EN

EUROPEAN CENTRAL BANK

EUROSYSTEM

MONTHLY BULLETIN 03 | 2010

MONTHLY BULLETIN
MARCH

01 | 2010
02 | 2010
03 | 2010
04 | 2010
05 | 2010
06 | 2010
07 | 2010
08 | 2010
09 | 2010
10 | 2010
11 | 2010
12 | 2010

EUROPEAN CENTRAL BANK

EUROPEAN CENTRAL BANK

EUROSYSTEM

In 2010 all ECB publications feature a motif taken from the €500 banknote.

MONTHLY BULLETIN
MARCH 2010

© European Central Bank, 2010

Address
Kaiserstrasse 29
60311 Frankfurt am Main
Germany

Postal address
Postfach 16 03 19
60066 Frankfurt am Main
Germany

Telephone
+49 69 1344 0

Website
http://www.ecb.europa.eu

Fax
+49 69 1344 6000

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

All rights reserved. Reproduction for educational and non-commercial purposes is permitted provided that the source is acknowledged.

The cut-off date for the statistics included in this issue was 3 March 2010.

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

CONTENTS

EDITORIAL 5

ECONOMIC AND MONETARY DEVELOPMENTS

The external environment of the euro area 9
Monetary and financial developments 18
Prices and costs 54
Output, demand and the labour market 65
Fiscal developments 83
Exchange rate and balance of payments developments 91

Boxes:

1 Oil capacity investment and the economic downturn 15
2 The impact of "bad banks" on MFI balance sheet statistics 23
3 Liquidity conditions and monetary policy operations in the period from 11 November 2009 to 9 February 2010 32
4 The results of the "Survey on the access to finance of small and medium-sized enterprises in the euro area: second half of 2009" 43
5 Recent developments in consumers' and professionals' inflation expectations in the euro area 57
6 The carry-over effect on annual average real GDP growth 66
7 Compilation, usefulness and recent developments in the euro area consumer confidence indicator 69
8 ECB staff macroeconomic projections for the euro area 79
9 Fiscal sustainability challenges in the euro area 88
10 Carry trades and exchange rates 93

EURO AREA STATISTICS S1

ANNEXES

Chronology of monetary policy measures of the Eurosystem I
Documents published by the European Central Bank since 2009 V
Glossary XI

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

EDITORIAL

Based on its regular economic and monetary analyses, the Governing Council decided at its meeting on 4 March 2010 to leave the key ECB interest rates unchanged. The current rates remain appropriate. Taking into account all the information and analyses that have become available since the Governing Council meeting on 4 February 2010, price developments are expected to remain subdued over the policy-relevant horizon. The latest information has also confirmed that the economic recovery in the euro area is on track, although it is likely to remain uneven. Overall, the Governing Council expects the euro area economy to grow at a moderate pace in 2010, in an environment marked by continued uncertainty. The outcome of the monetary analysis confirms the assessment of low inflationary pressures over the medium term. All in all, the Governing Council expects price stability to be maintained over the medium term, thereby supporting the purchasing power of euro area households. Inflation expectations remain firmly anchored in line with the aim of keeping inflation rates below, but close to, 2% over the medium term.

At its meeting on 4 March the Governing Council also discussed, in view of economic and financial market developments, how to proceed with the gradual phasing-out of its non-standard operational measures. In this respect, it was decided to continue conducting both the main refinancing operations (MROs) and the special-term refinancing operations with a maturity of one maintenance period as fixed rate tender procedures with full allotment for as long as necessary – and at least until the end of this year's ninth maintenance period on 12 October 2010. In the case of the special-term refinancing operations, the fixed rate will be the same as the rate used in the respective MRO. The Governing Council also decided to return to variable rate tender procedures in the regular three-month longer-term refinancing operations (LTROs), starting with the operation to be allotted on 28 April 2010. Allotment amounts in these operations will be set with the aim of ensuring smooth conditions in money markets and avoiding any significant spreads between bid rates and the prevailing MRO rate. Furthermore, the Governing Council decided, in line with its decision on the 12-month LTRO of 16 December 2009, to fix the rate in the six-month LTRO to be allotted on 31 March 2010 at the average minimum bid rate of the MROs over the life of this operation.

With these decisions, the Eurosystem continues to provide liquidity support to the banking system of the euro area at very favourable conditions, thereby facilitating the provision of credit to the euro area. At the same time, these decisions help to avoid distortions associated with maintaining non-standard measures for longer than needed. The Governing Council will continue to implement the gradual phasing-out of the extraordinary liquidity measures. In order to counter effectively any threat to price stability over the medium to longer term, the liquidity provided will be absorbed when necessary. Accordingly, the Governing Council will continue to monitor very closely all developments over the period ahead.

Turning to the economic analysis, over recent quarters, the euro area has continued to benefit from the significant macroeconomic stimulus provided and the measures adopted to restore the functioning of the banking system, as well as from the ongoing recovery in the world economy. According to Eurostat's first release, in quarter-on-quarter terms euro area real GDP increased by 0.1% in the fourth quarter of 2009, after growing by 0.4% in the third quarter. Available indicators suggest that the economic recovery in the euro area is on track, although it is likely to remain uneven. In particular, a number of special factors are at play, including adverse weather conditions in parts of the euro area in the first quarter of 2010. Given this uneven pattern, it is more appropriate to look through the quarterly volatility and to compare growth developments on a half-yearly basis. Looking ahead, the Governing Council expects real GDP growth to remain moderate in 2010, owing to the ongoing process of balance sheet adjustment in various sectors and the expectation that low capacity utilisation is likely to dampen

investment and that consumption is being dampened by weak labour market prospects.

This assessment is also reflected in the March 2010 ECB staff macroeconomic projections for the euro area, which foresee annual real GDP growth in a range between 0.4% and 1.2% for 2010 and between 0.5% and 2.5% for 2011. Compared with the Eurosystem staff projections published in December 2009, the range for real GDP growth in 2010 is slightly narrower, while for 2011 the range has been revised slightly upwards, reflecting notably stronger activity worldwide.

The Governing Council continues to view the risks to this outlook as broadly balanced, in an environment marked by continued uncertainty. On the upside, confidence may improve more than expected, and both the global economy and foreign trade may recover more strongly than projected. Furthermore, there may be larger than anticipated effects stemming from the extensive macroeconomic stimulus being provided and from other policy measures taken. On the downside, concerns remain relating to a stronger or more protracted than expected negative feedback loop between the real economy and the financial sector, renewed increases in oil and other commodity prices, the intensification of protectionist pressures and renewed tensions in some financial market segments, as well as the possibility of a disorderly correction of global imbalances.

With regard to price developments, euro area annual HICP inflation was 0.9% in February 2010, according to Eurostat's flash estimate, after 1.0% in January. Inflation is expected to be around 1% in the near term and to remain moderate over the policy-relevant horizon. In line with a slow recovery in domestic and foreign demand, overall price, cost and wage developments are expected to stay subdued. In this context, it is important to emphasise that 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.

This assessment is also reflected in the March 2010 ECB staff macroeconomic projections for the euro area, which foresee annual HICP inflation in a range between 0.8% and 1.6% for 2010 and between 0.9% and 2.1% for 2011. Compared with the Eurosystem staff projections published in December 2009, the range for 2010 has been adjusted marginally downwards, while the range for 2011 has been adjusted slightly upwards.

Risks to this outlook remain broadly balanced. They relate, in particular, to further developments in economic activity and the evolution of commodity prices. Furthermore, increases in indirect taxation and administered prices may be greater than currently expected, owing to the need for fiscal consolidation in the coming years.

Turning to the monetary analysis, the annual growth rate of M3 turned slightly positive in January 2010, rising to 0.1%. This reflects mainly a base effect and confirms the assessment of continued weak monetary growth. Together with the negative annual rate of growth in loans to the private sector (equal to -0.6% in January 2010), the latest data support the Governing Council's assessment that the underlying pace of monetary expansion is moderate and that, in the medium term, the inflationary pressures associated with monetary developments are low. The growth of M3 and loans to the private sector is likely to remain weak also in the coming months.

At the same time, actual monetary developments are likely to be weaker than the underlying pace of monetary expansion, on account of the downward impact of the steep yield curve. This fosters the allocation of funds away from M3 and into longer-term deposits and securities. On the other hand, the narrow spreads between the interest rates paid on different M3 instruments imply a low opportunity cost of holding funds in the most liquid components included in M1, which continued to grow at a robust annual rate of 11.5% in January.

The negative annual growth of loans to the private sector conceals ongoing opposite developments: positive, strengthening annual growth in loans to households on the one hand and negative, declining annual growth in loans to non-financial corporations on the other hand. Such differences are consistent with historical patterns and cyclical regularities, which suggest that loans to non-financial corporations can be expected to remain weak for some time after economic activity has picked up. At the same time, the cost of financing for enterprises has declined and the sector as a whole has continued to make extensive use of market-based financing as a substitute for bank financing.

Banks have continued to reduce the size of their overall balance sheets over the past few months, but the challenge remains for them to manage this adjustment while ensuring the availability of credit to the non-financial sector. To address this challenge, banks should use the improved funding conditions to strengthen their capital bases further and, where necessary, take full advantage of government support measures for recapitalisation.

To sum up, the current key ECB interest rates remain appropriate. Taking into account all the information and analyses that have become available since the Governing Council meeting on 4 February 2010, price developments are expected to remain subdued over the policy-relevant horizon. The latest information has also confirmed that the economic recovery in the euro area is on track, although it is likely to remain uneven. Overall, the Governing Council expects the euro area economy to grow at a moderate pace in 2010, in an environment marked by continued uncertainty. A cross-check of the outcome of the economic analysis with that of the monetary analysis confirms the assessment of low inflationary pressures over the medium term. All in all, the Governing Council expects price stability to be maintained over the medium term, thereby supporting the purchasing power of euro area households. Inflation expectations remain firmly anchored in line with the Governing Council's aim of keeping inflation rates below, but close to, 2% over the medium term.

As regards fiscal policies, high levels of public deficit and debt place an additional burden on monetary policy and undermine the Stability and Growth Pact as a key pillar of Economic and Monetary Union. It is of paramount importance that the stability programme of each euro area country clearly defines the fiscal exit and consolidation strategies for the period ahead. This requires determined efforts, notably on the side of countries with high deficit and debt levels. All countries will be required to meet their commitments under the excessive deficit procedures. Consolidation of public finances should start in 2011 at the latest and will have to exceed substantially the annual adjustment of 0.5% of GDP set as a minimum requirement by the Stability and Growth Pact. A strong focus on expenditure reforms is needed. The Governing Council issued, on 3 March 2010, a statement on the additional fiscal consolidation measures announced by the Greek government.

In all euro area countries, the key challenge in order to reinforce sustainable growth and job creation is to accelerate structural reforms. Policies should be adopted which open up market access and increase competition. Overall, it is essential to set the stage for long-term investment in innovation so as to create new business opportunities. Sectoral support schemes implemented to cope with the immediate effects of the crisis should now be phased out. In labour markets, moderate wage-setting in several economies and sufficient labour market flexibility are required in order to avoid higher structural unemployment over the coming years. These structural reforms should be supported by an appropriate restructuring of the banking sector. Sound balance sheets, effective risk management and transparent, robust business models are key to strengthening banks' resilience to shocks and to ensuring adequate access to finance, thereby laying the foundations for sustainable growth and financial stability.

