3.0
2008	184.7	280.0	280.0	0.1	-173.3	-191.3	18.0	9.4	0.0	10.8	-1.4	68.6	6.8	62.8	-1.1
2008 Q3	83.8	107.8	107.7	0.1	-26.9	-30.9	4.0	2.2	0.0	2.4	-0.1	0.7	1.5	2.8	-3.7
2008 Q4	-246.8	110.6	110.7	-0.1	-403.6	-416.9	13.4	8.9	0.0	8.5	0.4	37.3	-3.4	34.4	6.2
2009 Q1	-243.5	-84.2	-	-	-118.7	-	-	-1.6	-	-	-	-39.0	-	-	-
2008 Nov. Dec.	-68.4	-31.6	-	-	-52.6	-	-	2.7	-	-	-	13.0	-	-	-
	-175.6	11.4	-	-	-173.5	-	-	-0.5	-	-	-	-12.9	-	-	-
2009 Jan. Feb. Mar.	12.1	-59.1	-	-	99.2	-	-	2.1	-	-	-	-30.0	-	-	-
	-157.4	-28.0	-	-	-106.9	-	-	-4.9	-	-	-	-17.6	-	-	-
	-98.2	3.0	-	-	-111.0	-	-	1.3	-	-	-	8.6	-	-	-
Growth rates															
2006	18.4	22.4	22.4	5.7	16.1	16.1	13.3	3.6	-24.1	4.2	-3.2	27.3	9.8	31.9	17.6
2007	20.4	79.2	79.4	-6.9	18.3	18.5	8.8	-1.6	29.1	-3.6	18.0	21.4	6.7	27.4	-1.5
2008 Q3	9.6	126.0	126.3	10.3	7.1	7.1	7.2	-9.6	54.1	-6.0	-42.4	3.0	9.2	4.0	-13.5
2008 Q4	3.4	140.9	141.1	20.8	-4.4	-4.9	26.8	18.2	-4.8	23.3	-28.1	5.3	4.3	6.1	-13.3
2009 Q1	-6.9	81.2	-	-	-13.6	-	-	16.2	-	-	-	-1.1	-	-	-

Source: ECB.

## 7.3 Financial account

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

## 7. Reserve assets

	Reserve assets													Memo		
	Total	Monetary gold		Special drawing rights	Reserve position in the IMF	Foreign exchange							Other claims	Assets	Liabilities	
		In EUR billions	In fine troy ounces (millions)			Total	Currency and deposits		Securities			Financial derivatives		Claims on euro area residents in foreign currency	Predetermined short-term net drains in foreign currency	
							With monetary authorities and the BIS	With banks	Total	Equity	Bonds and notes					Money market instruments
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
Outstanding amounts (international investment position)																
2005	320.1	163.4	375.861	4.3	10.6	141.7	12.6	21.4	107.9	0.6	69.4	38.0	-0.2	0.0	25.6	-17.9
2006	325.8	176.3	365.213	4.6	5.2	139.7	6.3	22.5	110.7	0.5	79.3	30.8	0.3	0.0	24.6	-21.5
2007	347.4	201.0	353.688	4.6	3.6	138.2	7.2	22.0	108.5	0.4	87.8	20.3	0.5	0.0	44.1	-38.5
2008 Q2	353.9	207.9	352.314	4.3	4.0	137.7	7.4	24.0	105.6	0.5	89.9	15.2	0.6	0.0	59.4	-59.2
Q3	370.9	216.8	350.634	4.6	4.0	145.4	11.6	18.1	117.8	0.5	100.0	17.2	-2.1	0.0	188.9	-185.3
Q4	383.9	217.0	349.190	4.7	7.3	154.8	7.6	8.0	129.5	0.6	111.0	17.9	9.7	0.1	253.1	-245.7
2009 Feb.	419.7	263.1	349.401	5.0	7.6	144.0	6.7	5.8	135.1	-	-	-	-3.7	0.1	170.2	-153.5
Mar.	395.8	240.4	349.059	4.8	8.4	142.2	8.4	3.7	129.9	-	-	-	0.2	0.1	155.4	-141.4
Apr.	387.0	231.4	347.851	4.8	8.4	142.3	8.2	4.7	128.6	-	-	-	0.9	0.0	129.3	-116.6
Transactions																
2006	0.9	-4.2	-	0.5	-5.2	9.8	-6.1	2.4	13.6	0.0	19.3	-5.7	0.0	0.0	-	-
2007	5.1	-3.2	-	0.3	-0.9	8.8	1.0	1.6	6.2	0.0	14.5	-8.3	0.0	0.0	-	-
2008	3.9	-2.1	-	-0.1	3.7	2.3	4.9	-15.7	11.8	0.1	15.8	-4.1	1.3	0.1	-	-
2008 Q3	-1.6	-0.3	-	0.1	-0.2	-1.3	4.5	-7.7	1.7	0.0	1.8	-0.1	0.3	0.0	-	-
Q4	0.4	-0.9	-	0.0	3.2	-2.0	0.5	-10.7	7.1	0.0	6.2	0.9	1.1	0.1	-	-
2009 Q1	-5.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Growth rates																
2005	-5.8	-2.8	-	4.4	-44.7	-3.8	-2.0	-23.7	1.6	2.2	6.9	-7.9	20.5	-	-	-
2006	0.2	-2.4	-	11.6	-48.8	7.2	-48.4	10.6	13.1	0.0	28.4	-15.3	-73.2	-	-	-
2007	1.6	-1.7	-	7.3	-18.2	6.3	15.0	6.2	5.7	1.1	18.5	-27.5	-59.1	-	-	-
2008 Q3	-0.4	-1.3	-	-1.5	6.1	0.8	51.2	-36.7	6.1	81.6	16.6	-33.3	67.2	-	-	-
Q4	1.1	-1.0	-	-2.6	104.7	1.7	66.0	-69.0	10.8	27.7	18.0	-20.7	-26.2	-	-	-
2009 Q1	-1.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Source: ECB.

## 7.3 Financial account

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

### 8. Geographical breakdown

	Total		European Union 27 (outside the euro area)					Canada	China	Japan	Switzer-land	United States	Offshore financial centres	Internat. organisations	Other countries
	Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions									
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
<b>2007</b>	<b>Outstanding amounts (international investment position)</b>														
<b>Direct investment</b>	434.6	-97.4	-4.0	-32.9	-277.8	217.6	-0.3	23.7	27.0	-11.0	112.6	-67.4	-37.4	-0.2	484.6
Abroad	3,526.1	1,285.8	37.1	82.5	916.2	249.9	0.0	91.6	30.7	69.1	350.1	684.4	391.6	0.0	622.8
Equity/reinvested earnings	2,844.3	1,012.7	32.3	55.2	710.0	215.2	0.0	67.8	24.1	57.8	292.5	525.9	366.1	0.0	497.4
Other capital	681.9	273.1	4.9	27.3	206.2	34.7	0.0	23.8	6.6	11.4	57.6	158.6	25.5	0.0	125.3
In the euro area	3,091.6	1,383.2	41.2	115.4	1,194.0	32.3	0.3	67.9	3.7	80.1	237.4	751.9	429.0	0.3	138.2
Equity/reinvested earnings	2,343.9	1,127.8	33.6	93.7	988.2	12.1	0.2	56.6	0.9	65.7	181.6	552.6	267.8	0.1	90.8
Other capital	747.7	255.4	7.6	21.7	205.8	20.2	0.1	11.3	2.7	14.4	55.9	199.3	161.2	0.2	47.4
<b>Portfolio investment assets</b>	4,653.8	1,371.3	68.2	139.3	995.5	97.8	70.6	82.5	42.0	241.9	132.4	1,493.5	630.2	26.8	633.3
Equity	1,984.7	415.3	11.4	45.9	335.4	22.1	0.5	20.3	39.5	141.7	115.7	635.1	285.3	1.0	331.0
Debt instruments	2,669.2	956.0	56.8	93.4	660.1	75.6	70.1	62.3	2.5	100.2	16.6	858.4	344.9	25.9	302.4
Bonds and notes	2,231.5	781.0	52.7	78.2	505.6	75.0	69.4	58.6	2.2	63.5	12.9	713.3	303.1	24.8	272.0
Money market instruments	437.7	174.9	4.0	15.1	154.5	0.6	0.7	3.6	0.3	36.7	3.8	145.1	41.8	1.1	30.4
<b>Other investment</b>	-250.4	-163.9	-155.4	-8.8	122.2	43.5	-165.5	-66.0	-45.3	-31.5	-54.9	-71.1	-91.2	-23.8	297.4
Assets	5,233.5	2,571.9	104.5	72.3	2,242.6	141.7	10.8	23.5	35.0	81.3	266.2	840.1	516.8	57.5	841.1
General government	107.1	21.6	0.8	0.1	10.3	1.2	9.2	0.0	1.8	0.2	0.1	3.1	1.4	38.3	40.7
MFIs	3,381.6	1,916.2	86.7	52.1	1,663.5	113.0	0.8	15.0	15.3	45.0	157.5	411.6	353.5	18.7	448.8
Other sectors	1,744.8	634.1	16.9	20.1	568.8	27.5	0.9	8.5	17.9	36.1	108.6	425.4	162.0	0.5	351.6
Liabilities	5,483.9	2,735.8	259.8	81.0	2,120.5	98.1	176.4	89.5	80.3	112.8	321.1	911.2	608.1	81.3	543.7
General government	51.8	28.9	0.0	0.3	2.4	0.0	26.2	0.0	0.0	0.5	0.8	6.3	0.3	11.9	3.0
MFIs	4,140.4	2,142.4	249.6	58.4	1,660.0	72.6	101.9	81.5	62.2	89.0	247.6	525.1	523.7	66.8	402.1
Other sectors	1,291.7	564.5	10.2	22.4	458.0	25.6	48.3	8.0	18.1	23.3	72.7	379.8	84.1	2.6	138.7
<b>2008 Q1 to 2008 Q4</b>	<b>Cumulated transactions</b>														
<b>Direct investment</b>	251.3	83.4	1.1	3.8	52.7	25.7	0.0	4.1	3.7	4.7	8.7	84.4	31.8	0.0	30.5
Abroad	351.0	72.6	2.9	20.8	26.9	22.0	0.0	9.8	3.6	6.1	21.5	107.3	41.1	0.0	89.0
Equity/reinvested earnings	234.6	41.5	1.9	8.6	19.3	11.6	0.0	9.3	4.0	4.3	23.1	70.8	29.9	0.0	51.8
Other capital	116.4	31.0	0.9	12.2	7.6	10.4	0.0	0.6	-0.4	1.8	-1.5	36.5	11.1	0.0	37.2
In the euro area	99.7	-10.8	1.8	17.1	-25.9	-3.8	0.0	5.8	-0.1	1.4	12.8	22.9	9.2	0.0	58.5
Equity/reinvested earnings	69.0	-3.8	-0.1	10.9	-16.5	1.9	0.0	3.5	0.2	3.0	4.9	23.3	24.6	0.0	13.3
Other capital	30.7	-6.9	1.9	6.2	-9.3	-5.7	0.0	2.3	-0.3	-1.6	7.9	-0.4	-15.4	0.0	45.2
<b>Portfolio investment assets</b>	-14.7	79.9	2.3	-5.7	82.1	0.8	0.5	16.6	0.9	-6.4	-13.1	-54.7	-35.1	-1.8	-0.9
Equity	-113.0	-14.2	0.2	-6.2	-7.5	-0.8	0.1	7.2	0.2	-26.0	-12.8	-36.5	0.7	0.0	-31.6
Debt instruments	98.2	94.1	2.0	0.5	89.5	1.6	0.5	9.4	0.7	19.6	-0.3	-18.2	-35.8	-1.8	30.7
Bonds and notes	91.1	93.6	-0.3	0.2	93.4	1.1	-0.8	8.9	0.3	-3.3	1.2	8.4	-41.3	-1.1	24.5
Money market instruments	7.1	0.6	2.3	0.3	-3.9	0.6	1.3	0.5	0.3	23.0	-1.5	-26.6	5.5	-0.7	6.1
<b>Other investment</b>	-160.5	-303.1	10.7	6.5	-384.1	71.4	-7.6	0.3	14.7	40.9	22.8	-225.8	121.0	24.6	144.1
Assets	24.2	-75.4	-12.5	0.2	-143.4	73.0	7.4	3.6	-3.1	17.8	-6.9	-44.2	27.6	-1.1	105.9
General government	-7.0	-5.8	-0.1	0.3	-6.8	-0.5	1.3	0.0	0.0	0.0	0.0	0.1	0.0	0.7	-1.8
MFIs	-35.3	-79.2	-12.9	0.3	-142.0	69.4	6.0	3.0	-5.0	19.9	-5.4	-29.9	11.9	-1.8	51.4
Other sectors	66.4	9.7	0.5	-0.4	5.4	4.1	0.1	0.6	1.9	-2.1	-1.5	-14.3	15.7	0.0	56.4
Liabilities	184.7	227.7	-23.2	-6.3	240.6	1.6	14.9	3.4	-17.8	-23.1	-29.8	181.6	-93.3	-25.7	-38.2
General government	9.4	3.8	0.0	-0.1	-1.0	0.0	4.8	0.0	0.0	0.0	-0.4	0.2	0.0	5.8	-0.1
MFIs	106.7	197.4	-23.8	-8.3	227.6	-2.0	3.9	2.7	-18.5	-23.3	-34.3	186.0	-108.0	-31.4	-63.8
Other sectors	68.6	26.5	0.6	2.1	14.1	3.6	6.2	0.7	0.7	0.1	4.9	-4.6	14.6	-0.1	25.7

Source: ECB.