ECONOMIC AND MONETARY DEVELOPMENTS

1 THE EXTERNAL ENVIRONMENT OF THE EURO AREA

Recent indicators continue to suggest that the global economy is on a path of recovery. Global inflation has picked up lately, although remaining rather low. While a high degree of uncertainty persists regarding the sustainability of future growth, risks to the global economic outlook are viewed to be broadly balanced.

1.1 DEVELOPMENTS IN THE WORLD ECONOMY

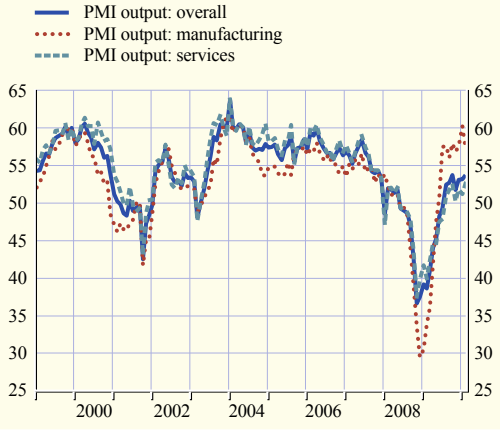
Having returned to positive growth in the second and third quarters of 2009, global economic activity continued to expand in the final quarter of last year and in early 2010. The return to growth has been helped by the monetary and fiscal policy stimuli and by improvements in both consumer and business confidence, as well as by a prolonged inventory cycle. Positive developments in global economic activity have also been accompanied by a quick recovery in world trade. More recently, labour market indicators have been signalling expanding employment in the manufacturing sector and decelerating job losses in the services sector.

In greater detail, the latest indicator-based evidence continues to signal that the global economy is on a path of recovery. In February the Global Purchasing Managers' Index (PMI) increased to 53.6, up from 53.2 the previous month (see Chart 1). Overall, the pace of recovery appears to have stabilised over recent months. The sectoral breakdown of the overall PMI output index continues to indicate weaker expansion in the services sector than in the manufacturing sector. However, the gap between the two sectors narrowed in February, when output growth decelerated in the manufacturing sector, but picked up significantly in the services sector. The PMI indices of new orders suggest that manufacturing will remain the key source of growth for the global economy, at least in the early part of 2010, notwithstanding some recent improvements in orders in the services sector.

According to the latest available indicators, world trade volumes expanded by 4.8% in December compared with the previous month, after posting a 1.1% monthly increase in November. The largest

Chart 1 Global PMI output

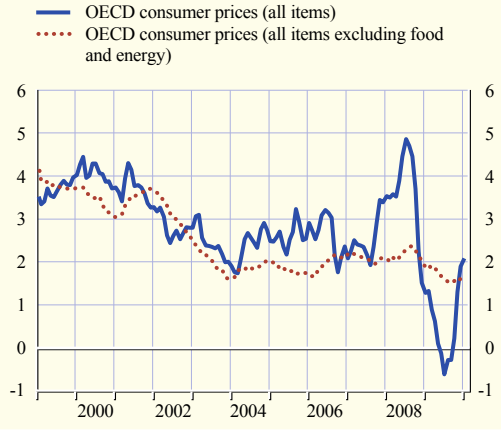
(diffusion index; SA; monthly data)



Source: Markit.

Chart 2 International price developments

(monthly data; annual percentage changes)

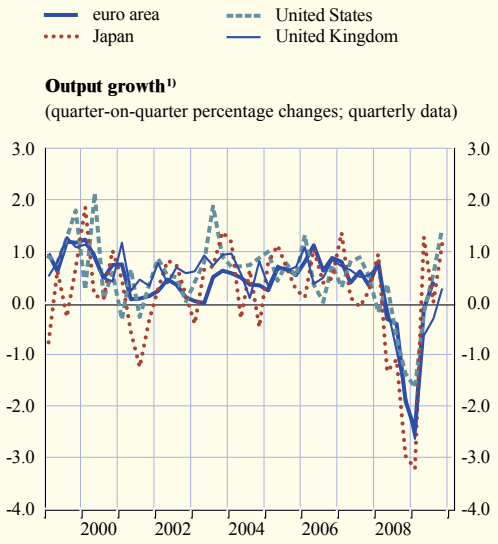


Source: OECD.

increases in trade volumes were recorded in Asia and Latin America, but trade growth in advanced economies also accelerated. Looking at quarterly figures, which remove some short-run fluctuations, trade was up by 6% in the last quarter of 2009 compared with the previous quarter, the highest growth rate on record. At the end of 2009 world trade volumes were still 8% below the peak in April 2008, but 15% higher than the trough in May 2009.

After remaining negative for four months, global inflation rates returned to positive territory in the last quarter of 2009 and recorded some further slight increases in early 2010. In the OECD countries, headline CPI inflation stood at 2% in the year to January, up from 1.9% in the year to December (see Chart 2). The moderate increases in annual inflation rates over the past months mainly reflected the reversal of base effects related to commodity prices. Meanwhile, OECD inflation excluding food and energy stood at 1.6% in the year to January, unchanged from the previous month.

Chart 3 Main developments in major industrialised economies



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

UNITED STATES

In the United States, real GDP decreased by 2.4% in 2009. While the economy contracted in the first half of the year, the fiscal and monetary stimulus and the inventory cycle contributed to a marked recovery in output in the second half of 2009. According to the second estimates by the US Bureau of Economic Analysis, real GDP increased by 5.9% in annualised terms in the fourth quarter of 2009, compared with 2.2% in the third quarter. This acceleration in growth primarily reflected the strong contribution from inventories of 3.9 percentage points. Business investment, having been a drag on GDP growth in the previous quarters, contributed 0.6 percentage point to GDP growth in the fourth quarter. The positive effect of foreign trade, a major contributor to growth in previous quarters, faded towards the end of the year as imports increased in line with a recovery in personal consumption expenditure.

As regards price developments, the average annual CPI inflation rate in 2009 was -0.4%, down from 3.8% in 2008. Headline inflation picked up towards the end of 2009 and stood at 2.6% in January 2010, mainly owing to base effects stemming from past developments in energy prices. Excluding food and energy, annual CPI inflation slowed to 1.6% in January, down from an average of 1.7% in 2009.

Looking ahead, the recovery in the near term is likely to remain driven by the fiscal and monetary policy stimulus, as well as the boost from the inventory cycle. However, thereafter, GDP growth is expected to slow down somewhat as the support from the inventory swing and policy stimulus fades. Weak labour market conditions – as well as the ongoing reduction of households' debt burden – are expected to constrain the recovery of personal consumption expenditure. As regards price developments, inflation is likely to remain contained in the presence of a large output gap.

On 27 January 2010 the US Federal Open Market Committee decided to keep its target range for the federal funds rate unchanged at 0% to 0.25%. Purchase programmes of longer-term securities are expected to be completed by the end of March. On 18 February 2010 the Federal Reserve also announced modifications to the terms of its discount window lending programmes, including the increase of the discount rate from 0.5% to 0.75% and the reduction of the typical maximum maturity for primary credit loans to overnight.

JAPAN

In Japan, a slow recovery appears to be under way. According to a preliminary estimate by the Cabinet Office, real GDP increased by 1.1% quarter on quarter in the fourth quarter of 2009. Growth was to a large extent driven by external demand and solid personal consumption supported by the government stimulus. Business investment increased for the first time in almost two years, while residential investment declined slightly. Growth in the fourth quarter followed stagnation in the third quarter and a 1.3% increase in real GDP in the second quarter of 2009. Overall, real GDP was 5.0% lower in 2009 than a year earlier.

Owing to considerable economic slack, consumer prices continued to decrease in January. Headline consumer prices fell by 1.3% in the year to January, following a year-on-year decline of 1.7% in December. Excluding food and energy, annual CPI inflation stood at -1.2% in January, unchanged from the previous month.

At its meeting ending on 18 February 2010, the Bank of Japan decided to leave its target for the uncollateralised overnight call rate unchanged at 0.1%.

UNITED KINGDOM

In the United Kingdom, quarter-on-quarter real GDP growth turned positive in the fourth quarter of 2009, after a gradual moderation in the pace of decline in the previous quarters. According to the revised estimate, real GDP increased by 0.3% in the fourth quarter of 2009, compared with a 0.3% decrease in the third quarter. GDP growth was mainly driven by household expenditure, which increased by 0.4% quarter on quarter, and by government final consumption, which rose by 1.2%, while business investment continued to decline. Overall, recent activity and housing market indicators suggest that the gradual improvement in the economic situation has continued in early 2010. In the housing market, the positive trend has been sustained in recent months, on the back of supportive policy measures. In January house prices increased for the seventh consecutive month (by 3.6% year on year), in line with the improvement in mortgage credit availability in recent months. The flow of total net lending to individuals increased in January, although it remained well below the average flow in 2008. Looking ahead, activity is expected to continue its gradual recovery, supported by lagged effects of the depreciation of the pound sterling, fiscal and monetary stimuli, and the improvement in overall global conditions.

Annual HICP inflation has increased in recent months, standing at 3.5% in January (up from 2.5% in December), mainly as a result of higher oil prices and the expiration of the temporary decrease

in the VAT rate. In addition, upward pressures resulting from the past depreciation of the pound sterling might have played a role. However, looking forward, inflation is expected to moderate as persistent spare capacity will exert a dampening influence on price dynamics.

In recent months the Bank of England's Monetary Policy Committee has maintained the official Bank Rate paid on commercial bank reserves at 0.5%. Furthermore, the Bank of England has completed its asset purchase programme totalling £200 billion.

OTHER EUROPEAN COUNTRIES

Overall, the economic situation has also improved in the other non-euro area EU countries in recent quarters. However, quarter-on-quarter real GDP growth dynamics have been fairly volatile in a number of countries, reflecting fluctuations in the inventory cycle and ongoing fiscal adjustment.

In Sweden, real GDP declined by 0.6% quarter on quarter in the fourth quarter of 2009, according to the flash estimate. The historical data were revised downwards, now indicating stagnation in the second quarter and a contraction of 0.1% in the third quarter. In Denmark, the flash estimate suggests that real GDP increased by 0.2% in the fourth quarter, following a 0.3% increase in the third quarter (revised downwards from 0.6% previously). Short-term indicators suggest an improvement in the economic situation in both countries in early 2010. In January annual HICP inflation continued to increase in Denmark to 1.9% (from 1.2% in December), while it moderated slightly in Sweden to 2.7% (compared with 2.8% in December). In December and January Danmarks Nationalbank decreased its key interest rate in three steps, by a total of 20 basis points, to 1.05%.

In the largest central and eastern European EU Member States, the economic situation has improved considerably since the sharp fall in activity observed in the first quarter of 2009. The strong recovery in industrial production in recent months, supported by the improvement in external demand, has played a key role. Across the region, real GDP growth improved gradually in the second and third quarters (in quarter-on-quarter terms), although there was only a moderation in the pace of decline in Hungary and Romania. In the final quarter of 2009, however, growth patterns were more diverse, according to Eurostat's flash estimates. While the pace of decline moderated further in Hungary to -0.4% (up from -1.2% in the third quarter), the decline accelerated in Romania to -1.5% (compared with -0.6% in the third quarter), and growth turned negative in the Czech Republic at -0.6% (down from growth of 0.8% in the third quarter). In Poland, quarter-on-quarter real GDP growth accelerated in the fourth quarter, standing at 1.2%. On balance, recent confidence indicators and industrial production and trade data point to further improvements in activity in the largest central and eastern European EU Member States in early 2010. At the same time, there is considerable uncertainty about economic developments in the quarters ahead and significant risks remain, as illustrated by increasing unemployment rates.

Regional inflationary developments have been rather diverse in recent months. Annual HICP inflation has been hovering at a fairly low level in the Czech Republic, standing at 0.4% in January. In contrast, in Hungary, Poland and Romania, annual HICP inflation has remained at higher levels, standing at 6.2%, 3.9% and 5.2% respectively in January. On 5 January 2010 Banca Națională a României decided to decrease its main policy rate by 50 basis points to 7.5%. On 22 February 2010 the Magyar Nemzeti Bank decided to decrease its main policy rate by 25 basis points to 5.75%.

Out of all EU countries, the Baltic States have seen the most pronounced economic adjustment since the beginning of the global economic downturn. In recent quarters, quarter-on-quarter growth

performance has been volatile, but seems to have improved overall in all three countries. The decline in real GDP has been considerably smaller in Bulgaria than in the Baltic States. Overall, recent short-term activity and confidence indicators point to an improvement in the economic situation in all four countries, although industrial production has still shown some weakness in Bulgaria and Lithuania in recent months.

In Russia, available data indicate that output has continued to recover in the fourth quarter from its contraction in the first half of 2009. Overall, real GDP contracted by 7.9% in 2009, according to preliminary estimates. Industrial production figures available for January 2010 suggest that the rebound in economic activity might have lost momentum in early 2010, as the authorities are gradually phasing out the fiscal stimulus provided in 2009. Further risks to a swift recovery mainly stem from weaker than expected commodity prices and subdued credit growth. Inflationary pressures, while still high, have continued to ease. Annual consumer price inflation fell to 8.0% in January as earlier rouble appreciation dampened import prices.

EMERGING ASIA

In emerging Asia, the expansion of economic activity accelerated further in the last quarter of 2009, thereby continuing to lead the global recovery. This was mainly a result of the fiscal stimulus packages. Moreover, foreign trade is also gradually recovering and moving closer to its pre-crisis level in most countries. Domestic demand is increasingly becoming self-sustained, with favourable asset market developments and a rebound in employment creation.

In China, year-on-year real GDP growth accelerated to 10.7% in the last quarter of 2009, resulting in output growth of 8.7% in 2009 as a whole. Stimulus-driven investment remained the main source of growth. Despite a gradual improvement in external conditions, the contribution of net trade remained negative in the last quarter of 2009. Domestic liquidity has remained abundant. M2 growth, although recently having slowed down somewhat, stood at 26% year on year in January, well above the 17% annual target. Annual consumer price inflation returned to positive territory in November 2009 and reached 1.5% in January 2010. The monetary authorities have begun to withdraw excess domestic liquidity by raising the banks' reserve requirement ratio twice since the beginning of the year, by 50 basis points on each occasion.

In Korea, real GDP growth accelerated sharply to 6% in year-on-year terms in the last quarter of 2009, compared with 0.9% in the previous quarter, largely owing to base effects. The contribution to growth from private consumption and investment increased further. Annual CPI inflation stood at 3.1% in January, up from 2.8% a month earlier.

Economic activity has also been robust in India. Real GDP rose by 5.9% year on year in the last quarter of 2009, compared with 6.8% in the third quarter. Wholesale price inflation, the Reserve Bank of India's main measure of inflation, has picked up strongly, mainly reflecting a rapid acceleration in food and fuel prices. In January wholesale prices were 8.6% above their level one year earlier.

While the economic recovery in emerging Asia has relied heavily on macroeconomic stimuli, which are expected to be maintained in most countries over the coming months, there are clear signs that domestic demand is increasingly becoming self-sustained. At the same time, the slower than expected recovery of external demand and increasing inflationary pressures are important downside risks to the regional economic outlook.

LATIN AMERICA

In Latin America, the pace of economic activity accelerated further in the fourth quarter of 2009, while inflationary pressures receded in most countries. In Brazil, high frequency indicators suggest that growth in both domestic and external demand accelerated significantly in the fourth quarter. Retail sales increased, on average, by 8.8% year on year in the final quarter of 2009, compared with 5.0% in the third quarter. Industrial production grew by 5.8% year on year in the fourth quarter, after falling by 8.2% in the third quarter. Annual CPI inflation stood at 4.2% in the fourth quarter, marginally lower than in the previous quarter. In Argentina, industrial production rose by 5.2% in the fourth quarter of 2009, following a contraction of 1% in the previous quarter. Annual CPI inflation averaged 7.1% in the final quarter of 2009, up from 5.9% in the third quarter. In Mexico, real GDP contracted by 2.4% year on year in the fourth quarter of 2009, following a contraction of 6.1% in the third quarter. Annual consumer price inflation averaged 4% in the fourth quarter of 2009, down from 5.1% in the third quarter.

Overall, economic activity in Latin America is expected to continue to recover gradually owing to the policy stimulus measures that have been implemented as well as improvements in external demand and financing conditions. However, risks to economic activity for the region remain tilted towards the downside and dependent on external conditions.

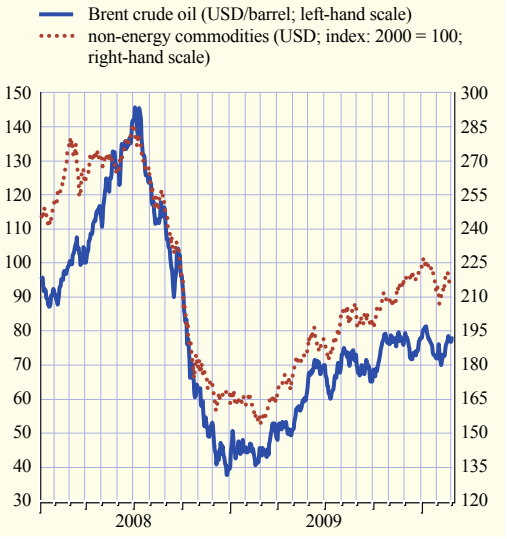
1.2 COMMODITY MARKETS

During the last three months, oil prices have stabilised within a range of USD 70 to USD 80 per barrel amid some volatility generated by market concerns about the speed of the global economic recovery (see Chart 4). Brent crude oil prices stood at USD 77.8 per barrel on 3 March, about the same level as at the beginning of the year. Looking ahead, market participants are expecting higher oil prices in the medium term, with futures contracts for December 2011 trading at around USD 84 per barrel.

The stabilisation of oil prices has come against the background of improving fundamentals. Oil demand has recovered from the lows recorded in the second quarter of 2009, mainly owing to the contribution of emerging economies. This increase in demand has also led to a decrease in the inventories accumulated in 2008. On the supply side, non-OPEC production has remained broadly unchanged, while OPEC is now producing well above its target.

Meanwhile, the sequence of upward revisions to demand projections by the International Energy Agency has come to a halt. The latest demand forecasts for 2010 suggest an increase of 1.6 million barrels per day with respect to 2009, mainly attributed to growth in non-OECD demand. Box 1 analyses in greater detail the supply-side prospects, focusing on the effects of the economic downturn on oil capacity investment.

Chart 4 Main developments in commodity markets



Sources: Bloomberg and HWWI.

The prices of non-energy commodities have decreased in the last three months. Food prices and prices of agricultural raw materials have moderated somewhat, driven, in particular, by reports of record corn crops. Looking at metal prices, the surge experienced in the last quarter of 2009 came to an end amid market concerns about the robustness of the global economic recovery. In aggregate terms, the price index for non-energy commodities (denominated in US dollars) was about 2% lower at the end of February than at the beginning of the year.

Box 1

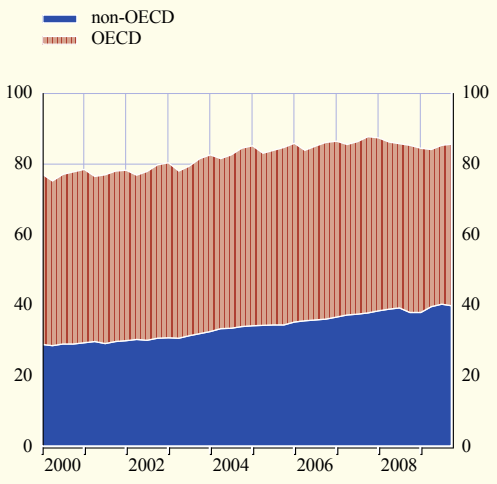
OIL CAPACITY INVESTMENT AND THE ECONOMIC DOWNTURN

The financial crisis and the subsequent global recession have had a substantial impact on oil fundamentals. As a consequence of the economic downturn, global oil demand fell from a peak of 87.8 million barrels per day (mb/d) recorded in the fourth quarter of 2007 to 84.2 mb/d in the second quarter of 2009 (see Chart A). In response to this fall in demand, oil producers swiftly scaled back their production. In particular, the Organization of the Petroleum Exporting Countries (OPEC) decided to cut its quota significantly, by almost 5 mb/d. A side effect of the economic downturn has been a substantial reduction of investment in oil production capacity. This box analyses the adjustment in capacity investment in greater detail and explores the consequences for oil production and oil prices in the medium term.

The supply-side effects of the economic downturn should be considered against the backdrop of the projected path of oil demand. According to its latest medium-term forecast, the International Energy Agency (IEA) anticipates that global oil demand will increase again to reach 90.9 mb/d in 2014. This figure is based on the assumption that oil consumption in OECD countries will decrease by about 3 mb/d compared with 2008, but that this decline will be more than offset by strong growth in demand in non-OECD economies.

Chart A Oil demand by region

(millions of barrels per day)



Source: IEA.
Note: The last observation refers to the fourth quarter of 2009.

The IEA has estimated global oil supply to have been 85.9 mb/d in the fourth quarter of 2009. This implies that, by 2014, 5 mb/d of additional supply will be needed to match the increased demand. The IEA is rather pessimistic about non-OPEC supply, which is estimated to remain at the same level as in 2009. In this case, OPEC would need to be the supplier of the projected shortfall of 5 mb/d.

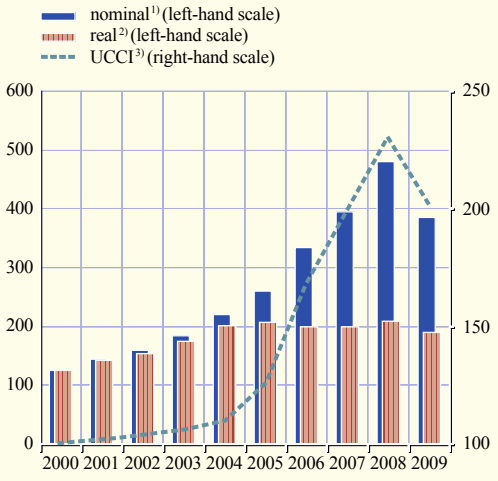
The ability of the supply side to match growing demand depends on the amount of investment producers are able and willing to deploy to expand production capacity. From 2000 until 2008, nominal investment in upstream capacity increased significantly (see Chart B).[1]

1 The upstream oil sector includes search and exploratory activities, as well as the operation of oil wells. Shipping, refining and distribution, on the other hand, are part of the downstream sector.