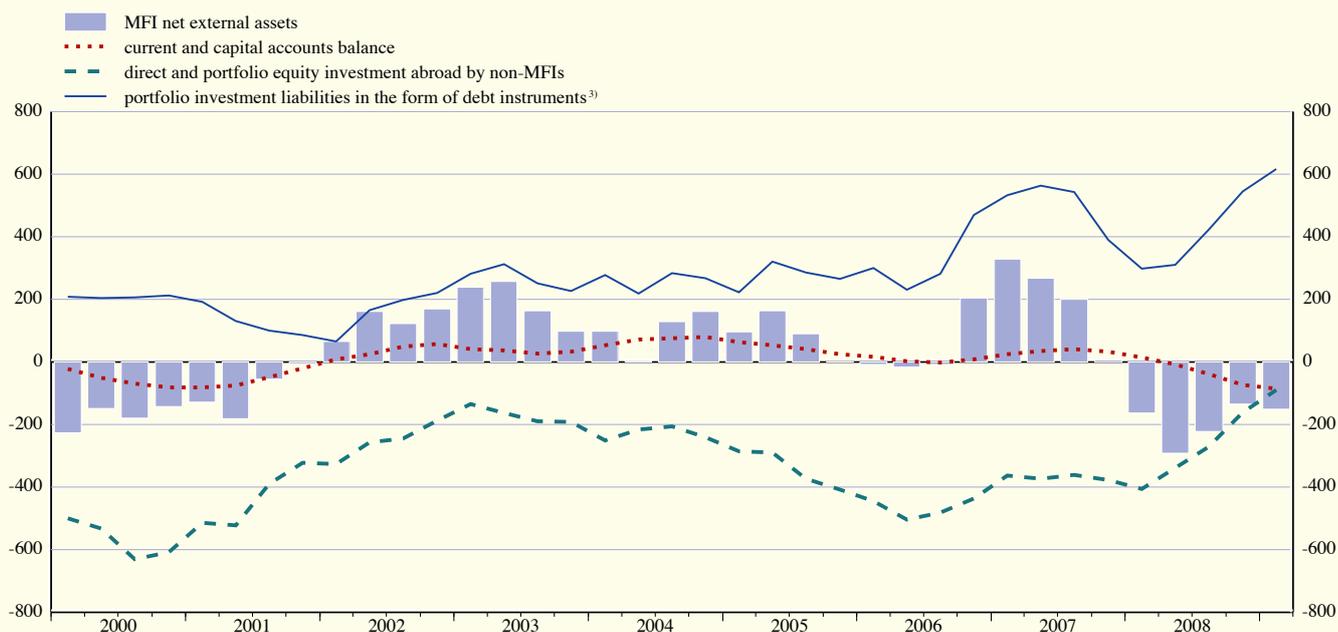
7.4 Monetary presentation of the balance of payments <sup>1)</sup>

(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 <sup>2)</sup>	Debt instruments <sup>3)</sup>						
1	2	3	4	5	6	7	8	9	10	11	12	
2006	7.9	-390.3	264.2	-282.3	237.5	468.9	-225.0	225.8	3.6	-138.5	171.8	204.9
2007	32.4	-451.4	379.2	-182.4	81.9	389.8	-340.9	230.4	-67.3	-64.8	7.0	6.8
2008	-74.1	-336.5	97.5	34.3	-127.6	545.0	-60.3	78.5	-30.8	-231.9	-105.8	-135.4
2008 Q1	-9.8	-156.3	91.6	-20.1	18.8	73.2	-68.8	43.2	-22.8	-23.8	-74.6	-85.9
Q2	-25.8	-39.2	9.4	-85.4	-33.9	151.6	0.7	-14.2	-8.8	-52.8	-117.3	-127.1
Q3	-19.5	-97.0	52.1	22.8	-69.6	170.1	-21.8	2.9	-8.5	-41.6	-10.2	4.4
Q4	-19.0	-44.0	-36.8	117.0	-42.9	150.2	29.7	46.6	9.3	-113.7	96.3	73.2
2009 Q1	-22.4	-68.5	25.5	12.0	-50.1	143.8	2.3	-40.6	10.5	-82.7	-70.1	-102.0
2008 Mar.	-4.7	-18.3	-2.5	-22.6	-0.4	13.6	-33.0	23.2	3.8	-2.8	-43.8	-48.2
Apr.	-5.9	9.0	-28.0	-22.2	-44.7	52.9	-3.0	-8.4	-3.0	-20.2	-73.5	-73.9
May	-21.1	-23.8	18.2	-44.2	-1.2	37.4	0.9	-5.2	-10.6	-18.0	-67.5	-69.6
June	1.2	-24.4	0.4	-19.0	12.0	61.2	2.7	-0.6	4.7	-14.6	23.7	16.4
July	-2.5	-38.0	22.9	7.1	-8.2	30.2	-1.7	14.1	-0.1	-44.4	-20.6	-11.8
Aug.	-10.6	-21.5	11.1	-2.2	-17.0	33.3	4.8	-9.1	-8.4	9.5	-10.1	-7.4
Sep.	-6.4	-37.4	18.1	17.9	-44.5	106.6	-25.0	-2.2	0.0	-6.8	20.4	23.6
Oct.	-4.4	-6.7	-2.1	80.0	-60.0	91.9	-18.0	43.9	17.7	-93.0	49.4	38.6
Nov.	-11.8	-30.5	-20.2	12.4	-0.6	69.5	5.3	15.9	-5.8	-6.1	28.0	14.0
Dec.	-2.8	-6.8	-14.5	24.6	17.7	-11.3	42.4	-13.2	-2.6	-14.6	18.9	20.5
2009 Jan.	-19.2	-20.0	10.9	-11.6	-60.7	45.7	-3.8	-27.9	5.8	-32.0	-112.8	-119.1
Feb.	-1.1	-19.3	8.5	14.9	-7.7	54.9	10.0	-22.5	3.6	4.5	45.9	33.3
Mar.	-2.0	-29.2	6.1	8.6	18.3	43.2	-3.9	9.8	1.1	-55.2	-3.2	-16.1
	<i>12-month cumulated transactions</i>											
2009 Mar.	-86.7	-248.6	31.4	66.4	-196.6	615.6	10.8	-5.4	2.5	-290.8	-101.4	-151.5

C35 Main b.o.p. transactions underlying the developments in MFI net external assets <sup>1)</sup>

(EUR billions; 12-month cumulated transactions)



Source: ECB.

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

2) Excluding money market fund shares/units.

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

## 7.5 Trade in goods

### 1. Values and volumes by product group<sup>1)</sup>

(seasonally adjusted, unless otherwise indicated)

	Total (n.s.a.)		Exports (f.o.b.)					Imports (c.i.f.)					
	Exports	Imports	Total			Memo: Manufactures	Total			Memo:			
			Intermediate	Capital	Consumption		Intermediate	Capital	Consumption	Manufactures	Oil		
	1	2	3	4	5	6	7	8	9	10	11	12	13
	Values (EUR billions; annual percentage changes for columns 1 and 2)												
2007	11.4	8.9	1,505.6	738.9	326.2	401.3	1,282.7	1,491.3	914.1	234.5	323.4	1,021.2	227.5
2008	3.8	7.4	1,560.5	769.0	333.7	409.4	1,307.9	1,592.4	1,011.2	228.8	327.4	1,023.2	288.1
2008 Q2	8.5	11.2	397.9	197.4	83.8	104.6	331.5	404.7	258.2	55.9	81.8	256.3	75.9
Q3	5.6	12.5	398.6	198.7	84.3	102.5	331.2	411.3	268.9	58.3	82.3	260.1	85.5
Q4	-5.0	-2.5	365.8	175.8	81.3	95.0	305.6	373.1	229.4	56.1	80.5	243.9	55.2
2009 Q1	-21.7	-20.9	310.4	.	.	.	259.0	321.9	.	.	.	213.9	.
2008 Oct.	0.2	3.4	129.1	63.4	28.2	33.3	107.9	131.4	83.5	18.7	27.3	84.0	23.1
Nov.	-11.6	-5.4	119.6	57.5	26.0	31.1	99.2	123.9	76.0	19.0	26.7	81.3	17.4
Dec.	-3.7	-5.8	117.0	55.0	27.2	30.6	98.5	117.9	69.9	18.4	26.5	78.6	14.6
2009 Jan.	-25.0	-22.5	101.9	48.3	20.9	28.9	85.7	108.5	62.8	16.1	26.1	72.6	11.9
Feb.	-23.5	-21.7	103.5	49.6	22.2	28.3	85.8	106.4	60.1	16.3	25.6	69.8	11.1
Mar.	-16.7	-18.5	105.0	.	.	.	87.4	107.0	.	.	.	71.5	.
	Volume indices (2000 = 100; annual percentage changes for columns 1 and 2)												
2007	8.9	7.3	144.8	141.8	153.2	144.8	142.1	129.3	123.4	143.5	141.9	134.8	107.7
2008	1.5	-0.5	146.8	142.3	156.3	146.2	143.5	128.1	121.6	141.2	141.0	133.5	106.4
2008 Q2	7.1	2.3	150.6	147.2	158.3	150.0	147.0	130.7	123.3	140.9	144.3	136.8	102.4
Q3	2.7	1.3	148.6	144.9	158.2	145.6	144.9	127.0	121.0	146.3	141.4	135.2	106.5
Q4	-7.6	-5.7	136.5	128.8	150.3	135.7	131.7	121.8	114.9	133.9	134.7	123.3	106.6
2009 Q1	.	.	.	.	.	.	.	.	.	.	.	.	.
2008 Oct.	-2.7	-3.5	144.5	138.8	158.0	142.4	140.4	125.8	119.2	138.2	139.2	129.4	108.5
Nov.	-14.2	-8.9	133.7	125.8	144.1	133.3	128.1	120.3	113.2	135.9	132.8	122.3	101.5
Dec.	-6.0	-4.8	131.2	121.7	148.8	131.2	126.6	119.3	112.2	127.7	132.1	118.3	109.9
2009 Jan.	-25.0	-16.7	116.5	109.2	114.9	126.9	111.3	115.7	109.4	115.5	129.4	111.5	102.6
Feb.	-23.5	-15.9	117.5	111.7	122.5	122.0	110.8	113.2	104.5	117.0	127.9	107.6	93.7
Mar.	.	.	.	.	.	.	.	.	.	.	.	.	.

### 2. Prices<sup>2)</sup>

(annual percentage changes, unless otherwise indicated)

	Industrial producer export prices (f.o.b.) <sup>3)</sup>							Industrial import prices (c.i.f.)						
	Total (index 2005 = 100)	Total					Memo: Manufac- turing	Total (index 2005 = 100)	Total					Memo: Manufac- turing
		Intermediate goods	Capital goods	Consumer goods	Energy	Intermediate goods			Capital goods	Consumer goods	Energy			
% of total	100.0	100.0	32.2	46.3	17.7	3.8	99.4	100.0	100.0	28.4	27.9	22.1	21.6	81.1
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2007	101.9	0.5	2.7	-0.5	0.9	2.6	0.5	105.9	0.1	2.3	-3.5	0.5	1.6	-0.3
2008	103.5	1.6	1.5	-0.4	2.4	25.3	1.5	112.7	6.5	0.2	-3.4	2.4	28.2	0.8
2008 Q3	105.0	2.9	2.5	-0.4	2.3	45.7	2.7	117.6	10.5	1.5	-3.5	2.3	42.8	1.9
Q4	102.7	0.8	2.6	1.3	2.8	-15.9	0.6	106.9	-1.7	0.9	-1.5	3.8	-8.6	0.1
2009 Q1	101.4	-1.1	-1.0	1.4	1.4	-31.7	-1.2	101.4	-8.4	-4.0	-0.1	2.6	-28.4	-2.4
2008 Nov.	102.9	0.9	3.0	1.9	3.1	-20.4	0.8	107.2	-1.9	1.5	-1.1	4.4	-10.3	0.4
Dec.	101.0	-0.9	1.4	1.0	2.1	-34.1	-1.0	101.9	-6.6	-0.8	-1.5	3.0	-24.4	-1.6
2009 Jan.	101.5	-0.7	0.0	1.2	1.4	-29.4	-0.8	101.4	-7.8	-2.9	-0.9	2.5	-26.7	-2.1
Feb.	101.5	-1.0	-1.0	1.4	1.6	-30.9	-1.1	101.6	-8.5	-4.2	0.1	2.7	-28.2	-2.3
Mar.	101.0	-1.7	-1.9	1.5	1.4	-34.6	-1.7	101.3	-9.0	-5.0	0.5	2.7	-30.3	-2.8
Apr.	101.1	-1.8	-3.1	1.7	0.8	.	-1.8	.	.	.	.	.	.	.

Source: Eurostat.

- Product groups according to the classification by Broad Economic Categories. Unlike the product groups shown in Table 2, intermediate and consumption product groups include agricultural and energy products.
- Product groups according to the classification of Main Industrial Groupings. Unlike the product groups shown in Table 1, intermediate and consumer goods do not include energy products, and agricultural goods are not covered. Manufacturing has a different composition compared with the data shown in columns 7 and 12 of Table 1. Data shown are price indices which follow the pure price change for a basket of products and are not simple ratios of the value and volume data shown in Table 1, which are affected by changes in the composition and quality of traded goods. These indices differ from the GDP deflators for imports and exports (shown in Table 3 in Section 5.1) mainly because the latter include all goods and services and cover cross-border trade within the euro area.
- Industrial producer export prices refer to direct transactions between domestic producers and non-domestic customers. Contrary to the data shown for values and volumes in Table 1, exports from wholesalers and re-exports are not covered.