In parallel, however, investment costs more than doubled. As a consequence, real investment has remained broadly stable since 2004.

The global recession has had a substantial impact on upstream investment in the oil sector (both in nominal and real terms). First, tighter credit conditions worldwide have hampered firms' ability to finance their investment plans. Second, the fall in oil demand has reduced the urgency of, and appetite for, new capacity. The IEA notes that development projects for new fields that would expand oil production capacity by an estimated 5.8 mb/d have recently been cancelled or postponed. Not surprisingly, the fall in upstream spending has been concentrated in regions where development costs are higher, most notably non-OPEC countries.

Chart B Investment in upstream oil capacity and the upstream capital costs index (UCCI)



Sources: IEA, IHS/CERA and ECB staff calculations.
1) USD billions.
2) USD billions; real investment is computed by deflating nominal investment with the IHS/CERA index of upstream capital costs, using 2000 as the base year. The figure for 2009 is an IEA estimate based on company plans.
3) Index: 2000 = 100.

To summarise, the fact that the contraction in demand has been stronger than that in supply provides only some transitory slack in the oil supply-demand balance. From a medium-term perspective, the reduction in upstream investment caused by the economic downturn is likely to slow down capacity expansion. This may create new supply bottlenecks as the global economy recovers in the coming years and lead to upward pressure on oil prices in the future.

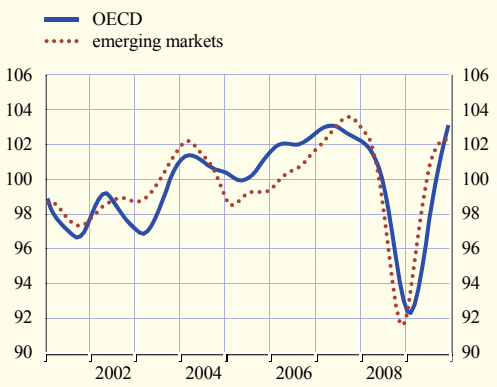
1.3 OUTLOOK FOR THE EXTERNAL ENVIRONMENT

Various indicators signal that the global economy will continue to expand in the near term. In December 2009 the OECD's composite leading indicator for the OECD countries rose in line with the trend observed in previous months, thus reinforcing the view that economic activity seems to be on a stable path of recovery in most OECD countries (see Chart 5). This more favourable shorter-term outlook is also supported by the continued rise in consumer and business confidence in most OECD countries in recent months to the levels prevailing in the first half of 2008. Despite having recorded some losses in the early part of this year, in a context of increased volatility, equity market valuations across the world remain significantly higher relative to the lows in early 2009. Apart from historically low policy rates worldwide, higher equity prices have also responded to improvements in the outlook for global growth. The recovery of the world economy also suggests improved prospects for global trade, as well as for foreign demand in the euro area. Notwithstanding these positive signals, uncertainty still surrounds both the outlook for global growth and the extent to which the recovery can become self-sustained once the impact of the temporary factors supporting economic activity in the near term – such as the inventory cycle and the policy stimulus measures – begins to fade.

While global economic prospects remain subject to uncertainty, the risks to global activity remain broadly balanced. On the upside, confidence may improve more than expected, and both the global economy and foreign trade may recover more strongly than projected. Furthermore, there may be larger than anticipated effects stemming from the extensive macroeconomic stimulus being provided and from other policy measures taken. On the downside, concerns remain relating to a stronger or more protracted than expected negative feedback loop between the real economy and the financial sector, renewed increases in oil and other commodity prices, the intensification of protectionist pressures and renewed tensions in some financial market segments, as well as the possibility of a disorderly correction of global imbalances.

Chart 5 OECD composite leading indicators

(monthly data; amplitude-adjusted)



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

2 MONETARY AND FINANCIAL DEVELOPMENTS

2.1 MONEY AND MFI CREDIT

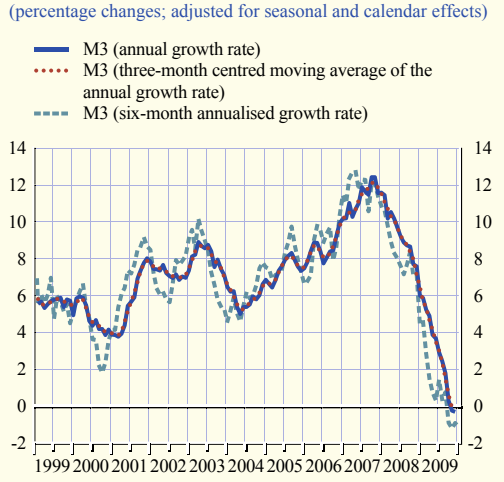
Recent monetary data point to continued weakness in the growth of both M3 and credit, supporting the assessment that the pace of underlying monetary expansion is moderate and medium-term inflationary pressures stemming from monetary developments are low. Growth in headline M3 continues to understate the pace of underlying monetary growth on account of the strong downward impact of the steep yield curve. The decline observed in the annual growth rate of loans to the private sector continues to be driven mainly by contractions in loans to non-financial corporations, while the annual growth rate of loans to households has remained positive and increased further. Overall, the pattern of sectoral loan developments remains consistent with historical regularities given the current stage of the economic cycle. Finally, developments in recent months provide confirmation that the euro area MFI sector has continued its deleveraging process, albeit at a slower pace, with this being conducted mainly through the reduction of MFIs' positions vis-à-vis one another.

THE BROAD MONETARY AGGREGATE M3

The annual growth rate of the broad monetary aggregate M3 turned positive in January 2010, standing at 0.1% in that month (having stood at -0.3% in December 2009 and having averaged 0.2% in the fourth quarter of 2009; see Chart 6). However, this was largely a result of base effects; the monthly flow and the three and six-month annualised growth rates were all negative in January.

Chart 6 M3 growth

(percentage changes; adjusted for seasonal and calendar effects)



Source: ECB.

The weak monetary expansion continued to reflect the strong impact of the exceptionally steep yield curve, which provides incentives to shift funds out of M3 and into less liquid and potentially riskier assets. The impact of the steep yield curve meant that growth in headline M3 continued to understate the pace of underlying monetary growth. However, the interest rate constellation, which was characterised by narrow spreads between the interest rates on the various short-term deposits, also continued to foster substitution within M3, with shifts towards overnight deposits and thus M1.

As regards the counterparts of M3, the annual growth rate of loans to the private sector – the largest component of overall bank credit – turned negative in the fourth quarter of 2009 and remained in negative territory in January 2010. From a sectoral perspective, the annual growth rate of lending to households increased both in the fourth quarter and in January, while the annual growth rate of loans to non-financial corporations declined further, remaining in negative territory. Thus far, the pattern of sectoral loan growth is consistent with business cycle regularities, as loans to non-financial corporations typically remain subdued for some time, even after a turning point has been reached for lending to households and the economy as a whole.

MFIs' main assets declined further around the turn of the year. By contrast with the first half of 2009, however, this deleveraging process is currently being driven mainly by the reduction of MFI loans to other MFIs (excluding the Eurosystem).

MAIN COMPONENTS OF M3

The weak annual growth rate of M3 around the turn of the year continued to conceal strongly negative contributions by both marketable instruments (i.e. M3-M2) and short-term deposits other than overnight deposits (i.e. M2-M1) on the one hand and a robust positive contribution by M1 on the other.

The annual growth rate of M1 increased further to stand at 12.3% in the fourth quarter of 2009, up from 12.2% in the previous quarter. It then declined to 11.5% in January 2010, partly on account of a base effect (see Table 1). Developments in monthly flows point to annual growth remaining robust.

The strong increases observed in the annual growth rate of overnight deposits both in the third and fourth quarters and – albeit to a slightly lesser extent – in January are consistent with the current interest rate constellation, with declines in short-term market interest rates bringing the opportunity cost of holding this type of deposit to a particularly low level. At the same time, with risk appetite gradually returning, funds may be being parked temporarily in overnight deposits with the intention of investing them further along the maturity and risk spectrum in the case of households and non-monetary financial intermediaries or using them to strengthen liquidity buffers in the case of non-financial corporations.

Table 1 Summary table of monetary variables

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

	Outstanding amount as a percentage of M3 [1]	Annual growth rates					
		2009 Q1	2009 Q2	2009 Q3	2009 Q4	2009 Dec.	2010 Jan.
M1	**48.9**	**5.4**	**8.1**	**12.2**	**12.3**	**12.3**	**11.5**
Currency in circulation	8.2	13.6	13.2	12.8	7.5	6.1	6.2
Overnight deposits	40.7	3.8	7.1	12.1	13.3	13.6	12.7
M2 – M1 (= other short-term deposits)	39.3	9.3	3.0	-3.1	-7.7	-9.1	-8.0
Deposits with an agreed maturity of up to two years	19.8	13.0	-0.7	-13.2	-22.1	-24.3	-22.6
Deposits redeemable at notice of up to three months	19.5	4.5	8.6	12.9	15.7	15.1	13.7
M2	**88.2**	**7.3**	**5.6**	**4.5**	**2.2**	**1.5**	**1.9**
M3 – M2 (= marketable instruments)	11.8	-0.7	-2.5	-7.6	-11.4	-11.0	-10.8
M3	**100.0**	**6.1**	**4.4**	**2.7**	**0.2**	**-0.3**	**0.1**
Credit to euro area residents		**6.5**	**4.8**	**3.6**	**2.9**	**2.4**	**1.6**
Credit to general government		5.7	8.4	11.5	13.6	11.2	9.1
Loans to general government		2.3	1.5	2.7	3.2	3.5	3.2
Credit to the private sector		6.7	4.0	2.1	0.9	0.7	0.1
Loans to the private sector		4.6	2.1	0.4	-0.6	-0.1	-0.6
Loans to the private sector adjusted for sales and securitisation		6.0	3.5	1.5	0.3	0.2	-0.3
Longer-term financial liabilities (excluding capital and reserves)		**3.7**	**4.3**	**4.8**	**6.8**	**5.9**	**5.3**

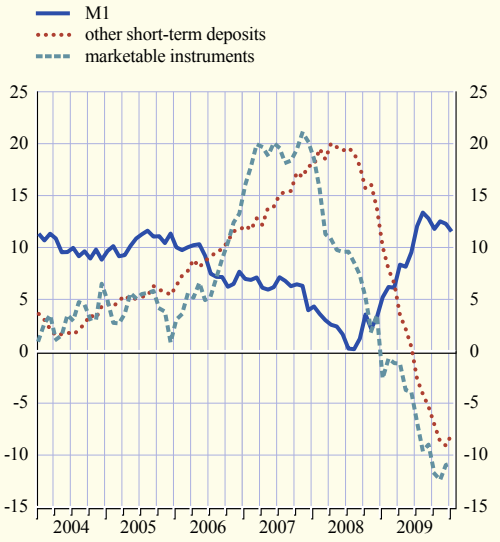
Source: ECB.
1) As at the end of the last month available. Figures may not add up due to rounding.