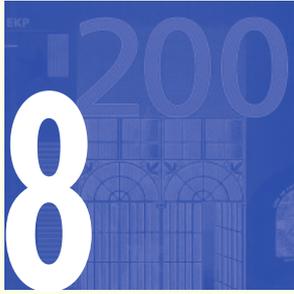
## 7.5 Trade in goods

(EUR billions, unless otherwise indicated; seasonally adjusted)

## 3. Geographical breakdown

	Total	European Union 27 (outside the euro area)				Russia	Switzerland	Turkey	United States	Asia			Africa	Latin America	Other countries
		Denmark	Sweden	United Kingdom	Other EU countries					China	Japan				
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
<b>Exports (f.o.b.)</b>															
2007	1,505.6	34.2	55.7	230.9	216.3	67.9	82.3	41.5	195.9	296.1	60.6	34.3	87.6	61.7	135.6
2008	1,560.5	35.1	54.2	221.8	231.5	78.5	86.2	42.9	186.8	308.3	65.7	33.7	100.7	68.3	146.3
2007 Q4	383.8	8.6	13.8	58.3	56.2	17.8	20.8	10.8	47.5	76.3	15.9	8.1	22.4	15.7	35.6
2008 Q1	398.3	8.9	14.0	57.2	59.1	20.0	21.3	12.3	49.8	79.3	17.1	8.8	24.2	16.3	35.8
Q2	397.9	9.1	14.4	58.4	59.7	20.1	22.1	11.3	47.2	77.7	16.9	8.6	25.0	16.6	36.3
Q3	398.6	9.1	14.1	56.6	60.3	20.7	21.7	10.8	46.3	76.7	16.0	8.3	26.7	17.8	37.7
Q4	365.8	8.0	11.6	49.7	52.4	17.7	21.1	8.4	43.5	74.6	15.7	8.1	24.8	17.5	36.5
2009 Q1	310.4	.	.	.	.	12.9	19.9	7.7	39.5	65.0	15.3	7.0	23.4	12.8	.
2008 Oct.	129.1	2.9	4.4	18.3	19.4	6.7	7.2	3.2	14.8	25.2	5.5	2.7	8.6	6.2	12.3
Nov.	119.6	2.5	3.8	16.1	17.5	5.4	7.0	2.7	14.7	24.6	5.3	2.7	8.1	5.3	11.8
Dec.	117.0	2.5	3.4	15.3	15.5	5.6	6.9	2.6	14.0	24.8	4.9	2.7	8.1	6.0	12.4
2009 Jan.	101.9	2.6	3.3	14.3	14.9	4.3	6.7	2.5	12.9	20.2	4.7	2.4	7.7	4.2	8.1
Feb.	103.5	2.3	3.3	13.9	14.4	4.4	6.7	2.5	12.8	22.0	5.1	2.4	7.8	4.4	8.9
Mar.	105.0	.	.	.	.	4.2	6.5	2.7	13.8	22.7	5.5	2.2	7.8	4.2	.
<b>% share of total exports</b>															
2008	100.0	2.2	3.5	14.2	14.8	5.0	5.5	2.7	12.0	19.8	4.2	2.2	6.5	4.4	9.4
<b>Imports (c.i.f.)</b>															
2007	1,491.3	28.8	52.2	169.6	169.6	102.2	67.2	32.3	131.7	455.7	172.6	59.1	113.4	75.2	93.4
2008	1,592.4	30.2	52.5	165.3	185.6	117.7	69.6	32.2	137.1	477.4	184.1	56.4	139.6	81.0	104.2
2007 Q4	385.4	7.1	13.3	42.7	44.1	28.6	16.6	8.2	32.5	115.0	43.6	14.8	31.0	20.3	25.9
2008 Q1	403.3	7.4	13.8	43.8	46.6	29.5	16.8	8.6	34.6	121.5	45.0	14.9	34.4	20.3	26.0
Q2	404.7	7.7	13.6	42.2	47.4	30.6	17.5	8.4	33.8	119.5	45.1	14.5	37.0	19.8	27.1
Q3	411.3	7.9	13.4	42.2	47.9	33.4	17.8	8.1	35.0	123.2	47.5	13.9	37.7	21.1	23.5
Q4	373.1	7.2	11.7	37.1	43.7	24.1	17.4	7.0	33.7	113.2	46.5	13.1	30.6	19.8	27.6
2009 Q1	321.9	.	.	.	.	17.3	16.6	6.7	33.0	99.2	42.6	11.9	23.6	14.9	.
2008 Oct.	131.4	2.4	4.3	13.9	15.6	9.4	5.9	2.5	11.0	39.5	15.9	4.4	10.8	6.7	9.4
Nov.	123.9	2.4	3.8	12.1	15.0	7.9	5.8	2.5	11.2	37.6	15.5	4.4	10.1	6.7	8.8
Dec.	117.9	2.4	3.5	11.1	13.1	6.9	5.7	2.1	11.5	36.1	15.1	4.2	9.7	6.4	9.4
2009 Jan.	108.5	2.3	3.2	10.9	12.8	6.2	5.6	2.1	10.3	34.2	14.7	4.1	8.0	4.9	7.8
Feb.	106.4	2.3	3.1	10.4	12.7	5.2	5.5	2.2	10.9	32.2	13.8	3.9	8.1	4.9	8.7
Mar.	107.0	.	.	.	.	5.9	5.5	2.3	11.8	32.7	14.0	3.9	7.4	5.1	.
<b>% share of total imports</b>															
2008	100.0	1.9	3.3	10.4	11.7	7.4	4.4	2.0	8.6	30.0	11.6	3.5	8.8	5.1	6.6
<b>Balance</b>															
2007	14.3	5.4	3.5	61.3	46.7	-34.3	15.1	9.1	64.1	-159.5	-112.0	-24.8	-25.8	-13.5	42.1
2008	-31.9	4.8	1.7	56.5	45.9	-39.2	16.6	10.7	49.7	-169.2	-118.5	-22.7	-38.9	-12.7	42.1
2007 Q4	-1.5	1.5	0.4	15.6	12.1	-10.8	4.3	2.6	15.0	-38.7	-27.7	-6.7	-8.6	-4.6	9.7
2008 Q1	-5.1	1.5	0.3	13.4	12.5	-9.6	4.5	3.7	15.1	-42.2	-27.9	-6.1	-10.2	-4.0	9.9
Q2	-6.8	1.4	0.8	16.1	12.3	-10.5	4.5	2.9	13.4	-41.7	-28.2	-5.9	-12.0	-3.2	9.1
Q3	-12.7	1.2	0.7	14.3	12.4	-12.7	3.9	2.7	11.3	-46.5	-31.5	-5.6	-11.0	-3.3	14.2
Q4	-7.4	0.7	-0.1	12.6	8.7	-6.4	3.6	1.4	9.8	-38.7	-30.8	-5.0	-5.8	-2.3	8.9
2009 Q1	-11.5	.	.	.	.	-4.4	3.3	1.0	6.5	-34.2	-27.3	-4.9	-0.2	-2.1	.
2008 Oct.	-2.3	0.5	0.1	4.5	3.8	-2.6	1.3	0.7	3.8	-14.4	-10.4	-1.7	-2.2	-0.5	2.9
Nov.	-4.3	0.1	0.0	4.0	2.5	-2.5	1.2	0.2	3.6	-13.0	-10.2	-1.7	-2.0	-1.4	3.0
Dec.	-0.8	0.1	-0.2	4.2	2.4	-1.3	1.2	0.5	2.5	-11.3	-10.2	-1.5	-1.6	-0.3	3.0
2009 Jan.	-6.6	0.3	0.1	3.4	2.1	-1.9	1.1	0.3	2.6	-14.0	-10.0	-1.7	-0.3	-0.7	0.3
Feb.	-2.9	0.0	0.2	3.5	1.7	-0.8	1.2	0.3	1.9	-10.2	-8.7	-1.5	-0.3	-0.6	0.2
Mar.	-2.1	.	.	.	.	-1.6	1.1	0.4	2.0	-10.0	-8.5	-1.7	0.4	-0.8	.

Source: Eurostat.



## EXCHANGE RATES

### 8.1 Effective exchange rates <sup>1)</sup>

(period averages; index 1999 Q1=100)

	EER-21						EER-41		
	Nominal	Real CPI	Real PPI	Real GDP deflator	Real ULCM	Real ULCT	Nominal	Real CPI	
	1	2	3	4	5	6	7	8	
2006	103.7	105.0	103.9	102.3	101.4	100.9	110.1	103.8	
2007	107.9	109.0	107.8	106.4	104.5	104.4	114.3	107.2	
2008	113.0	113.6	110.8	111.5	111.0	109.9	120.0	111.1	
2008 Q1	112.9	113.8	112.1	111.4	110.2	109.2	119.6	111.3	
Q2	116.0	116.6	113.9	114.4	113.6	112.7	122.9	114.1	
Q3	114.1	114.3	111.0	112.5	112.7	110.5	120.8	111.5	
Q4	109.1	109.6	106.2	107.8	107.4	107.0	116.7	107.7	
2009 Q1	111.9	112.2	107.8	.	.	.	120.1	110.5	
2008 May	115.8	116.5	113.8	-	-	-	122.7	113.8	
June	115.8	116.4	113.2	-	-	-	122.7	113.8	
July	116.2	116.6	113.2	-	-	-	123.2	113.9	
Aug.	113.9	114.1	110.9	-	-	-	120.3	111.1	
Sep.	112.0	112.1	108.8	-	-	-	118.7	109.4	
Oct.	107.9	108.3	105.2	-	-	-	115.4	106.4	
Nov.	107.1	107.6	104.2	-	-	-	114.5	105.6	
Dec.	112.4	112.8	109.2	-	-	-	120.3	110.9	
2009 Jan.	111.9	112.3	108.1	-	-	-	119.9	110.4	
Feb.	110.4	110.7	106.3	-	-	-	118.6	109.0	
Mar.	113.3	113.5	108.8	-	-	-	121.6	111.8	
Apr.	112.5	112.8	107.6	-	-	-	120.5	110.7	
May	113.0	113.3	107.9	-	-	-	120.9	111.0	
	<i>% change versus previous month</i>								
2009 May	0.5	0.5	0.2	-	-	-	0.4	0.3	
	<i>% change versus previous year</i>								
2009 May	-2.4	-2.7	-5.2	-	-	-	-1.4	-2.4	

### C36 Effective exchange rates

(monthly averages; index 1999 Q1=100)

### C37 Bilateral exchange rates

(monthly averages; index 1999 Q1=100)

— nominal EER-21  
 ..... real CPI-deflated EER-21



— USD/EUR  
 ..... JPY/EUR  
 - - - GBP/EUR



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	Swedish krona	Pound sterling	US dollar	Japanese yen	Swiss franc	South Korean won	Hong Kong dollar	Singapore dollar	Canadian dollar	Norwegian kroner	Australian dollar
	1	2	3	4	5	6	7	8	9	10	11	12
2006	7.4591	9.2544	0.68173	1.2556	146.02	1.5729	1,198.58	9.7545	1.9941	1.4237	8.0472	1.6668
2007	7.4506	9.2501	0.68434	1.3705	161.25	1.6427	1,272.99	10.6912	2.0636	1.4678	8.0165	1.6348
2008	7.4560	9.6152	0.79628	1.4708	152.45	1.5874	1,606.09	11.4541	2.0762	1.5594	8.2237	1.7416
2008 Q3	7.4592	9.4738	0.79504	1.5050	161.83	1.6115	1,600.93	11.7372	2.1010	1.5650	8.0604	1.6955
Q4	7.4512	10.2335	0.83907	1.3180	126.71	1.5249	1,796.44	10.2191	1.9588	1.5916	8.9328	1.9606
2009 Q1	7.4514	10.9410	0.90878	1.3029	122.04	1.4977	1,847.59	10.1016	1.9709	1.6223	8.9472	1.9648
2008 Nov.	7.4485	10.1275	0.83063	1.2732	123.28	1.5162	1,783.12	9.8687	1.9183	1.5509	8.8094	1.9381
Dec.	7.4503	10.7538	0.90448	1.3449	122.51	1.5393	1,850.06	10.4240	1.9888	1.6600	9.4228	2.0105
2009 Jan.	7.4519	10.7264	0.91819	1.3239	119.73	1.4935	1,801.97	10.2687	1.9742	1.6233	9.2164	1.9633
Feb.	7.4514	10.9069	0.88691	1.2785	118.30	1.4904	1,843.90	9.9128	1.9411	1.5940	8.7838	1.9723
Mar.	7.4509	11.1767	0.91966	1.3050	127.65	1.5083	1,894.48	10.1138	1.9949	1.6470	8.8388	1.9594
Apr.	7.4491	10.8796	0.89756	1.3190	130.25	1.5147	1,760.14	10.2229	1.9823	1.6188	8.7867	1.8504
May	7.4468	10.5820	0.88445	1.3650	131.85	1.5118	1,710.18	10.5807	1.9939	1.5712	8.7943	1.7831
	% change versus previous month											
2009 May	0.0	-2.7	-1.5	3.5	1.2	-0.2	-2.8	3.5	0.6	-2.9	0.1	-3.6
	% change versus previous year											
2009 May	-0.2	13.7	11.7	-12.3	-18.8	-7.0	6.0	-12.8	-6.2	1.2	11.8	8.8
	Czech koruna	Estonian kroon	Latvian lats	Lithuanian litas	Hungarian forint	Polish zloty	Bulgarian lev	New Roman- ian leu	Croatian kuna	New Turkish lira		
	13	14	15	16	17	18	19	20	21	22		
2006	28.342	15.6466	0.6962	3.4528	264.26	3.8959	1.9558	3.5258	7.3247	1.8090		
2007	27.766	15.6466	0.7001	3.4528	251.35	3.7837	1.9558	3.3353	7.3376	1.7865		
2008	24.946	15.6466	0.7027	3.4528	251.51	3.5121	1.9558	3.6826	7.2239	1.9064		
2008 Q3	24.093	15.6466	0.7045	3.4528	236.07	3.3081	1.9558	3.5768	7.1827	1.8235		
Q4	25.344	15.6466	0.7090	3.4528	263.36	3.7658	1.9558	3.8165	7.1752	2.0261		
2009 Q1	27.601	15.6466	0.7061	3.4528	294.19	4.4988	1.9558	4.2682	7.4116	2.1635		
2008 Nov.	25.193	15.6466	0.7092	3.4528	265.32	3.7326	1.9558	3.7838	7.1366	2.0342		
Dec.	26.120	15.6466	0.7084	3.4528	265.02	4.0044	1.9558	3.9227	7.2245	2.0894		
2009 Jan.	27.169	15.6466	0.7043	3.4528	279.86	4.2300	1.9558	4.2354	7.3603	2.1233		
Feb.	28.461	15.6466	0.7056	3.4528	298.30	4.6467	1.9558	4.2864	7.4309	2.1280		
Mar.	27.231	15.6466	0.7083	3.4528	304.14	4.6210	1.9558	4.2828	7.4430	2.2340		
Apr.	26.774	15.6466	0.7093	3.4528	295.26	4.4326	1.9558	4.2041	7.4172	2.1277		
May	26.731	15.6466	0.7092	3.4528	281.93	4.4103	1.9558	4.1700	7.3515	2.1251		
	% change versus previous month											
2009 May	-0.2	0.0	0.0	0.0	-4.5	-0.5	0.0	-0.8	-0.9	-0.1		
	% change versus previous year											
2009 May	6.5	0.0	1.5	0.0	13.8	29.6	0.0	14.0	1.3	9.5		
	Brazilian real <sup>1)</sup>	Chinese yuan renminbi	Icelandic krona <sup>2)</sup>	Indian rupee <sup>3)</sup>	Indonesian rupiah	Malaysian ringgit	Mexican peso <sup>1)</sup>	New Zealand dollar	Philippine peso	Russian rouble	South African rand	Thai baht
	23	24	25	26	27	28	29	30	31	32	33	34
2006	2.7333	10.0096	87.76	56.844	11,512.37	4.6044	13.6936	1.9373	64.379	34.1117	8.5312	47.594
2007	2.6594	10.4178	87.63	56.419	12,528.33	4.7076	14.9743	1.8627	63.026	35.0183	9.6596	44.214
2008	2.6737	10.2236	143.83	63.614	14,165.16	4.8893	16.2911	2.0770	65.172	36.4207	12.0590	48.475
2008 Q3	2.4986	10.2969	125.69	65.797	13,868.99	5.0209	15.5214	2.1094	68.422	36.4917	11.7055	50.959
Q4	3.0102	9.0155	261.87	64.007	14,469.21	4.6798	17.1856	2.2829	63.653	35.9649	13.0786	45.904
2009 Q1	3.0168	8.9066	-	64.795	15,174.96	4.7259	18.7267	2.4498	62.133	44.4165	12.9740	46.038
2008 Nov.	2.8967	8.6950	242.95	62.144	14,984.85	4.5682	16.6735	2.2554	62.496	34.7964	12.8785	44.677
Dec.	3.2266	9.2205	290.00	65.146	15,276.62	4.7755	18.0764	2.4119	64.505	37.8999	13.4275	47.107
2009 Jan.	3.0596	9.0496	-	64.510	14,802.07	4.7291	18.3762	2.4132	62.354	42.3282	13.1255	46.218
Feb.	2.9685	8.7406	-	62.885	15,233.33	4.6466	18.6536	2.4851	60.832	45.8079	12.8005	45.156
Mar.	3.0198	8.9210	-	66.803	15,477.84	4.7949	19.1278	2.4527	63.105	45.1451	12.9870	46.667
Apr.	2.9197	9.0110	-	66.047	14,552.65	4.7562	17.7645	2.3123	63.462	44.2135	11.8784	46.741
May	2.8232	9.3157	-	66.176	14,137.45	4.8057	17.9969	2.2663	64.600	43.5678	11.4475	47.241
	% change versus previous month											
2009 May	-3.3	3.4	-	0.2	-2.9	1.0	1.3	-2.0	1.8	-1.5	-3.6	1.1
	% change versus previous year											
2009 May	9.3	-14.1	-	0.9	-2.1	-4.0	10.8	13.3	-3.4	18.1	-3.6	-5.4