The annual growth rate of short-term deposits other than overnight deposits declined further to stand at -8.0% in January, down from -7.7% and -3.1% in the fourth and third quarters respectively. This reflects a significant decline in the annual growth rate of short-term time deposits (i.e. deposits with an agreed maturity of up to two years), while short-term savings deposits (i.e. deposits redeemable at notice of up to three months) continued to grow at a robust pace.

Overall, the developments observed for the various types of short-term deposit are consistent with their respective interest rates. In this respect, the inflows consistently seen for short-term savings deposits can be explained by the fact that they have been better remunerated than short-term time deposits since the beginning of 2009.

Chart 7 Main components of M3

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



Source: ECB.

Marketable instruments included in M3 continued to decline markedly in January, with their annual growth rate standing at -10.8% in that month, having averaged -11.4% and -7.6% in the fourth and third quarters respectively. Developments in the fourth quarter reflect, in particular, further marked declines in the annual growth rates of debt securities with a maturity of up to two years and repurchase agreements, both of which became more negative. At the same time, the annual growth rate of money market fund shares/units, the largest sub-component of marketable instruments, declined substantially in the fourth quarter and likewise fell further into negative territory in January. Funds continued to be shifted into financial assets outside M3, which became more attractive given the steep yield curve and the further recovery observed in a broad range of asset markets for most of the review period. (For more details of developments in the financial investment of the non-financial sector, see Section 2.2.)

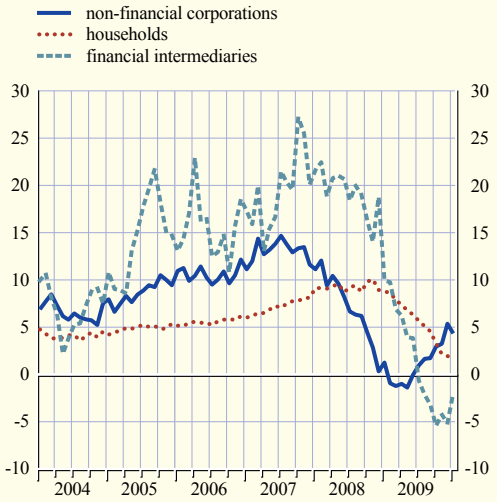
The annual growth rate of M3 deposits – which comprise short-term deposits and repurchase agreements and represent the broadest monetary aggregate for which reliable information is available at a sectoral level – declined to 1.8% in the fourth quarter, down from 3.6% in the previous quarter. It then declined further to stand at 1.2% in January. The annual growth rate of households' M3 deposits, which make the largest contribution to the annual growth rate of total M3 deposits, continued its marked decline, standing at 1.6% in January, down from 2.9% in the fourth quarter (see Chart 8). By contrast, the annual growth rate of M3 deposits held by non-financial corporations continued the upward trend observed in recent months and stood at 4.3% in January, up from 3.3% and 1.1% in the fourth and third quarters respectively.

These developments in sectoral deposits are in line with the current stage of the business cycle and the prevailing interest rate constellation. Indeed, the deceleration observed in households' accumulation of deposits can be explained both by the fact that their income lags economic activity – which is, however, partly offset by the increases observed in the saving ratio since the third quarter

of 2008 – and by remuneration considerations causing funds to be shifted from monetary assets to longer-term assets. The impact that the interest rate constellation has on shifts out of M3 money holdings and into higher-yielding instruments is more clearly visible in the case of non-monetary financial intermediaries (which mainly comprise OFIs), the holdings of which contracted strongly on an annual basis in the fourth quarter. In January, however, the growth rate of such holdings became less negative owing to a base effect – i.e. a strong outflow in January of last year. Developments around the turn of the year may also have been affected by accounting considerations. In the case of non-financial corporations, increases in money holdings may reflect the fact that cash flows tend to improve in the early stages of a recovery and are then used to replenish liquidity buffers. However, such increases could also reflect an inflow of funds resulting from the stronger securities issuance activity witnessed in recent quarters.

Chart 8 Short-term deposits and repurchase agreements

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



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

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 fourth quarter of 2009 (falling to 2.9%, down from 3.6% in the previous quarter), before decreasing further to stand at 1.6% in January 2010 (see Table 1). This reflected an ongoing decline in the annual growth rate of MFI credit to the private sector, which was partially offset by a marked increase in the annual growth rate of credit to general government (albeit that growth rate declined in January).

The strengthening observed in the annual growth rate of MFI credit to general government (which increased to 13.6% in the fourth quarter, up from 11.5% in the third quarter) mainly reflected the ongoing inflows for the MFI sector's holdings of government securities. Despite reaching unprecedented levels, the strong purchases observed for government debt securities in recent months have remained broadly in line with historical regularities as regards the interest rate cycle. A steep yield curve – when the funding costs implied by short-term interest 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 or credit risk in the presence of high levels of uncertainty regarding future economic prospects. However, this process would appear to have come to a halt in recent months, partly as a result of improvements in alternative investment opportunities and anxiety concerning the sustainability of some countries' public debt. Indeed, since November MFIs have been selling government debt securities and the upward trend seen previously in the annual growth rate of credit to government has been reversed to some extent.

The annual growth rate of MFI credit to the private sector continued to decline in the fourth quarter (standing at 0.9%, down from 2.1% in the previous quarter), before decreasing further to stand at 0.1% in January. The annual growth rate of MFIs' holdings of private sector securities other than shares continued to decline, falling from 23.9% in the third quarter to 15.7% in the fourth quarter

and 4.6% in January. This decline can be explained at least in part by weaker retained securitisation activity following the higher levels observed in the first half of 2009. By contrast, the annual growth rate of MFIs' holdings of shares and other equity increased to -3.2% in the fourth quarter, up from -7.8% in the third quarter, before recovering further to stand at 0.5% in January.

A further 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. This declined to -0.6% in the fourth quarter, down from 0.4% in the previous quarter, and remained at -0.6% in January (see Table 1). As true-sale securitisation activity has become more subdued in recent months, the downward distortion of loans to the private sector associated with the impact of derecognised loans has decreased. Indeed, that distortion totalled only 0.3 percentage point in January, compared with averages of 0.7 and 1.2 percentage points in the fourth and third quarters respectively.

The further weakening observed in the annual growth rate of loans to the private sector in the fourth quarter and January can be attributed mainly to declines in the annual growth rates of loans to non-financial corporations and, to a lesser extent, non-monetary financial institutions, while the earlier decline in the annual growth rate of loans to households has been reversed.

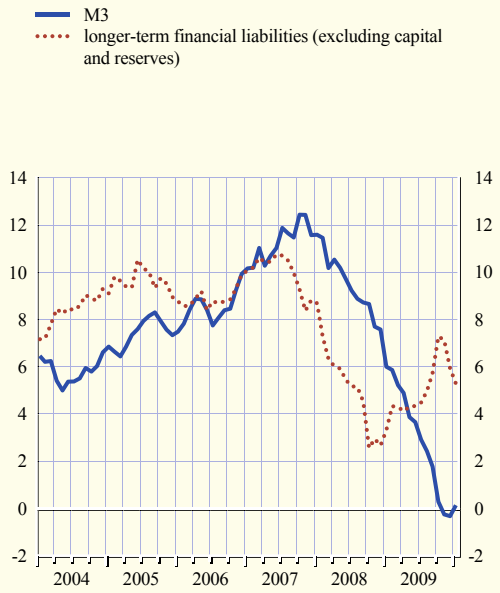
The decline in the annual growth rate of loans to non-financial corporations (which stood at -2.7% in January, down from -1.4% and 1.1% in the fourth and third quarters respectively) reflects the monthly outflows consistently recorded since the beginning of last year. Those outflows have been concentrated in loans with maturities of less than five years, whereas the monthly flows of loans with maturities of over five years have remained positive over this period, with the exception of January 2010. These divergent developments for shorter and longer-term loans may, in part, be a reflection of firms moving to longer-term sources of financing in order to benefit from the historically low cost of long-term financing. This is also consistent with the increases observed in the issuance of longer-term securities, which could also indicate that firms – especially larger firms – may have replaced maturing bank loans with such market-based funding. (See Sections 2.6 and 2.7 for more details of sectoral developments in loans and financing.)

Overall, the pattern of sectoral loan developments appears to be consistent with historical regularities and current expectations for real economic activity. Real growth in loans to households tends to lead real GDP growth, whereas growth in loans to non-financial corporations tends to lag it by a few quarters. The latter can partly be explained by firms' tendency to finance investment using retained earnings in the early stages of an economic recovery. Thus, corporate borrowing is likely to remain subdued for some time, even after a turning point in economic activity. This is especially true where a high level of uncertainty continues to surround future economic prospects. In addition, in the current business cycle, the impact of "bad banks" on the dynamics of MFI loans to non-financial corporations needs to be taken into account (see Box 2).

Turning to the other counterparts of M3, the annual growth rate of MFI longer-term financial liabilities (excluding capital and reserves) increased to 6.8% in the fourth quarter, up from 4.8% in the third quarter. However, in January it declined to 5.3% (see Chart 9). In particular, longer-term deposits (i.e. those with an agreed maturity of over two years and those redeemable at notice of over three months) have benefited from the steep yield curve and attracted some of the funds that have been flowing out of short-term time deposits over the past few quarters. January saw significant declines in the annual growth rates of those short-term deposits, but this essentially reflected a strong reduction in OFIs' holdings of such deposits in the context of reduced securitisation activity and concealed the continuation of households' long-term accumulation of deposits in view of their relatively favourable remuneration.

Chart 9 M3 and MFI longer-term financial liabilities

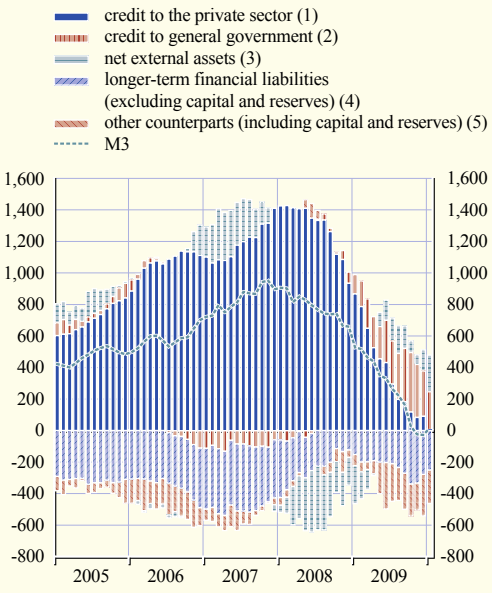
(annual percentage changes; adjusted for seasonal and calendar effects)



Source: ECB.

Chart 10 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.

At the same time, the annual growth rate of debt securities with a maturity of over two years increased further to stand at 3.8% in January, up from 3.1% in the fourth quarter and 0.4% in the third quarter. This stands in contrast to developments for short-term debt securities. Finally, the annual inflow for MFIs' net external asset position declined to €105 billion in the fourth quarter, down from the €150 billion observed in the previous quarter. A sizeable monthly net inflow in January (a result of a decline in external liabilities which significantly exceeded the reduction observed in external assets) led to the annual inflow for this position increasing to €233 billion in that month (see Chart 10).