Source: ECB.

1) For these currencies the ECB computes and publishes euro reference exchange rates as from 1 January 2008. Previous data are indicative.

2) The most recent rate for the Icelandic krona refers to 3 December 2008.

3) For this currency the ECB computes and publishes euro reference exchange rates as from 1 January 2009. Previous data are indicative.



## DEVELOPMENTS OUTSIDE THE EURO AREA

### 9.1 In other EU Member States

(annual percentage changes, unless otherwise indicated)

#### 1. Economic and financial developments

	Bulgaria	Czech Republic	Denmark	Estonia	Latvia	Lithuania	Hungary	Poland	Romania	Sweden	United Kingdom
	1	2	3	4	5	6	7	8	9	10	11
<b>HICP</b>											
2007	7.6	3.0	1.7	6.7	10.1	5.8	7.9	2.6	4.9	1.7	2.3
2008	12.0	6.3	3.6	10.6	15.3	11.1	6.0	4.2	7.9	3.3	3.6
2008 Q3	12.5	6.5	4.6	11.0	15.6	12.0	6.3	4.4	8.2	4.0	4.8
Q4	9.0	4.4	3.0	8.7	11.9	9.4	4.2	3.6	6.9	2.7	3.9
2009 Q1	5.1	1.5	1.7	3.7	9.0	8.4	2.7	3.6	6.8	2.1	3.0
2008 Dec.	7.2	3.3	2.4	7.5	10.4	8.5	3.4	3.3	6.4	2.1	3.1
2009 Jan.	6.0	1.4	1.7	4.7	9.7	9.5	2.4	3.2	6.8	2.0	3.0
Feb.	5.4	1.3	1.7	3.9	9.4	8.5	2.9	3.6	6.9	2.2	3.2
Mar.	4.0	1.7	1.6	2.5	7.9	7.4	2.8	4.0	6.7	1.9	2.9
Apr.	3.8	1.3	1.1	0.9	5.9	5.9	3.2	4.3	6.5	1.8	2.3
<b>General government deficit (-)/surplus (+) as a % of GDP</b>											
2006	3.0	-2.6	5.2	2.9	-0.5	-0.4	-9.2	-3.9	-2.2	2.5	-2.7
2007	0.1	-0.6	4.5	2.7	-0.4	-1.0	-4.9	-1.9	-2.5	3.8	-2.7
2008	1.5	-1.5	3.6	-3.0	-4.0	-3.2	-3.4	-3.9	-5.4	2.5	-5.5
<b>General government gross debt as a % of GDP</b>											
2006	22.7	29.6	31.3	4.3	10.7	18.0	65.6	47.7	12.4	45.9	43.4
2007	18.2	28.9	26.8	3.5	9.0	17.0	65.8	44.9	12.7	40.5	44.2
2008	14.1	29.8	33.3	4.8	19.5	15.6	73.0	47.1	13.6	38.0	52.0
<b>Long-term government bond yield as a % per annum, period average</b>											
2008 Nov.	6.00	4.52	4.06	-	7.60	8.16	9.41	6.23	8.38	3.34	4.13
Dec.	7.76	4.30	3.50	-	9.03	9.00	8.31	5.70	8.38	2.67	3.37
2009 Jan.	7.14	4.21	3.44	-	10.64	13.95	8.76	5.46	9.23	2.80	3.17
Feb.	7.09	4.74	3.55	-	11.50	14.50	10.65	5.97	8.42	2.93	3.23
Mar.	7.73	5.16	3.44	-	11.32	14.50	11.65	6.22	9.38	2.94	3.00
Apr.	7.24	5.25	3.50	-	11.15	14.50	10.63	6.19	9.77	3.18	3.16
<b>3-month interest rate as a % per annum, period average</b>											
2008 Nov.	7.89	4.24	6.08	7.25	12.19	7.86	-	6.74	15.24	4.50	4.45
Dec.	7.74	3.89	5.29	7.84	13.94	9.20	11.18	6.38	14.70	2.75	3.20
2009 Jan.	7.03	3.14	4.44	7.28	11.86	8.67	9.80	5.49	14.48	2.23	2.32
Feb.	6.61	2.50	3.86	6.90	10.65	7.19	-	4.69	14.61	1.52	2.09
Mar.	6.58	2.49	3.28	7.11	12.08	7.11	-	4.30	14.49	1.16	1.83
Apr.	6.05	2.50	2.94	6.51	12.43	6.94	9.56	4.20	13.61	1.00	1.53
<b>Real GDP</b>											
2007	6.2	6.0	1.6	6.3	10.0	8.9	1.2	6.8	6.2	2.6	3.0
2008	6.0	3.2	-1.1	-3.6	-4.6	3.0	0.6	4.9	7.1	-0.2	0.7
2008 Q3	6.8	2.9	-1.5	-3.5	-5.6	2.0	0.1	4.9	9.2	0.2	0.4
Q4	3.5	0.7	-3.6	-9.7	-10.4	-1.3	-1.7	2.6	2.9	-5.1	-2.0
2009 Q1	.	.	.	.	.	-11.8	-4.7	1.9	.	-6.4	-4.1
<b>Current and capital accounts balance as a % of GDP</b>											
2007	-27.2	-2.6	0.7	-16.9	-20.6	-12.8	-5.3	-3.6	-12.9	8.5	-2.7
2008	-24.5	-2.2	2.3	-7.7	-11.2	-9.7	-7.3	-4.4	-11.8	8.2	-1.5
2008 Q3	-14.2	-3.0	4.2	-6.5	-11.0	-8.4	-9.2	-4.2	-10.9	9.1	-2.1
Q4	-28.7	-5.2	2.8	-3.5	-7.0	-2.9	-9.1	-5.0	-8.3	7.7	-1.6
2009 Q1	.	.	.	.	.	4.1	.	2.7	.	10.5	.
<b>Unit labour costs</b>											
2007	14.2	3.1	4.2	19.8	27.0	10.3	5.2	1.6	14.6	4.7	1.4
2008	16.2	4.2	7.0	17.5	23.2	10.6	5.8	6.2	15.1	2.6	2.6
2008 Q3	13.0	2.9	.	19.6	24.5	12.0	-	-	-	2.0	1.1
Q4	17.5	4.6	.	13.8	18.5	9.3	-	-	-	6.0	1.6
2009 Q1	.	.	.	.	.	.	-	-	-	8.2	.
<b>Standardised unemployment rate as a % of labour force (s.a.)</b>											
2007	6.9	5.3	3.8	4.6	6.0	4.3	7.3	9.6	6.4	6.1	5.3
2008	5.6	4.4	3.4	5.6	7.6	6.0	7.8	7.2	5.8	6.2	5.6
2008 Q3	5.3	4.3	3.3	6.4	7.5	6.3	7.9	6.9	5.7	6.1	5.8
Q4	5.2	4.5	3.8	7.7	10.4	8.4	8.1	6.9	5.8	6.9	6.3
2009 Q1	5.6	5.2	4.7	11.1	14.6	13.4	8.9	7.5	.	7.7	.
2008 Dec.	5.3	4.7	4.1	8.4	11.5	9.7	8.3	7.0	5.8	7.0	6.5
2009 Jan.	5.3	4.9	4.4	9.8	13.2	11.5	8.5	7.2	.	7.4	6.7
Feb.	5.6	5.2	4.6	11.1	14.6	13.5	8.8	7.5	.	7.7	6.9
Mar.	5.9	5.5	5.1	12.4	16.1	15.2	9.3	7.7	.	8.1	.
Apr.	6.2	5.7	5.5	13.9	17.4	16.8	9.6	7.8	.	8.5	.

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

## 9.2 In the United States and Japan

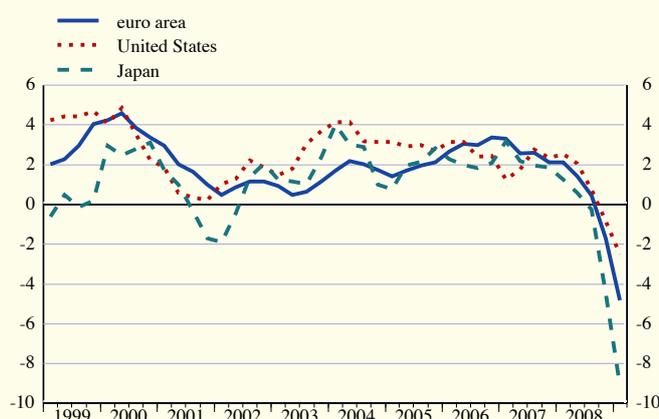
(annual percentage changes, unless otherwise indicated)

### 1. Economic and financial developments

	Consumer price index	Unit labour costs <sup>1)</sup>	Real GDP	Industrial production index (manufacturing)	Unemployment rate as a % of labour force (s.a.)	Broad money <sup>2)</sup>	3-month interbank deposit rate <sup>3)</sup>	10-year zero coupon government bond yield <sup>3)</sup> end-of-period	Exchange rate <sup>4)</sup> as national currency per euro	Fiscal deficit (-)/surplus (+) as a % of GDP	Gross public debt <sup>5)</sup> as a % of GDP
	1	2	3	4	5	6	7	8	9	10	11
United States											
2005	3.4	2.2	2.9	4.2	5.1	4.3	3.57	4.84	1.2441	-3.3	49.1
2006	3.2	2.8	2.8	2.7	4.6	5.0	5.20	5.41	1.2556	-2.2	48.5
2007	2.9	2.7	2.0	1.6	4.6	5.7	5.30	5.35	1.3705	-2.9	49.3
2008	3.8	0.9	1.1	-3.1	5.8	6.7	2.93	4.39	1.4708	-5.9	56.8
2008 Q1	4.1	0.0	2.5	1.3	4.9	6.3	3.29	4.48	1.4976	-4.0	50.4
Q2	4.4	0.2	2.1	-0.9	5.4	6.3	2.75	4.66	1.5622	-5.7	49.6
Q3	5.3	1.7	0.7	-3.9	6.1	6.0	2.91	4.69	1.5050	-5.9	52.8
Q4	1.6	1.8	-0.8	-8.7	6.9	8.3	2.77	3.71	1.3180	-8.0	56.8
2009 Q1	0.0	2.4	-2.5	-13.9	8.1	9.6	1.24	3.03	1.3029	.	.
2009 Jan.	0.0	-	-	-13.6	7.6	10.0	1.21	2.75	1.3239	-	-
Feb.	0.2	-	-	-13.2	8.1	9.4	1.24	3.20	1.2785	-	-
Mar.	-0.4	-	-	-14.8	8.5	9.4	1.27	3.15	1.3050	-	-
Apr.	-0.7	-	-	-14.3	8.9	8.5	1.11	3.17	1.3190	-	-
May	.	-	-	.	.	.	0.82	3.54	1.3650	-	-
Japan											
2005	-0.3	-2.1	1.9	1.4	4.4	1.8	0.06	1.49	136.85	-6.7	163.2
2006	0.2	-0.5	2.0	4.5	4.1	1.0	0.30	1.98	146.02	-1.6	160.0
2007	0.1	-1.1	2.3	2.8	3.8	1.6	0.79	1.89	161.25	-2.5	156.1
2008	1.4	1.7	-0.7	-3.4	4.0	2.1	0.93	1.67	152.45	.	.
2008 Q1	1.0	0.6	1.3	2.4	3.9	2.2	0.92	1.61	157.80	.	.
Q2	1.4	0.6	0.6	0.8	4.0	2.0	0.92	1.85	163.35	.	.
Q3	2.2	1.3	-0.2	-1.4	4.0	2.2	0.90	1.75	161.83	.	.
Q4	1.0	4.4	-4.5	-14.6	4.0	1.8	0.96	1.46	126.71	.	.
2009 Q1	-0.1	.	-9.1	-34.6	4.5	2.1	0.67	1.24	122.04	.	.
2009 Jan.	0.0	-	-	-31.0	4.2	2.0	0.73	1.27	119.73	-	-
Feb.	-0.1	-	-	-38.4	4.4	2.1	0.64	1.20	118.30	-	-
Mar.	-0.3	-	-	-34.2	4.8	2.2	0.62	1.26	127.65	-	-
Apr.	-0.1	-	-	-31.2	.	2.7	0.57	1.41	130.25	-	-
May	.	-	-	.	.	.	0.53	1.38	131.85	-	-

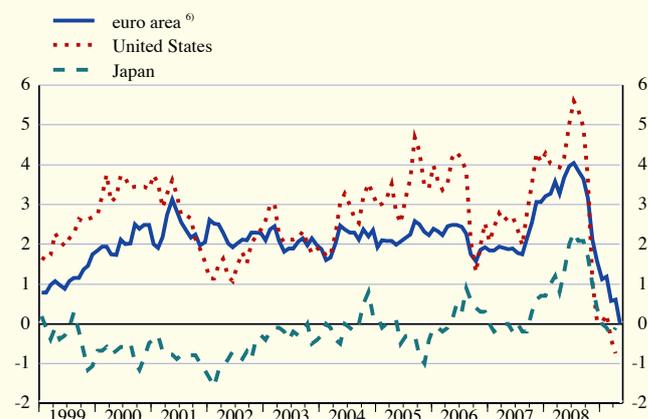
### C38 Real gross domestic product

(annual percentage changes; quarterly)



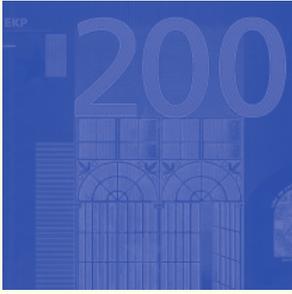
### C39 Consumer price indices

(annual percentage changes; monthly)



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

- 1) Seasonally adjusted. The data for the United States refer to the private non-agricultural business sector.
- 2) Average-of-period values; M2 for US, M2+CDs for Japan.
- 3) Percentages per annum. For further information on 3-month interbank deposit rate, see Section 4.6.
- 4) For more information, see Section 8.2.
- 5) Gross consolidated general government debt (end of period).
- 6) Data refer to the changing composition of the euro area. For further information, see the General notes.



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## TECHNICAL NOTES

### RELATING TO THE EURO AREA OVERVIEW

#### CALCULATION OF GROWTH RATES FOR MONETARY DEVELOPMENTS

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

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

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

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

### RELATING TO SECTIONS 2.1 TO 2.6

#### CALCULATION OF TRANSACTIONS

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

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

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

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

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

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

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

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

#### CALCULATION OF GROWTH RATES FOR MONTHLY SERIES

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

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

The base of the index (of the non-seasonally adjusted series) is currently set as December 2006 = 100. Time series of the index of adjusted outstanding amounts are available on the ECB's website ([www.ecb.europa.eu](http://www.ecb.europa.eu)) under the "Money, banking and financial markets" sub-section of the "Statistics" section.

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

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

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

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:

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

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

#### CALCULATION OF GROWTH RATES FOR QUARTERLY SERIES

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

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

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

#### SEASONAL ADJUSTMENT OF THE EURO AREA MONETARY STATISTICS<sup>1</sup>

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

The seasonal adjustment procedures are first applied to the index of adjusted outstanding amounts.<sup>3</sup> The resulting estimates of the seasonal factors are then applied to the levels and to the adjustments arising from reclassifications and

revaluations, in turn yielding seasonally adjusted transactions. Seasonal (and trading day) factors are revised at annual intervals or as required.

#### RELATING TO SECTIONS 3.1 TO 3.5

#### EQUALITY OF USES AND RESOURCES

In Table 3.1 the data conform to a basic accounting identity. As regards non-financial transactions, total uses equal total resources for each transaction category. Likewise in the financial account, this accounting identity is also reflected, i.e. for each financial instrument category, total transactions in financial assets equal total transactions in liabilities. In the other changes in assets account and the financial balance sheets, total financial assets equal total liabilities for each financial instrument category, with the exception of monetary gold and special drawing rights, which are by definition not a liability of any sector.

#### CALCULATION OF BALANCING ITEMS

The balancing items at the end of each account in Tables 3.1 and 3.2 are computed as follows:

The trade balance equals imports minus exports of goods and services vis-à-vis the euro area rest of the world.

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

2 For details, see Findley, D., Monsell, B., Bell, W., Otto, M., and Chen, B. C. (1998), "New Capabilities and Methods of the X-12-ARIMA Seasonal Adjustment Program", *Journal of Business and Economic Statistics*, 16, 2, pp.127-152, or "X-12-ARIMA Reference Manual", Time Series Staff, Bureau of the Census, Washington, D.C.

For internal purposes, the model-based approach of TRAMO-SEATS is also used. For details on TRAMO-SEATS, see Gomez, V. and Maravall, A. (1996), "Programs TRAMO and SEATS: Instructions for the User", Banco de España, Working Paper No. 9628, Madrid.

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

Net operating surplus and mixed income is defined for resident sectors only and is calculated as gross value added (gross domestic product at market prices for the euro area) minus compensation of employees (uses) minus other taxes less subsidies on production (uses) minus consumption of fixed capital (uses).

Net national income is defined for resident sectors only and is computed as net operating surplus and mixed income plus compensation of employees (resources) plus taxes less subsidies on production (resources) plus net property income (resources minus uses).

Net disposable income is also only defined for resident sectors and equals net national income plus net current taxes on income and wealth (resources minus uses) plus net social contributions (resources minus uses) plus net social benefits other than social transfers in kind (resources minus uses) plus net other current transfers (resources minus uses).

Net saving is defined for resident sectors and is calculated as net disposable income plus the net adjustment for the change in net equity of households in pension funds reserves (resources minus uses) minus final consumption expenditure (uses). For the rest of the world, current external account is compiled as the trade balance plus all net income (resources minus uses).

Net lending/net borrowing is computed from the capital account as net saving plus net capital transfers (resources minus uses) minus gross capital formation (uses) minus acquisitions less disposals of non-produced non-financial assets (uses) plus consumption of fixed capital (resources). It can also be calculated in the financial account as total transactions in financial assets minus total transactions in liabilities (also known as changes in net financial worth (wealth) due to transactions). For the household and non-financial corporation sectors, there is a statistical discrepancy between these balancing items computed from the capital account and the financial account, respectively.

Changes in net worth (wealth) are calculated as changes in net worth (wealth) due to savings and capital transfers plus other changes in net financial worth (wealth). It currently excludes other changes in non-financial assets due to unavailability of data.

Net financial worth (wealth) is calculated as total financial assets minus total liabilities, whereas changes in net financial worth (wealth) are equal to the sum of changes in net financial worth (wealth) due to transactions (lending/ net borrowing from the financial account) and other changes in net financial worth (wealth).

Finally, changes in net financial worth (wealth) due to transactions are computed as total transactions in financial assets minus total transactions in liabilities and other changes in net financial worth (wealth) are calculated as total other changes in financial assets minus total other changes in liabilities.

#### RELATING TO SECTION 4.3 AND 4.4

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

Growth rates are calculated on the basis of financial transactions and therefore exclude reclassifications, revaluations, exchange rate variations and any other changes which do not arise from transactions. They may be calculated from transactions or from the index of notional stocks. If  $N_t^M$  represents the transactions (net issues) in month  $t$  and  $L_t$  the level outstanding at the end of the month  $t$ , the index  $I_t$  of notional stocks in month  $t$  is defined as:

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

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

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

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

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:

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

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

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

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

#### SEASONAL ADJUSTMENT OF SECURITIES ISSUES STATISTICS<sup>4</sup>

The approach used relies on a multiplicative decomposition through X-12-ARIMA. The

seasonal adjustment for the securities issues total is carried out indirectly by means of a linear combination of sector and maturity component breakdowns.

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

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

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

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

#### RELATING TO TABLE I IN SECTION 5.1

#### SEASONAL ADJUSTMENT OF THE HICP<sup>4</sup>

The approach used relies on multiplicative decomposition through X-12-ARIMA (see footnote 2 on page S78). The seasonal adjustment of the overall HICP for the euro area is carried out indirectly by aggregating the seasonally adjusted euro area series for processed food, unprocessed food, industrial goods excluding energy, and services. Energy is added without adjustment since there is no statistical evidence of seasonality. Seasonal factors are revised at annual intervals or as required.

4 For details, see “Seasonal adjustment of monetary aggregates and HICP for the euro area”, ECB (August 2000) and the “Statistics” section of the ECB’s website ([www.ecb.europa.eu](http://www.ecb.europa.eu)), under the “Money, banking and financial markets” sub-section.

**RELATING TO TABLE 2 IN SECTION 7.1****SEASONAL ADJUSTMENT OF THE BALANCE OF  
PAYMENTS CURRENT ACCOUNT**

The approach relies on multiplicative decomposition through X-12-ARIMA (see footnote 2 on page S78). The raw data for goods, services and income are pre-adjusted to take a working-day effect into account. The working-day adjustment in goods and services is corrected for national public holidays. The seasonal adjustment for these items is carried out using these pre-adjusted series. The seasonal adjustment of the total current account is carried out by aggregating the seasonally adjusted euro area series for goods, services, income and current transfers. Seasonal (and trading day) factors are revised at semi-annual intervals or as required.

**RELATING TO SECTION 7.3****CALCULATION OF GROWTH RATES FOR THE  
QUARTERLY AND ANNUAL SERIES**

The annual growth rate for quarter  $t$  is calculated on the basis of quarterly transactions ( $F_t$ ) and positions ( $L_t$ ), as follows:

$$a_t = \left( \prod_{i=t-3}^t \left( 1 + \frac{F_i}{L_{i-1}} \right) - 1 \right) \times 100$$

The growth rate for the annual series is equal to the growth rate in the last quarter of the year.





## GENERAL NOTES

The “Euro area statistics” section of the Monthly Bulletin focuses on statistics for the euro area as a whole. More detailed and longer runs of data, with further explanatory notes, are available in the “Statistics” section of the ECB’s website ([www.ecb.europa.eu](http://www.ecb.europa.eu)). This allows user-friendly access to data via the ECB’s Statistical Data Warehouse (<http://sdw.ecb.europa.eu/>), which includes search and download facilities. Further services available under the “Data services” sub-section include the subscription to different datasets and a repository of compressed Comma Separated Value (CSV) files. For further information, please contact us at: [statistics@ecb.europa.eu](mailto:statistics@ecb.europa.eu).

In general, the cut-off date for the statistics included in the Monthly Bulletin is the day preceding the first meeting in the month of the ECB’s Governing Council. For this issue, the cut-off date was 3 June 2009.

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

The statistical series referring to the changing composition of the euro area are based on the euro area composition at the time to which the statistics relate. Thus, data prior to 2001 refer to the Euro 11, i.e. the following 11 EU Member

States: Belgium, Germany, Ireland, Spain, France, Italy, Luxembourg, the Netherlands, Austria, Portugal and Finland. Data from 2001 to 2006 refer to the Euro 12, i.e. the Euro 11 plus Greece. Data for 2007 refer to the Euro 13, i.e. the Euro 12 plus Slovenia. Data for 2008 refer to the Euro 15, i.e. the Euro 13 plus Cyprus and Malta, and data as of 2009 refer to the Euro 16, i.e. the Euro 15 plus Slovakia.

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

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

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

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

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

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

## OVERVIEW

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

## MONETARY POLICY STATISTICS

Section 1.4 shows statistics on minimum reserve and liquidity factors. Maintenance periods for minimum reserve requirements start every month on the settlement day of the main refinancing operation (MRO) following the Governing Council meeting at which the monthly assessment of the monetary policy stance is scheduled, and end on the day preceding the corresponding settlement day in the following month. Annual and quarterly observations refer to averages of the last reserve maintenance period of the year/quarter.

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

Table 2 in Section 1.4 contains average data for completed maintenance periods. The amount of the reserve requirement of each individual credit institution is first calculated by applying the reserve ratio for the corresponding categories of liabilities to the eligible liabilities, using the balance sheet data from the end of each calendar month. Subsequently, each credit institution deducts from this figure a lump-sum allowance

of €100,000. The resulting required reserves are then aggregated at the euro area level (column 1). The current account holdings (column 2) are the aggregate average daily current account holdings of credit institutions, including those that serve the fulfilment of reserve requirements. The excess reserves (column 3) are the average current account holdings over the maintenance period in excess of the required reserves. The deficiencies (column 4) are defined as the average shortfalls of current account holdings from required reserves over the maintenance period, computed on the basis of those credit institutions that have not fulfilled their reserve requirement. The interest rate on minimum reserves (column 5) is equal to the average, over the maintenance period, of the ECB's rate (weighted according to the number of calendar days) on the Eurosystem's MROs (see Section 1.3).

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

## MONEY, BANKING AND INVESTMENT FUNDS

Section 2.1 shows the aggregated balance sheet of the monetary financial institution (MFI) sector, i.e. the sum of the harmonised balance sheets of all MFIs resident in the euro area. MFIs are central banks, credit institutions as

defined under Community law, money market funds and other institutions whose business it is to receive deposits and/or close substitutes for deposits from entities other than MFIs and, for their own account (at least in economic terms), to grant credits and/or make investments in securities. A complete list of MFIs is published on the ECB's website.

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

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

Sections 2.2 to 2.6 include transactions, which are derived as differences in outstanding amounts adjusted for reclassifications, revaluations, exchange rate variations and any other changes that do not arise from transactions. Section 2.7

shows selected revaluations that are used in the derivation of transactions. Sections 2.2 to 2.6 also provide growth rates in terms of annual percentage changes based on the transactions. Section 2.8 shows a quarterly currency breakdown of selected MFI balance sheet items.

Details of the sector definitions are set out in the "Monetary Financial Institutions and Markets Statistics Sector Manual – Guidance for the statistical classification of customers. Third Edition" (ECB, March 2007). The "Guidance Notes to the Regulation ECB/2001/13 on the MFI Balance Sheet Statistics" (ECB, November 2002) explains practices that NCBs are recommended to follow. Since 1 January 1999, the statistical information has been collected and compiled on the basis of Regulation ECB/1998/16 of 1 December 1998 concerning the consolidated balance sheet of the Monetary Financial Institutions sector<sup>1</sup>, as last amended by Regulation ECB/2003/10<sup>2</sup>.