Box 2

THE IMPACT OF "BAD BANKS" ON MFI BALANCE SHEET STATISTICS

The financial crisis has prompted European governments to implement a series of measures to ensure that financial institutions are able to perform the crucial role of providing financing to the economy. In some euro area countries, the measures implemented in order to alleviate the stress on banks' balance sheets and reduce uncertainty regarding their asset holdings have included the adoption of legislation allowing the creation of "bad banks". In the broadest sense, "bad banks" are dedicated schemes set up and backed by governments to facilitate the removal from credit institutions' balance sheets of assets that are at risk of severe impairment or are difficult to value. Such entities were created, for instance, to assist in the resolution of the financial

crises in Finland and Sweden in the mid-1990s. There are many different structures that can be established in order to achieve this objective, so it is difficult to offer a clear-cut classification of the different types of "bad bank". This box is based on the schemes already announced for Ireland and Germany.[1] It offers a stylised description of the implications that these schemes have for MFI balance sheet statistics, distinguishing between the transfer of loan portfolios and the transfer of other assets, particularly securities.

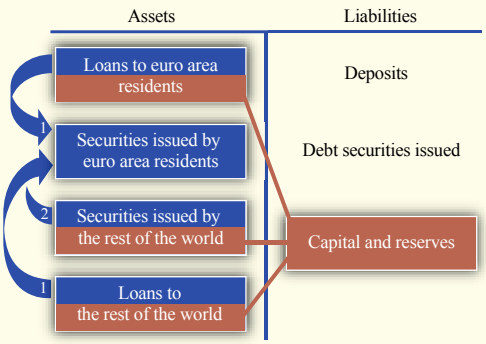
Main statistical issues

The creation of "bad bank" schemes raises the question of their statistical classification and the treatment of the associated asset transfers in MFI balance sheet statistics on stocks and transactions (i.e. flows). The Eurosystem's statistical framework allows for the detailed monitoring and quantification of the impact that these operations have on M3 and its counterparts.[2] Looking at the types of "bad bank" scheme announced thus far, it appears that these entities will not take deposits and will not, therefore, form part of the money-creating sector (i.e. the MFI sector), instead being classified as belonging to the money-holding sector (i.e. they will be regarded as non-monetary financial intermediaries other than insurance corporations and pension funds (OFIs) or as part of general government).[3]

Schemes involving the transfer of loan portfolios

The transfer of loan portfolios will, in principle, take the form of a credit institution selling part of its loan portfolio to a special-purpose entity, similar to a true-sale securitisation transaction. This transaction will be recorded in the MFI balance sheet statistics both as a reduction in the outstanding stock and as a negative flow of loans to the relevant counterpart sector (see Chart A).[4] The loan portfolios will, in general, be transferred for less than the amount recorded on the balance sheet of the originating credit institution, thereby requiring a write-down in connection with the sale. Since write-downs are not considered financial transactions, this will result in a decline in the volume of outstanding MFI loans which exceeds the recorded flow. By the same token,

Chart A Stylised representation of the MFI balance sheet and the positions affected by "bad banks"



Source: ECB.
Notes: The blue sections of the boxes illustrate the part of the asset transfer that affects the financial transaction recorded in the MFI statistics. The red sections of the boxes correspond to the write-down incurred in connection with the asset transfer. While the transfer of securities issued by euro area residents would also imply a write-down, this is not indicated for presentational reasons. The label "1" refers to asset positions involved in the transfer of loans, and the label "2" refers to asset positions involved in the transfer of other assets.

1 For detailed information on the scheme in Ireland, see: www.nama.ie. For details of the scheme established in Germany, see the box entitled "The German government's 'bad bank' model" in the May 2009 issue of the Deutsche Bundesbank's Monthly Report.
2 This has been greatly facilitated by the entry into force of the updated Regulation of the ECB concerning the balance sheet of the monetary financial institutions sector (ECB/2008/32) and the new Regulation of the ECB concerning statistics on the assets and liabilities of financial vehicle corporations engaged in securitisation transactions (ECB/2008/30).
3 If such entities were to be classified as belonging to the central government sector, they would be money-neutral.
4 See the box entitled "The impact of MFI loan securitisation on monetary analysis in the euro area" in the September 2005 issue of the Monthly Bulletin and the box entitled "The importance of accounting standards for interpreting MFI loan statistics" in the March 2008 issue of the Monthly Bulletin.

the impact of the write-down will usually be reflected in a decline in the stock of capital and reserves, as illustrated by the red lines in Chart A.[5] Thus, the transfer of assets will frontload losses on those holdings and thereby foster transparency with regard to credit institutions' capital positions.

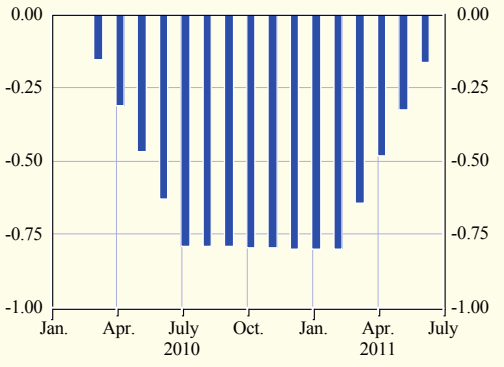
The consideration received by the credit institution in exchange for the portfolio transferred will most likely consist of debt securities issued by the "bad bank" with a government guarantee, as illustrated by the blue arrow labelled "1" in Chart A. Depending on the sectoral classification of the "bad bank" and the terms agreed for the asset transfer, the securities obtained will increase MFIs' holdings of debt securities issued by general government or the OFI sector.

While these transactions lead to the reduction of credit institutions' loan books, they do not change the financing obtained by the non-MFI sector. Consequently, it may be necessary, for analytical purposes, to treat the impact of these transactions in the same way as the corrections for the derecognition of loans (i.e. the removal of loans from the MFI balance sheet as a result of their sale or securitisation) that are regularly published as part of the Eurosystem's monetary statistics. The information currently available on the "bad bank" schemes announced thus far suggests that loans to the corporate sector will be affected. By mid-2010 the annual growth rate of MFI loans to euro area non-financial corporations is currently expected to be around three-quarters of a percentage point lower than it would be without these transactions. Chart B provides an illustration of the mechanical impact that the offloading of loans onto "bad bank" schemes could be expected to have on the pattern of growth in loans to euro area non-financial corporations.

Looking ahead, the statistical impact that transactions with "bad bank" entities have on the annual growth rate of MFI loans to euro area non-financial corporations needs to be taken into consideration when assessing developments in credit. For example, this impact could postpone the turning point in the growth rate of loans to non-financial corporations, thereby complicating the process of comparing loan dynamics with historical regularities.[6] At the same time, a positive economic impact on the growth rate of loans can be expected as a result of the alleviation of capital stress through the implementation of the "bad bank" schemes. However, this impact cannot be ascertained in quantitative terms.

Chart B Illustration of the impact of "bad bank" schemes on the annual growth rate of MFI loans to non-financial corporations in the euro area

(percentage points)



Source: ECB estimates.

5 The impact of the write-down may instead be recorded in remaining liabilities, depending on the accounting standards of the relevant Member State.

6 See the box entitled "Loans to the non-financial private sector over the business cycle in the euro area" in the October 2009 issue of the Monthly Bulletin.

Schemes involving the transfer of broader asset categories

Assets other than loans that are at risk of severe impairment (or have been extremely difficult to value with any certainty in the wake of the financial crisis) could also be transferred to "bad bank" schemes.[7] The assets most likely to be transferred (e.g. asset-backed securities and collateralised debt obligations) would typically be recorded on the MFI balance sheet as holdings of either debt securities issued by euro area residents or debt securities issued in the rest of the world (with MFIs' net external asset position being affected in the case of the latter). Such transfers would, as in the case of loans, tend to depress the holdings of the relevant debt securities and reduce their transaction volumes (i.e. their flows). Here, too, the consideration received by the credit institution would probably consist of debt securities issued by the "bad bank" with a government guarantee, as illustrated by the blue arrow labelled "2" in Chart A.

Conclusions

The introduction of "bad bank" schemes in a number of euro area countries is expected to affect MFI balance sheet statistics and some of the counterparts of M3 derived from them. Depending on the progress made in the approval and implementation of the relevant schemes, the impact of these measures could begin to be seen in euro area monetary statistics for March 2010, and their impact will increase in the course of the year. These direct effects need to be taken into account when assessing credit developments such as the amount of financing provided by banks to the various sectors. The statistical framework in place in the Eurosystem will allow the impact of these measures to be ascertained and allow corrections to be made to the relevant monetary data for analytical purposes.

7 In some Member States, credit institutions may have the option to dispose of entire business areas. The implications of such a decision for the MFI balance sheet need to be assessed on a case-by-case basis.

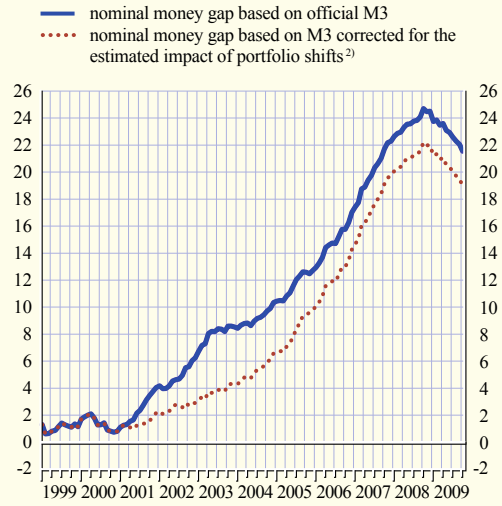
GENERAL ASSESSMENT OF MONETARY LIQUIDITY CONDITIONS IN THE EURO AREA

The nominal and real money gaps declined further both in the fourth quarter of 2009 and in January 2010 (see Charts 11 and 12). Such measures of the monetary liquidity in the euro area 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 in the wake of the financial crisis. 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, these measures point to a clear accumulation of monetary liquidity over the past few years, and the period of subdued M3 growth observed since the end of 2008 is unlikely to have resulted in the unwinding of this earlier accumulation.

Summing up, the continued weakness observed in the growth of both M3 and credit around the turn of the year supports the assessment that the pace of underlying monetary expansion is moderate and medium-term inflationary pressures stemming from monetary developments are low. At the same time, growth in headline M3 continues to understate the pace of underlying monetary growth on account of the strong downward impact of the steep yield curve.