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

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

1 OJ L 356, 30.12.1998, p. 7.

2 OJ L 250, 2.10.2003, p. 19.

## EURO AREA ACCOUNTS

Section 3.1 shows quarterly integrated euro area accounts data, which provide comprehensive information on the economic activities of households (including non-profit institutions serving households), non-financial corporations, financial corporations and general government, as well as on the interaction between these sectors and both the euro area and the rest of the world. The non-seasonally adjusted data on current prices are displayed for the last available quarter, following a simplified sequence of accounts in accordance with the methodological framework of the European System of Accounts 1995 (ESA 95).

In short, the sequence of accounts (transactions) comprises: (1) the generation of income account, which shows how the production activity translates into various categories of income; (2) the allocation of primary income account, which records receipts and expenses relating to various forms of property income (for the economy as a whole, the balancing item of the primary income account is the national income); (3) the secondary distribution of income account, which shows how the national income of an institutional sector changes because of current transfers; (4) the use of income account, which shows how disposable income is spent on consumption or saved; (5) the capital account, which shows how savings and net capital transfers are spent in the acquisition of non-financial assets (the balancing item of the capital account is net lending/net borrowing); and (6) the financial account, which records the net acquisitions of financial assets and the net incurrence of liabilities. As each non-financial transaction is mirrored by a financial transaction, the balancing item of the financial account conceptually also equals net lending/net borrowing as calculated from the capital account.

In addition, opening and closing financial balance sheets are presented, which provide a picture of the financial wealth of each individual sector at a given point in time. Finally, other

changes in financial assets and liabilities (e.g. those resulting from the impact of changes in asset prices) are also shown.

The sector coverage of the financial account and of the financial balance sheets is more detailed for the financial corporations sector, showing a breakdown into MFIs, other financial intermediaries (including financial auxiliaries), and insurance corporations and pension funds.

Section 3.2 shows four-quarter cumulated flows (transactions) for the so-called non-financial accounts of the euro area (i.e. accounts (1) to (5) above) also following the simplified sequence of accounts.

Section 3.3 shows four-quarter cumulated flows (transactions and other changes) for households' income, expenditure and accumulation accounts, and outstanding amounts for the financial balance sheet accounts, following a more analytical presentation. Sector-specific transactions and balancing items are arranged so as to more easily depict financing and investment decisions of households, whilst respecting the account identities as presented in Sections 3.1 and 3.2.

Section 3.4 displays four-quarter cumulated flows (transactions) for non-financial corporations' income and accumulation accounts, and outstanding amounts for the financial balance sheet accounts, following a more analytical presentation.

Section 3.5 shows four-quarter cumulated financial flows (transactions and other changes) and outstanding amounts for the financial balance sheets of insurance corporations and pension funds.

## FINANCIAL MARKETS

The series on financial market statistics for the euro area cover the EU Member States that had adopted the euro at the time to which the statistics relate (changing composition), with

the exception of statistics on securities issues (Tables 4.1 to 4.4), which relate to the Euro 16 (i.e. the Euro 15 plus Slovakia) for the whole time series (fixed composition).

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

Statistics on securities issues cover securities other than shares (debt securities), which are presented in Sections 4.1, 4.2 and 4.3, and quoted shares, which are presented in Section 4.4. Debt securities are broken down into short-term and long-term securities. "Short-term" means securities with an original maturity of one year or less (in exceptional cases two years or less). Securities with a longer maturity, or with optional maturity dates, the latest of which is more than one year away, or with indefinite maturity dates, are classified as "long-term". Long-term debt securities issued by euro area residents are broken down further into fixed and variable rate issues. Fixed rate issues consist of issues where the coupon rate does not change during the life of the issues. Variable rate issues include all issues where the coupon is periodically re-fixed by reference to an independent interest rate or index. The statistics on debt securities are estimated to cover approximately 95% of total issues by euro area residents. The euro-denominated securities indicated in Sections 4.1, 4.2 and 4.3 also include items expressed in national denominations of the euro.

Section 4.1 shows securities other than shares, by original maturity, residency of the issuer and currency. The section presents outstanding amounts, gross issues and net issues of securities other than shares denominated in euro and securities other than shares issued by euro

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

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

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

Section 4.3 shows non-seasonally and seasonally adjusted growth rates for debt securities issued by euro area residents (broken down by maturity, type of instrument, sector of the issuer and currency), which are based on financial transactions that occur when an institutional unit incurs or redeems liabilities. The growth rates therefore exclude reclassifications, revaluations, exchange rate variations and any other changes

that do not arise from transactions. The seasonally adjusted growth rates have been annualised for presentational purposes. See the Technical notes for details.

Section 4.4, columns 1, 4, 6 and 8, show the outstanding amounts of quoted shares issued by euro area residents broken down by issuing sector. The monthly data for quoted shares issued by non-financial corporations correspond to the quarterly series shown in Section 3.4 (financial balance sheet, quoted shares).

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

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

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

Section 4.6 presents money market interest rates for the euro area, the United States and Japan. For the euro area, a broad spectrum of money market interest rates is covered, ranging from interest rates on overnight deposits to those on twelve-month deposits. Before January 1999, synthetic euro area interest rates were calculated

on the basis of national rates weighted by GDP. With the exception of the overnight rate to December 1998, monthly, quarterly and yearly values are period averages. Overnight deposits are represented by interbank deposit bid rates up to December 1998. From January 1999, column 1 of Section 4.6 shows the euro overnight index average (EONIA). These are end-of-period rates up to December 1998 and period averages thereafter. From January 1999, interest rates on one-, three-, six- and twelve-month deposits are euro interbank offered rates (EURIBOR); until December 1998, London interbank offered rates (LIBOR) where available. For the United States and Japan, interest rates on three-month deposits are represented by LIBOR.

Table 4.7 shows end-of-period rates estimated from nominal spot yield curves based on AAA-rated euro-denominated bonds issued by euro area central governments. The yield curves are estimated using the Svensson model<sup>3</sup>. Spreads between the ten-year rates and the three-month and two-year rates are also released. Additional yield curves (daily releases, including charts and tables) and the corresponding methodological information are available at <http://www.ecb.europa.eu/stats/money/yc/html/index.en.html>. Daily data may also be downloaded.

Section 4.8 shows stock market indices for the euro area, the United States and Japan.

## PRICES, OUTPUT, DEMAND AND LABOUR MARKETS

Most of the data described in this section are produced by the European Commission (mainly Eurostat) and national statistical authorities. Euro area results are obtained by aggregating data for individual countries. As far as possible, the data are harmonised and comparable. Statistics on hourly labour costs, GDP and expenditure components, value added by economic activity, industrial production, retail sales and passenger

<sup>3</sup> Svensson, L. E., "Estimating and Interpreting Forward Interest Rates: Sweden 1992-1994", Centre for Economic Policy Research, Discussion Paper No 1051, 1994.

car registrations are adjusted for the variations in the number of working days.

The Harmonised Index of Consumer Prices (HICP) for the euro area (Table 1 in Section 5.1) is available from 1995 onwards. It is based on national HICPs, which follow the same methodology in all euro area countries. The breakdown by goods and services components is derived from the classification of individual consumption by purpose (Coicop/HICP). The HICP covers monetary expenditure by households on final consumption in the economic territory of the euro area. The table includes seasonally adjusted HICP data and experimental HICP-based estimates of administered prices, which are compiled by the ECB.

Industrial producer prices (Table 2 in Section 5.1), industrial production, industrial new orders, industrial turnover and retail sales (Section 5.2) are covered by Council Regulation (EC) No 1165/98 of 19 May 1998 concerning short-term statistics.<sup>4</sup> Since January 2009 the revised classification of economic activities (NACE Revision 2), as covered by Regulation (EC) No 1893/2006 of the European Parliament and of the Council of 20 December 2006 establishing the statistical classification of economic activities NACE Revision 2 and amending Council Regulation (EEC) No 3037/90, as well as certain EC Regulations on specific statistical domains,<sup>5</sup> has been applied in the production of short-term statistics. The breakdown by end-use of products for industrial producer prices and industrial production is the harmonised sub-division of industry excluding construction (NACE Revision 2 sections B to E) into main industrial groupings (MIGs), as defined by Commission Regulation (EC) No 656/2007 of 14 June 2007.<sup>6</sup> Industrial producer prices reflect the ex-factory gate prices of producers. They include indirect taxes except VAT and other deductible taxes. Industrial production reflects the value added of the industries concerned.

The two non-energy commodity price indices shown in Table 3 in Section 5.1 are compiled with the same commodity coverage but using

two different weighting schemes: one based on the respective commodity imports of the euro area (columns 2-4), and the other (columns 5-7) based on estimated euro area domestic demand, or “use”, taking into account information on imports, exports and the domestic production of each commodity (ignoring for simplicity inventories, which are assumed to be relatively stable over the observed period). The import-weighted commodity price index is appropriate for analysing external developments, while the use-weighted index is suitable for the specific purpose of analysing international commodity price pressures on euro area inflation. The use-weighted commodity price indices are experimental data. For more details on compilation of the ECB commodity price indices, refer to Box 1 in the December 2008 issue of the Monthly Bulletin.

The labour cost indices (Table 5 in Section 5.1) measure the changes in labour costs per hour worked in industry (including construction) and market services. Their methodology is laid down in Regulation (EC) No 450/2003 of the European Parliament and of the Council of 27 February 2003 concerning the labour cost index<sup>7</sup> and in the implementing Commission Regulation (EC) No 1216/2003 of 7 July 2003.<sup>8</sup> A breakdown of hourly labour costs for the euro area is available by labour cost component (wages and salaries, and employers’ social contributions plus employment-related taxes paid by the employer less subsidies received by the employer) and by economic activity. The ECB calculates the indicator of negotiated wages (memo item in Table 3 of Section 5.1) on the basis of non-harmonised, national-definition data.

Unit labour cost components (Table 4 in Section 5.1), GDP and its components (Tables 1 and 2 in Section 5.2), GDP deflators (Table 3 in Section 5.1) and employment statistics (Table 1 in Section 5.3) are results of the ESA 95 quarterly national accounts.

4 OJ L 162, 5.6.1998, p. 1.

5 OJ L 393, 30.12.2006, p. 1

6 OJ L 155, 15.6.2007, p. 3.

7 OJ L 69, 13.3.2003, p. 1.

8 OJ L 169, 8.7.2003, p. 37.

Industrial new orders (Table 4 in Section 5.2) measure the orders received during the reference period and cover industries working mainly on the basis of orders – in particular the textile, pulp and paper, chemical, metal, capital goods and durable consumer goods industries. The data are calculated on the basis of current prices.

Indices for turnover in industry and for the retail trade (Table 4 in Section 5.2) measure the turnover, including all duties and taxes with the exception of VAT, invoiced during the reference period. Retail trade turnover covers all retail trade (excluding sales of motor vehicles and motorcycles), except automotive fuel. New passenger car registrations cover registrations of both private and commercial passenger cars. The series for the euro area excludes Cyprus and Malta.

Qualitative business and consumer survey data (Table 5 in Section 5.2) draw on the European Commission Business and Consumer Surveys.

Unemployment rates (Table 2 in Section 5.3) conform to International Labour Organization (ILO) guidelines. They refer to persons actively seeking work as a share of the labour force, using harmonised criteria and definitions. The labour force estimates underlying the unemployment rate are different from the sum of the employment and unemployment levels published in Section 5.3.

## GOVERNMENT FINANCE

Sections 6.1 to 6.5 show the general government fiscal position in the euro area. The data are mainly consolidated and are based on the ESA 95 methodology. The annual euro area aggregates in Sections 6.1 to 6.3 are compiled by the ECB on the basis of harmonised data provided by the NCBs, which are regularly updated. The deficit and debt data for the euro area countries may therefore differ from those used by the European Commission within the excessive deficit procedure. The quarterly euro area aggregates in Sections 6.4 and 6.5 are compiled by the ECB on the basis of Eurostat and national data.

Section 6.1 presents annual figures on general government revenue and expenditure on the basis of definitions laid down in Commission Regulation (EC) No 1500/2000 of 10 July 2000<sup>9</sup> amending the ESA 95. Section 6.2 shows details of general government gross consolidated debt at nominal value in line with the Treaty provisions on the excessive deficit procedure. Sections 6.1 and 6.2 include summary data for the individual euro area countries owing to their importance in the framework of the Stability and Growth Pact. The deficits/surpluses presented for the individual euro area countries correspond to excessive deficit procedure B.9, as defined by Commission Regulation (EC) No 351/2002 of 25 February 2002 amending Council Regulation (EC) No 3605/93 as regards references to the ESA 95. Section 6.3 presents changes in general government debt. The difference between the change in the government debt and the government deficit – the deficit-debt adjustment – is mainly explained by government transactions in financial assets and by foreign exchange valuation effects. Section 6.4 presents quarterly figures on general government revenue and expenditure on the basis of definitions laid down in Regulation (EC) No 1221/2002 of the European Parliament and of the Council of 10 June 2002 on quarterly non-financial accounts for general government<sup>10</sup>. Section 6.5 presents quarterly figures on gross consolidated government debt, the deficit-debt adjustment and the government borrowing requirement. These figures are compiled using data provided by the Member States under Regulations (EC) No 501/2004 and No 222/2004 and data provided by the NCBs.

## EXTERNAL TRANSACTIONS AND POSITIONS

The concepts and definitions used in balance of payments (b.o.p.) and international investment position (i.i.p.) statistics (Sections 7.1 to 7.4) are generally in line with the IMF Balance of Payments Manual (fifth edition, October 1993), the ECB Guideline of 16 July 2004 on the statistical reporting requirements of the ECB

<sup>9</sup> OJ L 172, 12.7.2000, p. 3.

<sup>10</sup> OJ L 179, 9.7.2002, p. 1.

(ECB/2004/15)<sup>11</sup> and the amending ECB Guideline of 31 May 2007 (ECB/2007/3)<sup>12</sup>. Additional references about the methodologies and sources used in the euro area b.o.p. and i.i.p. statistics can be found in the ECB publication entitled “European Union balance of payments/international investment position statistical methods” (May 2007), and in the following Task Force reports: “Portfolio investment collection systems” (June 2002), “Portfolio investment income” (August 2003) and “Foreign direct investment” (March 2004), all of which can be downloaded from the ECB’s website. In addition, the report by the ECB/European Commission (Eurostat) Task Force on Quality of balance of payments and international investment position statistics (June 2004) is available on the website of the Committee on Monetary, Financial and Balance of Payments Statistics ([www.cmfb.org](http://www.cmfb.org)). The annual quality report on the euro area b.o.p./i.i.p., which is based on the Task Force’s recommendations, is available on the ECB’s website.

The tables in Sections 7.1 and 7.4 follow the sign convention in the IMF Balance of Payments Manual, i.e. surpluses in the current account and in the capital account have a plus sign, while in the financial account a plus sign denotes an increase in liabilities or a decrease in assets. In the tables in Section 7.2, both credit and debit transactions are presented with a plus sign. Furthermore, starting with the February 2008 issue of the Monthly Bulletin, the tables in Section 7.3 have been restructured in order to allow the data on balance of payments, the international investment position and related growth rates to be presented together; in the new tables, transactions in assets and liabilities that correspond to increases in positions are shown with a plus sign.

The euro area b.o.p. is compiled by the ECB. Recent monthly figures should be regarded as provisional. Data are revised when figures for the following month and/or the detailed quarterly b.o.p. are published. Earlier data are revised periodically, or as a result of methodological changes in the compilation of the source data.

In Section 7.2, Table 1 also contains seasonally adjusted data for the current account. Where appropriate, the adjustment also covers working-day, leap-year and/or Easter effects. Table 3 in Section 7.2 and Table 8 in Section 7.3 present a breakdown of the euro area b.o.p. and i.i.p. vis-à-vis main partner countries individually or as a group, distinguishing between EU Member States outside the euro area and countries or areas outside the European Union. The breakdown also shows transactions and positions vis-à-vis EU institutions (which, apart from the ECB, are treated statistically as outside the euro area, regardless of their physical location) and, for some purposes, also offshore centres and international organisations. The breakdown does not cover transactions or positions in portfolio investment liabilities, financial derivatives and international reserves. In addition, separate data are not provided for investment income payable to Brazil, mainland China, India and Russia. The geographical breakdown is described in the article entitled “Euro area balance of payments and international investment position vis-à-vis main counterparts” in the February 2005 issue of the Monthly Bulletin.

The data on the euro area b.o.p. financial account and i.i.p. in Section 7.3 are based on transactions and positions vis-à-vis non-residents of the euro area, considering the euro area as a single economic entity (see also Box 9 in the December 2002 issue of the Monthly Bulletin, Box 5 in the January 2007 issue of the Monthly Bulletin and Box 6 in the January 2008 issue of the Monthly Bulletin). The i.i.p. is valued at current market prices, with the exception of direct investment, where book values are used for unquoted shares, and other investments (e.g. loans and deposits). The quarterly i.i.p. is compiled on the basis of the same methodological framework as the annual i.i.p. As some data sources are not available on a quarterly basis (or are available with a delay), the quarterly i.i.p. is partly estimated on the basis of financial transactions, asset prices and foreign exchange developments.

11 OJ L 354, 30.11.2004, p. 34.

12 OJ L 159, 20.6.2007, p. 48.

Table 1 in Section 7.3 summarises the i.i.p. and financial transactions in the euro area b.o.p. The breakdown of the change in the annual i.i.p. is obtained by applying a statistical model to the i.i.p. changes other than transactions with information from the geographical breakdown and currency composition of assets and liabilities, as well as price indices for different financial assets. In this table, Columns 5 and 6 refer to direct investment by resident units abroad and direct investment by non-resident units in the euro area.

In Table 5 in Section 7.3, the breakdown into “loans” and “currency and deposits” is based on the sector of the non-resident counterpart, i.e. assets vis-à-vis non-resident banks are classified as deposits, whereas assets vis-à-vis other non-resident sectors are classified as loans. This breakdown follows the distinction made in other statistics, such as the MFI consolidated balance sheet, and conforms to the IMF Balance of Payments Manual.

The outstanding amounts of the Eurosystem’s international reserves and related assets and liabilities are shown in Section 7.3, Table 7. These figures are not fully comparable with those of the Eurosystem’s weekly financial statement owing to differences in coverage and valuation. The data in Table 7 are in line with the recommendations for the template on international reserves and foreign currency liquidity. Changes in the gold holdings of the Eurosystem (column 3) are due to transactions in gold within the terms of the Central Bank Gold Agreement of 26 September 1999, which was updated on 8 March 2004. More information on the statistical treatment of the Eurosystem’s international reserves can be found in a publication entitled “Statistical treatment of the Eurosystem’s international reserves” (October 2000), which can be downloaded from the ECB’s website. The website also contains more comprehensive data in accordance with the template on international reserves and foreign currency liquidity.

Section 7.4 contains a monetary presentation of the euro area balance of payments, in which

the balance of payments transactions mirror the transactions in the external counterpart to M3. In portfolio investment liabilities (Columns 5 and 6), the transactions include sales and purchases of equity and debt securities issued by MFIs in the euro area, excluding shares of money market funds and debt securities with a maturity of up to two years. A methodological note on the monetary presentation of the euro area balance of payments is available in the “Statistics” section of the ECB’s website. See also Box 1 in the June 2003 issue of the Monthly Bulletin.

Section 7.5 shows data on euro area external trade in goods. The source is Eurostat. Value data and volume indices are seasonally and working day-adjusted. The breakdown by product group in columns 4 to 6 and 9 to 11 of Table 1 in Section 7.5 is in line with the classification by Broad Economic Categories and corresponds to the basic classes of goods in the System of National Accounts. Manufactured goods (columns 7 and 12) and oil (column 13) are in line with the SITC Rev. 4 definition. The geographical breakdown (Table 3 in Section 7.5) shows main trading partners individually or in regional groups. China excludes Hong Kong. On account of differences in definitions, classification, coverage and time of recording, external trade data, in particular for imports, are not fully comparable with the goods item in the b.o.p. statistics (Sections 7.1 and 7.2). Part of the difference arises from the inclusion of insurance and freight services in the recording of goods imported in external trade data.

Industrial import prices and industrial producer export prices (or industrial output prices for the non-domestic market) shown in Table 2 in Section 7.5 were introduced by Regulation (EC) No 1158/2005 of the European Parliament and of the Council of 6 July 2005 amending Council Regulation (EC) No 1165/98, which is the principal legal basis for short-term statistics. The industrial import price index covers industrial products imported from outside the euro area under sections B to E of the Statistical Classification of Products by Activity in the European Economic Community (CPA) and

all institutional sectors of the importers except households, governments and non-profit institutions. It reflects the cost, insurance and freight (c.i.f.) price excluding import duties and taxes, and refers to the actual transactions in euro recorded at the point when ownership of the goods is being transferred. The industrial producer export prices cover all industrial products exported directly by euro area producers to the extra-euro area market under sections B to E of NACE Revision 2. Exports from wholesalers and re-exports are not covered. The indices reflect the free on board (f.o.b.) price expressed in euro and calculated at the euro area frontiers, including any indirect taxes except VAT and other deductible taxes. Industrial import prices and industrial producer export prices are available by Main Industrial Groupings (MIGs) as defined by Commission Regulation (EC) No 656/2007 of 14 June 2007. For more details, refer to Box 11 in the December 2008 issue of the Monthly Bulletin.

## EXCHANGE RATES

Section 8.1 shows nominal and real effective exchange rate (EER) indices for the euro, calculated by the ECB on the basis of weighted averages of bilateral exchange rates of the euro against the currencies of the euro area's trading partners. A positive change denotes an appreciation of the euro. Weights are based on trade in manufactured goods with the trading partners in the periods 1995-1997 and 1999-2001, and are calculated to account for third-market effects. The EER indices result from the linking at the beginning of 1999 of the indices based on 1995-1997 weights to those based on 1999-2001 weights. The EER-21 group of trading partners is composed of the 11 non-euro area EU Member States plus Australia, Canada, China, Hong Kong, Japan, Norway, Singapore, South Korea, Switzerland and the United States. The EER-41 group includes the EER-21 and the following countries: Algeria, Argentina, Brazil, Chile, Croatia, Iceland, India, Indonesia, Israel, Malaysia, Mexico, Morocco, New Zealand, the Philippines,

Russia, South Africa, Taiwan, Thailand, Turkey and Venezuela. Real EERs are calculated using consumer price indices, producer price indices, gross domestic product deflators, unit labour costs in manufacturing and unit labour costs in the total economy.

For more detailed information on the calculation of the EERs, see Box 8 entitled "The effective exchange rates of the euro following the recent euro area and EU enlargements" in the March 2007 issue of the Monthly Bulletin and the ECB's Occasional Paper No 2 ("The effective exchange rates of the euro" by Luca Buldorini, Stelios Makrydakis and Christian Thimann, February 2002), which can be downloaded from the ECB's website.

The bilateral rates shown in Section 8.2 are monthly averages of those published daily as reference rates for these currencies. The reference rate of the Indian rupee vis-à-vis the euro has been inserted for the first time in column 26. However data prior to 1 January 2009 are to be considered as indicative rates

## DEVELOPMENTS OUTSIDE THE EURO AREA

Statistics on other EU Member States (Section 9.1) follow the same principles as those for data relating to the euro area. The data for the United States and Japan contained in Section 9.2 are obtained from national sources.



## ANNEXES

# CHRONOLOGY OF MONETARY POLICY MEASURES OF THE EUROSISTEM<sup>1</sup>



### 11 JANUARY AND 8 FEBRUARY 2007

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 3.50%, 4.50% and 2.50% respectively.

### 8 MARCH 2007

The Governing Council of the ECB decides to increase the minimum bid rate on the main refinancing operations by 25 basis points to 3.75%, starting from the operation to be settled on 14 March 2007. In addition, it decides to increase the interest rates on both the marginal lending facility and the deposit facility by 25 basis points, to 4.75% and 2.75%, both with effect from 14 March 2007.

### 12 APRIL AND 10 MAY 2007

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 3.75%, 4.75% and 2.75% respectively.

### 6 JUNE 2007

The Governing Council of the ECB decides to increase the minimum bid rate on the main refinancing operations by 25 basis points to 4%, starting from the operation to be settled on 13 June 2007. In addition, it decides to increase by 25 basis points the interest rates on both the marginal lending facility and the deposit facility, to 5% and 3% respectively, with effect from 13 June 2007.

### 5 JULY, 2 AUGUST, 6 SEPTEMBER, 4 OCTOBER, 8 NOVEMBER AND 6 DECEMBER 2007, AND 10 JANUARY, 7 FEBRUARY, 6 MARCH, 10 APRIL, 8 MAY AND 5 JUNE 2008

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 4.00%, 5.00% and 3.00% respectively.

### 3 JULY 2008

The Governing Council of the ECB decides to increase the minimum bid rate on the main refinancing operations by 25 basis points to 4.25%, starting from the operation to be settled on 9 July 2008. In addition, it decides to increase by 25 basis points the interest rates on both the marginal lending facility and the deposit facility, to 5.25% and 3.25% respectively, with effect from 9 July 2008.

### 7 AUGUST, 4 SEPTEMBER AND 2 OCTOBER 2008

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 4.25%, 5.25% and 3.25% respectively.

### 8 OCTOBER 2008

The Governing Council of the ECB decides to decrease the minimum bid rate on the main refinancing operations by 50 basis points to 3.75%, starting from the operations to be settled on 15 October 2008. In addition, it decides to decrease by 50 basis points the interest rates on

<sup>1</sup> The chronology of monetary policy measures taken by the Eurosystem between 1999 and 2006 can be found in the ECB's Annual Report for the respective years.

both the marginal lending facility and the deposit facility, to 4.75% and 2.75% respectively, with immediate effect. Moreover, the Governing Council decides that, as from the operation settled on 15 October, the weekly main refinancing operations will be carried out through a fixed-rate tender procedure with full allotment at the interest rate on the main refinancing operation. Furthermore, as of 9 October, the ECB will reduce the corridor of standing facilities from 200 basis points to 100 basis points around the interest rate on the main refinancing operation. The two measures will remain in place for as long as needed, and at least until the end of the first maintenance period of 2009, on 20 January.

#### **15 OCTOBER 2008**

The Governing Council of the ECB decides to further expand the collateral framework and enhance the provision of liquidity. To do so, the Governing Council decides: (i) to expand the list of assets eligible as collateral in Eurosystem credit operations, with this expansion remaining in force until the end of 2009, (ii) to enhance the provision of longer-term refinancing, with effect from 30 October 2008 and until the end of the first quarter of 2009, and (iii) to provide US dollar liquidity through foreign exchange swaps.

#### **6 NOVEMBER 2008**

The Governing Council of the ECB decides to decrease the interest rate on the main refinancing operations by 50 basis points to 3.25%, starting from the operations to be settled on 12 November 2008. In addition, it decides to decrease by 50 basis points the interest rates on both the marginal lending facility and the deposit facility, to 3.75% and 2.75% respectively, with effect from 12 November 2008.

#### **4 DECEMBER 2008**

The Governing Council of the ECB decides to decrease the interest rate on the main refinancing

operations of the Eurosystem by 75 basis points to 2.50%, starting from the operations to be settled on 10 December 2008. In addition, it decides to decrease by 75 basis points the interest rates on both the marginal lending and the deposit facility to 3.00% and 2.00% respectively, with effect from 10 December 2008.

#### **18 DECEMBER 2008**

The Governing Council of the ECB decides that the main refinancing operations will continue to be carried out through a fixed rate tender procedure with full allotment beyond the maintenance period ending on 20 January 2009. This measure will be in place for as long as needed, and at least until the last allotment of the third maintenance period in 2009 on 31 March. Moreover, as of 21 January 2009, the corridor of standing facility rates, which on 9 October 2008 was reduced to 100 basis points around the prevailing interest rate of the main refinancing operation, will be re-widened symmetrically to 200 basis points.

#### **15 JANUARY 2009**

The Governing Council of the ECB decides to decrease the interest rate on the main refinancing operations by 50 basis points to 2.00%, starting from the operations to be settled on 21 January 2009. In addition, it decides that the interest rates on the marginal lending and the deposit facility will be 3.00% and 1.00% respectively, with effect from 21 January 2009, in line with the decision of 18 December 2008.

#### **5 FEBRUARY 2009**

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.00%, 3.00% and 1.00% respectively.

**5 MARCH 2009**

The Governing Council of the ECB decides to decrease the interest rate on the main refinancing operations by 50 basis points to 1.50%, starting from the operations to be settled on 11 March 2009. In addition, it decides that the interest rates on the marginal lending and the deposit facility will be 2.50% and 0.50% respectively, with effect from 11 March 2009.