Chart 11 Estimates of the nominal money gap[1)]

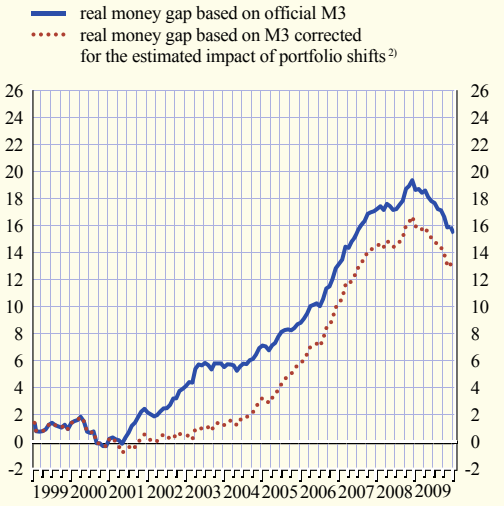
(as a percentage of the stock of M3; adjusted for seasonal and calendar effects; December 1998 = 0)



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 12 Estimates of the real money gap[1)]

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



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 decreased in the third quarter of 2009, mostly on account of a further decline in the annual growth rate of investment by non-financial corporations. The annual inflow for investment fund shares/units increased further in the fourth quarter in line with the steep yield curve. The annual growth rate of financial investment by insurance corporations and pension funds continued to increase in the third quarter.

NON-FINANCIAL SECTORS

In the third quarter of 2009 (the most recent quarter for which data are available from the euro area accounts) total financial investment by the non-financial sectors increased by 3.6% on an annual basis, slightly below the 3.8% recorded in the previous quarter (see Table 2). This reflected, in particular, declines in the contributions of currency and deposits, "other" financial instruments (which include items such as inter-company loans and trade credit), debt securities and shares and other equity. The contribution of mutual fund shares became less negative, while that of insurance technical reserves became slightly more positive.

As regards the sectoral breakdown, the deceleration in total investment growth was mainly the result of an ongoing decline in the contribution of non-financial corporations (see Chart 13). The contribution of general government receded slightly, having recorded a historical high in

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

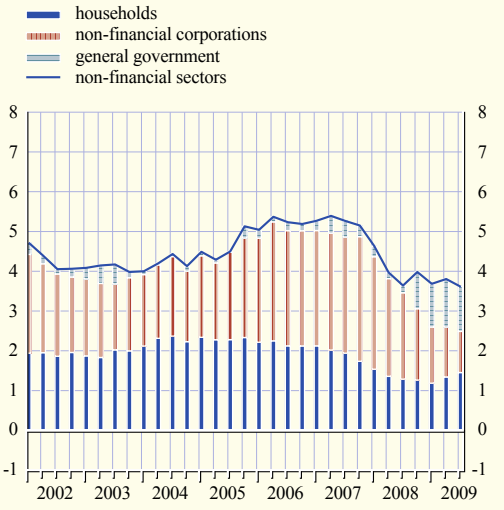
	Outstanding amount as a percentage of financial assets[1]	Annual growth rates									
		2007 Q2	2007 Q3	2007 Q4	2008 Q1	2008 Q2	2008 Q3	2008 Q4	2009 Q1	2009 Q2	2009 Q3
Financial investment	**100**	**5.4**	**5.3**	**5.2**	**4.6**	**4.0**	**3.6**	**4.0**	**3.7**	**3.8**	**3.6**
Currency and deposits	24	7.4	7.1	6.9	7.0	6.0	5.8	6.7	7.0	6.4	5.8
Debt securities, excluding financial derivatives	6	3.3	2.2	3.1	2.5	2.2	3.3	5.1	3.7	0.9	0.0
of which: short-term	0	16.0	24.5	28.3	25.1	5.3	-9.5	-2.8	-23.2	-25.6	-26.7
of which: long-term	5	2.1	0.0	0.7	0.0	1.8	5.0	6.1	7.3	3.9	3.0
Shares and other equity, excluding mutual fund shares	29	2.7	3.1	3.7	3.6	3.3	3.1	3.8	4.4	4.7	4.7
of which: quoted shares	6	2.1	2.3	3.6	3.8	4.5	4.7	3.9	5.2	5.5	6.8
of which: unquoted shares and other equity	23	2.9	3.4	3.7	3.5	2.9	2.5	3.7	4.1	4.5	4.0
Mutual fund shares	5	0.8	-0.7	-2.9	-5.1	-6.2	-6.4	-7.1	-5.8	-4.9	-2.9
Insurance technical reserves	15	6.5	6.0	5.6	5.1	4.6	4.4	3.6	3.4	3.5	3.7
Other[2]	20	9.2	9.7	9.0	7.5	6.4	5.0	4.7	1.8	2.8	2.3
M3[3]		11.0	11.5	11.6	10.2	9.7	8.7	7.6	5.2	3.7	1.8

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 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.

the previous quarter. The contribution made by households was the only one to increase in the third quarter, being driven by a recovery in investment in shares and other equity and increased investment in insurance technical reserves. (For more information on developments in the financial investment of the non-financial private sectors, see also Sections 2.6 and 2.7.)[1]

Chart 13 Financial investment of non-financial sectors

(annual percentage changes; contributions in percentage points)



Source: ECB.

INSTITUTIONAL INVESTORS

The new harmonised investment fund statistics for the euro area indicate that inflows for investment fund shares/units (excluding money market funds) in 2009 totalled €369 billion – an annual growth rate of 8.5%. The annual growth rate of investment fund shares/units increased over the course of the year against the background of the steep yield curve and improving financial market conditions.[2] This fostered stronger shifts from safer and more liquid monetary assets into longer-term and arguably riskier assets.

Breaking down those funds by investment policy suggests that most of the growth was accounted for by equity funds and bond funds, while growth in mixed funds was more limited. Data

1 For a comprehensive overview of the economic and financial developments in the various institutional sectors, see the box entitled "Integrated euro area accounts for the third quarter of 2009" in the February 2010 issue of the Monthly Bulletin.

2 These inflows include sizeable purchases of investment fund shares by two Dutch pension funds totalling around €70 billion in June 2009 and more than €97 billion in July 2009.

provided by EFAMA[3] for the net sales of different types of investment fund in the fourth quarter of 2009 confirm the positive developments reported by the harmonised euro area statistics in terms of annual flows. From a longer-term perspective, the data show that, with the exception of money market funds, net annual flows have turned positive for all types of investment fund following three consecutive quarterly inflows (see Chart 14). By contrast, the ECB's statistics indicate that, in line with the shape of the yield curve, outflows have been recorded for money market funds, the annual growth rate of which turned negative to stand at -3.6% in the fourth quarter.

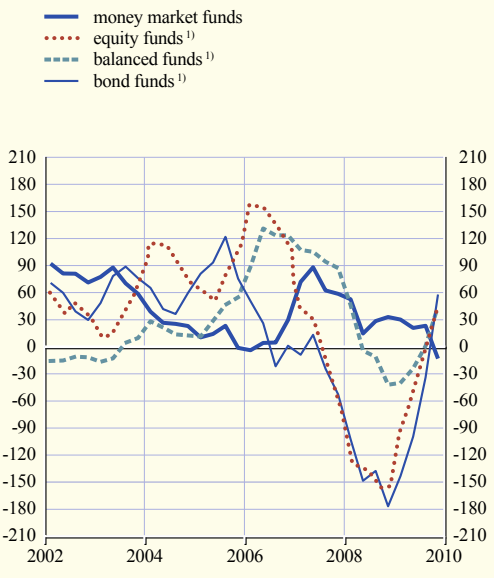
Looking at quarter-on-quarter developments, the inflow for investment fund shares/units (excluding money market funds) totalled €112 billion in the fourth quarter, roughly half of the change in the corresponding outstanding amounts (on the basis of non-seasonally adjusted data). This points to sizeable positive valuation effects (with these being particularly strong for equity funds, but also visible for both bond funds and mixed funds).

The annual growth rate of total financial investment by insurance corporations and pension funds increased to 3.6% in the third quarter, up from 3.1% in the previous quarter (see Chart 15). This reflected increases in the contributions of mutual fund shares and debt securities, while the contributions of all other instruments declined by comparison with the previous quarter. The positive contribution made by mutual fund shares and the negative contribution made by quoted shares were boosted by the shifting of funds between these two types of investment, with direct holdings of quoted shares becoming indirect holdings via mutual funds. The fact that growth in

3 The European Fund and Asset Management Association (EFAMA) provides information on the net sales (or net inflows) of publicly offered open-ended equity and bond funds in 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 14 Net annual flows into investment funds (by category)

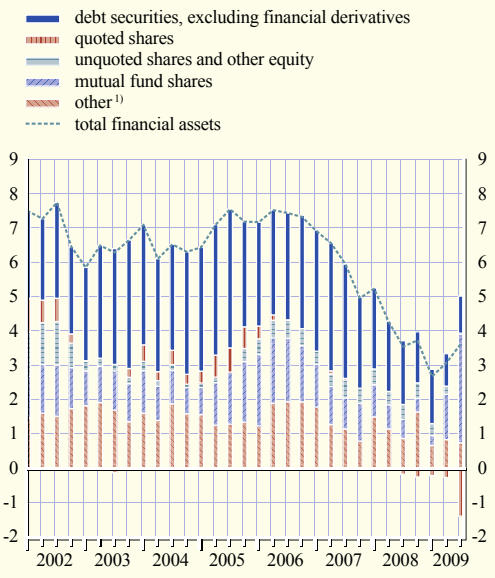
(EUR billions)



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

Chart 15 Financial investment of insurance corporations and pension funds

(annual percentage changes; contributions in percentage points)



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

total financial investment is fairly modest from a historical perspective (i.e. when looking at the period since 1999) reflects the lower rate of growth of insurance technical reserves on the liabilities side of the balance sheet. In this respect, however, it may be worth noting that money-holding sectors' annual flows into insurance technical reserves increased slightly in the third quarter, having stabilised in the previous two quarters.

2.3 MONEY MARKET INTEREST RATES

Money market rates have continued to decline across all maturities over the past three months, with declines observed for both secured and unsecured rates. As in the previous three-month period, the pace of the decline has been very modest. Spreads between secured and unsecured rates have declined further over the past three months, but remain elevated by comparison with the levels observed prior to the onset of the financial market turmoil in August 2007.

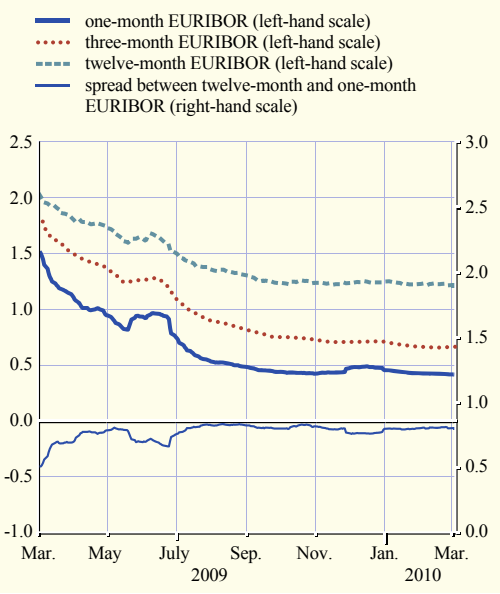
Unsecured money market interest rates have declined further across all maturities over the past three months, with the pace of this decline broadly similar to that observed between September and November 2009. These developments reflect the further easing of tensions in money markets in the context of the ECB's enhanced credit support measures. On 3 March 2010 the one-month, three-month, six-month and twelve-month EURIBOR stood at 0.41%, 0.66%, 0.96% and 1.21% respectively – i.e. 7, 6, 4 and 3 basis points lower than the levels observed on 3 December 2009. Overall, the spread between the twelve-month and one-month EURIBOR – an indicator of the slope of the money market yield curve – increased by 4 basis points in that period, standing at 80 basis points on 3 March (see Chart 16).