Moreover, the Governing Council decides to continue the fixed rate tender procedure with full allotment for all main refinancing operations, special-term refinancing operations and supplementary and regular longer-term refinancing operations for as long as needed, and in any case beyond the end of 2009. In addition, the Governing Council decides to continue with the current frequency and maturity profile of supplementary longer-term refinancing operations and special-term refinancing operations for as long as needed, and in any case beyond the end of 2009.

**2 APRIL 2009**

The Governing Council of the ECB decides to decrease the interest rate on the main refinancing operations by 25 basis points to 1.25%, starting from the operations to be settled on 8 April 2009. In addition, it decides that the interest rates on the marginal lending and the deposit facility will be 2.25% and 0.25% respectively, with effect from 8 April 2009.

**7 MAY 2009**

The Governing Council of the ECB decides to decrease the interest rate on the main refinancing operations by 25 basis points to 1.00%, starting from the operation to be settled on 13 May 2009. In addition, it decides to decrease the interest rate on the marginal lending facility by 50 basis points to 1.75% with effect from 13 May 2009, and to leave the interest rate on the deposit facility unchanged at 0.25%.

In addition, the Governing Council of the ECB decides to proceed with its enhanced credit support approach. In particular, it decides that the Eurosystem will conduct liquidity-providing longer-term refinancing operations with a maturity of one year as fixed rate tender procedure with full allotment. In addition, it decides in principle that the Eurosystem will purchase euro-denominated covered bonds issued in the euro area.

**4 JUNE 2009**

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 1.00%, 1.75% and 0.25% respectively. In addition, the Governing Council of the ECB decides upon the technical modalities related to the purchase of euro-denominated covered bonds issued in the euro area decided on 7 May 2009.







## DOCUMENTS PUBLISHED BY THE EUROPEAN CENTRAL BANK SINCE 2008

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“Annual Report 2008”, April 2009.

### CONVERGENCE REPORT

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### MONTHLY BULLETIN SPECIAL EDITION

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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.europa.eu/home/glossary/html/index.en.html](http://www.ecb.europa.eu/home/glossary/html/index.en.html)).

**Autonomous liquidity factors:** liquidity factors that do not normally stem from the use of monetary policy instruments. Such factors are, for example, banknotes in circulation, government deposits with the central bank and the net foreign assets of the central bank.

**Balance of payments (b.o.p.):** a statistical statement that summarises, for a specific period of time, the economic transactions of an economy with the rest of the world.

**Bank lending survey (BLS):** a quarterly survey on lending policies that has been conducted by the Eurosystem since January 2003. It addresses qualitative questions on developments in credit standards, terms and conditions of loans and loan demand for both enterprises and households to a predefined sample group of banks in the euro area.

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

**Capital account:** a b.o.p. account that covers all capital transfers and acquisitions/disposals of non-produced, non-financial assets between residents and non-residents.

**Capital accounts:** part of the system of national (or euro area) accounts consisting of the change in net worth that is due to net saving, net capital transfers and net acquisitions of non-financial assets.

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

**Compensation per employee or per hour worked:** the total remuneration, in cash or in kind, that is payable by employers to employees, i.e. gross wages and salaries, as well as bonuses, overtime payments and employers' social security contributions, divided by the total number of employees or by the total number of employees' hours worked.

**Consolidated balance sheet of the MFI sector:** a balance sheet obtained by netting out inter-MFI positions (e.g. inter-MFI loans and deposits) in the aggregated MFI balance sheet. It provides statistical information on the MFI sector's assets and liabilities vis-à-vis residents of the euro area not belonging to this sector (i.e. the general government and other euro area residents) and vis-à-vis non-euro area residents. It is the main statistical source for the calculation of monetary aggregates, and it provides the basis for the regular analysis of the counterparts of M3.

**Current account:** a b.o.p. account that covers all transactions in goods and services, income and current transfers between residents and non-residents.

**Debt (financial accounts):** loans, deposit liabilities, debt securities issued and pension fund reserves of non-financial corporations (resulting from employers' direct pension commitments on behalf of their employees), valued at market value at the end of the period.

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

**Debt security:** a promise on the part of the issuer (i.e. the borrower) to make one or more payment(s) to the holder (the lender) on a specified future date or dates. Such securities usually carry a specific rate of interest (the coupon) and/or are sold at a discount to the amount that will be repaid at maturity. Debt securities issued with an original maturity of more than one year are classified as long-term.

**Debt-to-GDP ratio (general government):** the ratio of general government debt to GDP at current market prices. It is the subject of one of the fiscal criteria laid down in Article 104(2) of the Treaty establishing the European Community to define the existence of an excessive deficit.

**Deficit (general government):** the general government's net borrowing, i.e. the difference between total government revenue and total government expenditure.

**Deficit-debt adjustment (general government):** the difference between the general government deficit and the change in general government debt.

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

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

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

**Direct investment:** cross-border investment for the purpose of obtaining a lasting interest in an enterprise resident in another economy (assumed, in practice, for ownership of at least 10% of the ordinary shares or voting power). Included are equity capital, reinvested earnings and other capital associated with inter-company operations. The direct investment account records net transactions/positions in assets abroad by euro area residents (as "direct investment abroad") and net transactions/positions in euro area assets by non-residents (as "direct investment in the euro area").

**Effective exchange rates (EERs) of the euro (nominal/real):** weighted averages of bilateral euro exchange rates against the currencies of the euro area's main trading partners. The nominal EER indices for the euro are calculated against two groups of trading partners: the EER-21 (comprising the 11 non-euro area EU Member States and 10 trading partners outside the EU) and the EER-41 (composed of the EER-21 and 20 additional countries). The weights used reflect the share of each partner country in euro area trade and account for competition in third markets. Real EERs are nominal EERs deflated by a weighted average of foreign, relative to domestic, prices or costs. They are thus measures of price and cost competitiveness.

**EONIA (euro overnight index average):** a measure of the effective interest rate prevailing in the euro interbank overnight market. It is calculated as a weighted average of the interest rates on unsecured overnight lending transactions denominated in euro, as reported by a panel of contributing banks.

**Equities:** securities representing ownership of a stake in a corporation. They comprise shares traded on stock exchanges (quoted shares), unquoted shares and other forms of equity. Equities usually produce income in the form of dividends.

**ERM II (exchange rate mechanism II):** the exchange rate arrangement that provides the framework for exchange rate policy cooperation between the euro area countries and the EU Member States not participating in Stage Three of EMU.

**EURIBOR (euro interbank offered rate):** the rate at which a prime bank is willing to lend funds in euro to another prime bank, computed daily for interbank deposits with different maturities of up to 12 months.

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

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

**Eurosystem:** the central banking system made up of the ECB and the NCBs of those EU Member States that have already adopted the euro.

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

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

**Financial account:** a b.o.p. account that covers transactions between residents and non-residents in direct investment, portfolio investment, other investment, financial derivatives and reserve assets.

**Financial accounts:** part of the system of national (or euro area) accounts showing the financial positions (stocks or balance sheets), financial transactions and other changes of the different institutional sectors of an economy by type of financial asset.

**Fixed rate tender:** a tender procedure in which the interest rate is specified in advance by the central bank and in which participating counterparties bid the amount of money they wish to transact at the fixed interest rate.

**General government:** a sector defined in the ESA 95 as comprising resident entities that are engaged primarily in the production of non-market goods and services intended for individual and collective consumption and/or in the redistribution of national income and wealth. Included are central, regional and local government authorities as well as social security funds. Excluded are government-owned entities that conduct commercial operations, such as public enterprises.

**Gross domestic product (GDP):** the value of an economy's total output of goods and services less intermediate consumption, plus net taxes on products and imports. GDP can be broken down by output, expenditure or income components. The main expenditure aggregates that make up GDP are household final consumption, government final consumption, gross fixed capital formation, changes in inventories, and imports and exports of goods and services (including intra-euro area trade).

**Harmonised Index of Consumer Prices (HICP):** a measure of the development of consumer prices that is compiled by Eurostat and harmonised for all EU Member States.

**Hourly labour cost index:** a measure of labour costs, including gross wages and salaries (in cash and in kind, including bonuses) and other labour costs (employers' social contributions plus employment-related taxes paid by the employer minus subsidies received by the employer), per hour actually worked (including overtime).

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

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

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

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

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

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

**International investment position (i.i.p.):** the value and composition of an economy's outstanding net financial claims on (or financial liabilities to) the rest of the world.

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

**Investment funds (except money market funds):** financial institutions that pool capital raised from the public and invest it in financial and non-financial assets. See also **MFIs**.

**Job vacancies:** a collective term covering newly created jobs, unoccupied jobs or jobs about to become vacant in the near future, for which the employer has recently taken active steps to find a suitable candidate.

**Key ECB interest rates:** the interest rates, set by the Governing Council, which reflect the monetary policy stance of the ECB. They are the rates at the main refinancing operations, on the marginal lending facility and on the deposit facility.

**Labour force:** the sum total of persons in employment and the number of unemployed.

**Labour productivity:** the output that can be produced with a given input of labour. It can be measured in several ways, but is commonly measured as GDP (volume) divided by either total employment or total hours worked.

**Longer-term refinancing operation:** a regular open market operation executed by the Eurosystem in the form of reverse transactions. Such operations are carried out through a monthly standard tender and normally have a maturity of three months.

**M1:** a narrow monetary aggregate that comprises currency in circulation plus overnight deposits held with MFIs and central government (e.g. at the post office or treasury).

**M2:** an intermediate monetary aggregate that comprises M1 plus deposits redeemable at a period of notice of up to and including three months (i.e. short-term savings deposits) and deposits with an agreed maturity of up to and including two years (i.e. short-term time deposits) held with MFIs and central government.

**M3:** a broad monetary aggregate that comprises M2 plus marketable instruments, in particular repurchase agreements, money market fund shares and units, and debt securities with a maturity of up to and including two years issued by MFIs.

**Main refinancing operation:** a regular open market operation executed by the Eurosystem in the form of reverse transactions. Such operations are carried out through a weekly standard tender and normally have a maturity of one week.

**Marginal lending facility:** a standing facility of the Eurosystem which counterparties may use to receive overnight credit from an NCB at a pre-specified interest rate against eligible assets.

**MFI credit to euro area residents:** MFI loans granted to non-MFI euro area residents (including general government and the private sector) and MFI holdings of securities (shares, other equity and debt securities) issued by non-MFI euro area residents.

**MFI interest rates:** the interest rates that are applied by resident credit institutions and other MFIs, excluding central banks and money market funds, to euro-denominated deposits and loans vis-à-vis households and non-financial corporations resident in the euro area.

**MFI longer-term financial liabilities:** deposits with an agreed maturity of over two years, deposits redeemable at a period of notice of over three months, debt securities issued by euro area MFIs with an original maturity of more than two years and the capital and reserves of the euro area MFI sector.

**MFI net external assets:** the external assets of the euro area MFI sector (such as gold, foreign currency banknotes and coins, securities issued by non-euro area residents and loans granted to non-euro area residents) minus the external liabilities of the euro area MFI sector (such as non-euro area residents' deposits and repurchase agreements, as well as their holdings of money market fund shares/units and debt securities issued by MFIs with a maturity of up to and including two years).

**MFIs (monetary financial institutions):** financial institutions which together form the money-issuing sector of the euro area. These include the Eurosystem, resident credit institutions (as defined in Community law) and all other resident financial institutions whose business is to receive deposits and/or close substitutes for deposits from entities other than MFIs and, for their own account (at least in economic terms), to grant credit and/or invest in securities. The latter group consists predominantly of money market funds, i.e. funds that invest in short-term and low-risk instruments usually with a maturity of one year or less.

**Minimum bid rate:** the lower limit to the interest rates at which counterparties may submit bids in the variable tenders.

**Other investment:** an item in the b.o.p. and the i.i.p. that covers the financial transactions/positions with non-residents in trade credits, deposits and loans, and other accounts receivable and payable.

**Portfolio investment:** euro area residents' net transactions and/or positions in securities issued by non-residents of the euro area ("assets") and non-residents' net transactions and/or positions in securities issued by euro area residents ("liabilities"). Included are equity securities and debt securities (bonds and notes, and money market instruments). Transactions are recorded at the effective price paid or received, less commissions and expenses. To be regarded as a portfolio asset, ownership in an enterprise must be equivalent to less than 10% of the ordinary shares or voting power.

**Price stability:** the maintenance of price stability is the primary objective of the Eurosystem. The Governing Council defines price stability as a year-on-year increase in the HICP for the euro area of below 2%. The Governing Council has also made it clear that, in the pursuit of price stability, it aims to maintain inflation rates below, but close to, 2% over the medium term.

**Purchasing power parity (PPP):** the rate at which one currency is converted into another so as to equalise the purchasing power of the two currencies by eliminating the differences in the price levels prevailing in the countries concerned. In their simplest form, PPPs show the ratio of the prices in national currency of the same good or service in different countries.

**Reference value for M3 growth:** the annual growth rate of M3 over the medium term that is consistent with the maintenance of price stability. At present, the reference value for annual M3 growth is 4½%.

**Reserve requirement:** the minimum amount of reserves a credit institution is required to hold with the Eurosystem over a predefined maintenance period. Compliance with the requirement

is determined on the basis of the average of the daily balances in the reserve accounts over the maintenance period.

**Survey of Professional Forecasters (SPF):** a quarterly survey that has been conducted by the ECB since 1999 to collect macroeconomic forecasts on euro area inflation, real GDP growth and unemployment from a panel of experts affiliated to financial and non-financial organisations based in the EU.

**Unit labour costs:** a measure of total labour costs per unit of output calculated for the euro area as the ratio of total compensation per employee to labour productivity (defined as GDP (volume) per person employed).

**Variable rate tender:** a tender procedure where the counterparties bid both the amount of money they wish to transact with the central bank and the interest rate at which they wish to enter into the transaction.

**Write-down:** a downward adjustment to the value of loans recorded in the balance sheets of MFIs when it is recognised that the loans have become partly unrecoverable.

**Write-off:** the removal of the value of loans from the balance sheets of MFIs when the loans are considered to be totally unrecoverable.

**Yield curve:** a graphical representation of the relationship between the interest rate or yield and the residual maturity at a given point in time for sufficiently homogenous debt securities with different maturity dates. The slope of the yield curve can be measured as the difference between the interest rates or yield at two selected maturities.







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