The spreads between the unsecured EURIBOR and secured rates (such as the EUREPO or those derived from the EONIA swap index) declined further in that period, although these declines were more moderate than those observed previously. At the three-month maturity, that spread stood at 29 basis points on 3 March, 3 basis points lower than its level on 3 December. Overall, notwithstanding their continued decline following the peaks recorded in September 2008, these spreads remain relatively wide by comparison with the levels prevailing prior to the onset of the financial market turmoil in August 2007 (see Chart 17).

On 3 March the interest rates implied by the prices of three-month EURIBOR futures maturing in June, September and December 2010 stood at 0.78%, 0.96% and 1.16% respectively, representing decreases of around 39, 54 and 63 basis points respectively by comparison with the levels observed on 3 December (see Chart 18). Implied volatilities

Chart 16 Money market interest rates

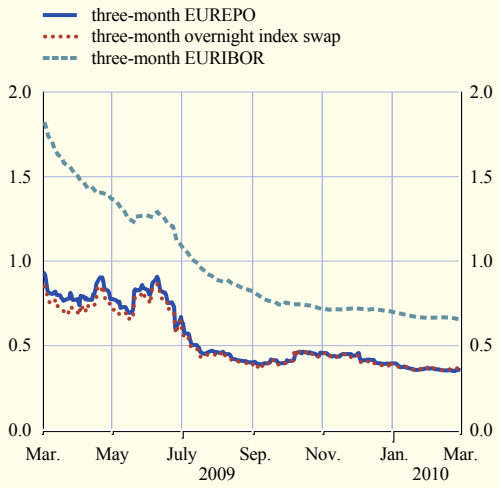
(percentages per annum; spread in percentage points; daily data)



Sources: ECB and Reuters.

Chart 17 Three-month EUREPO, EURIBOR and overnight index swap

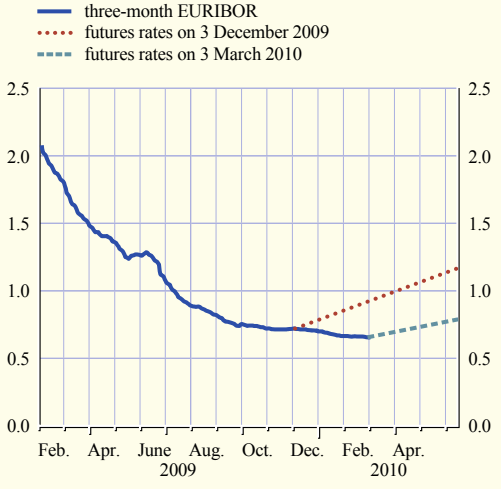
(percentages per annum; daily data)



Sources: ECB, Bloomberg and Reuters.

Chart 18 Three-month interest rates and futures rates in the euro area

(percentages per annum; daily data)



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

with constant maturities of three, six, nine and twelve months derived from options on three-month EURIBOR futures contracts have also declined over the past three months (see Chart 19).

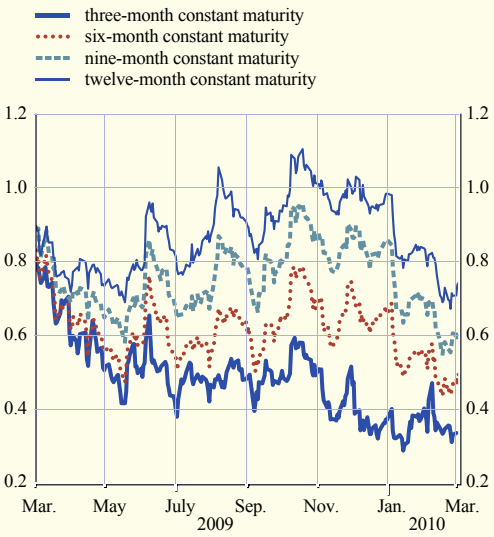
Looking at the overnight maturity, the EONIA has been relatively stable over the past three months (indeed, it has been stable since 24 June 2009), standing less than 10 basis points above the rate on the deposit facility with rare spikes related to liquidity-absorbing operations on the last day of the maintenance period. On 3 March the EONIA stood at 0.319% (see Chart 20). These developments reflect the large amount of outstanding excess liquidity in the euro area, especially following the Eurosystem's one-year longer-term refinancing operations (LTROs). The abundant liquidity in the euro area is being absorbed in part by considerable daily recourse to the deposit facility.

The ECB has continued to provide the money markets with ample support through a number of liquidity-providing operations with various maturities. Following its one-year operations on 24 June and 30 September 2009, the Eurosystem conducted its final one-year operation on 16 December 2009, allotting €96.9 billion. This exceeded the €75.2 billion allotted in the second one-year LTRO on 30 September, but was significantly less than the €442.2 billion allotted in the first operation on 24 June. The review period also saw the Eurosystem continue to provide liquidity in operations with maturities of one week, one maintenance period, three months and six months. The Eurosystem's liquidity-providing operations were conducted as fixed rate tender procedures with full allotment – with the exception of the final one-year operation, which was conducted by means of a tender procedure with full allotment at a rate fixed at the average minimum bid rate in the main refinancing operations over the life of the operation. Moreover, the Eurosystem continued its covered bond purchase programme, and on 3 March the total value of purchases reached €38.7 billion, with €60 billion worth of bonds set to be purchased by the end of June 2010.

In December the Eurosystem announced that those non-standard measures which were no longer needed would gradually begin to be phased out, given the improvements observed in the financial

Chart 19 Implied volatilities with constant maturities derived from options on three-month EURIBOR futures

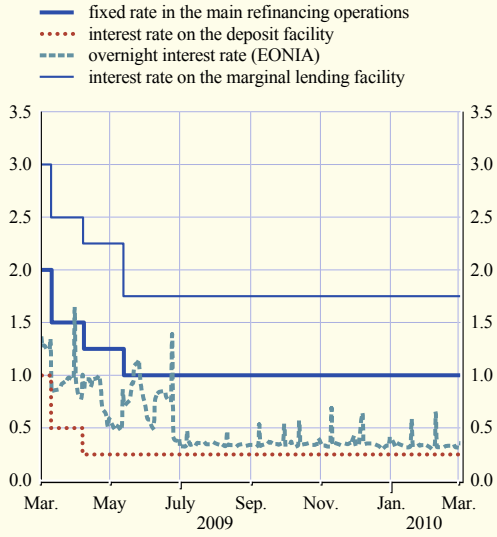
(percentages per annum; daily data)



Sources: Reuters and ECB calculations.
Notes: This measure is calculated in two stages. First, implied volatilities derived from options on three-month EURIBOR futures are converted by expressing them in terms of logged prices instead of logged yields. Second, the resulting implied volatilities, which have a constant maturity date, are transformed into data with a constant time to maturity.

Chart 20 ECB interest rates and the overnight interest rate

(percentages per annum; daily data)



Sources: ECB and Reuters.

markets, in order to avoid the distortions associated with maintaining non-standard measures for too long. In this respect, the Eurosystem decided to conduct one final twelve-month LTRO on 16 December 2009. For the period from 1 January to 13 April 2010, the Eurosystem decided to discontinue the supplementary three-month LTROs and to conduct one final six-month LTRO on 31 March 2010. Moreover, the Eurosystem, in agreement with the Swiss National Bank, decided not to conduct any one-week Swiss franc liquidity-providing swap operations after 31 January 2010. Similarly, in coordination with other central banks, the ECB decided to discontinue its US dollar liquidity-providing operations on 31 January 2010.

Box 3

LIQUIDITY CONDITIONS AND MONETARY POLICY OPERATIONS IN THE PERIOD FROM 11 NOVEMBER 2009 TO 9 FEBRUARY 2010

This box describes the ECB's liquidity management during the three reserve maintenance periods ending on 7 December 2009, 19 January 2010 and 9 February 2010 respectively.

This period saw the ECB continue to implement some of the non-standard measures introduced since October 2008 in response to the intensification of the financial crisis, while gradually beginning to phase out those measures that were no longer needed given the improvements observed in financial market conditions.

More specifically, on 3 December 2009 the Governing Council of the ECB announced that:

i) it would continue conducting its main refinancing operations (MROs) as fixed rate tender procedures with full allotment for as long as was needed – and at least until the third maintenance period of 2010 ended on 13 April;
ii) special-term refinancing operations (i.e. operations with a maturity of one maintenance period) would continue to be conducted by means of this tender procedure for at least the first three maintenance periods of 2010;
iii) regular three-month refinancing operations would continue to be carried out as fixed rate tender procedures with full allotment for at least the first three months of 2010 (including the three-month refinancing operation due to be settled on 1 April 2010);
iv) the rate in the final 12-month refinancing operation, due to be allotted on 16 December 2009, would be fixed at the average minimum bid rate in the MROs over the life of this operation.

In addition, both the Swiss franc and US dollar open market operations conducted by the Eurosystem were discontinued at the end of January 2010. On 18 January the Governing Council of the ECB decided, in agreement with the Swiss National Bank, that the Eurosystem's one-week Swiss franc liquidity-providing swap operations would be discontinued on 31 January owing to declining demand and improving conditions in funding markets. Accordingly, the final one-week Swiss franc swap operation was allotted on 26 January. Similarly, on 27 January the ECB confirmed that its temporary swap lines with the Federal Reserve would end on 31 January in the light of the improvement seen in the functioning of the financial markets over the previous year. In addition, the Governing Council of the ECB decided, in agreement with the Federal Reserve, the Bank of England, the Bank of Japan and the Swiss National Bank, to stop conducting US dollar liquidity-providing operations on 31 January. Accordingly, the Eurosystem's last US dollar swap operation was allotted on 25 January.

Liquidity needs of the banking system

In the three maintenance periods under review, banks' 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) – averaged €585.5 billion, €1.9 billion less than the average for the previous three maintenance periods.

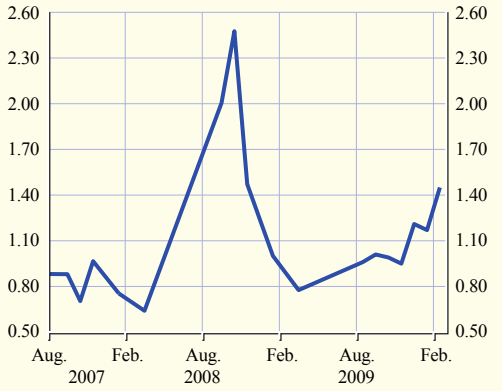
Average autonomous factors rose slightly to stand at €374.4 billion, an increase of €1.9 billion by comparison with the average for the previous three maintenance periods (see Chart B).

By contrast, average reserve requirements fell by €3.8 billion to stand at €210.0 billion.

Daily excess reserves averaged €1.28 billion during the period under review, compared with an average of €0.98 billion over the previous three maintenance periods (see Chart A).

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

(EUR billions; average level in each maintenance period)



Source: ECB.

Liquidity supply

The volume of outstanding refinancing operations averaged €686 billion over the three maintenance periods under review, up slightly from the €683 billion averaged in the previous three maintenance periods.

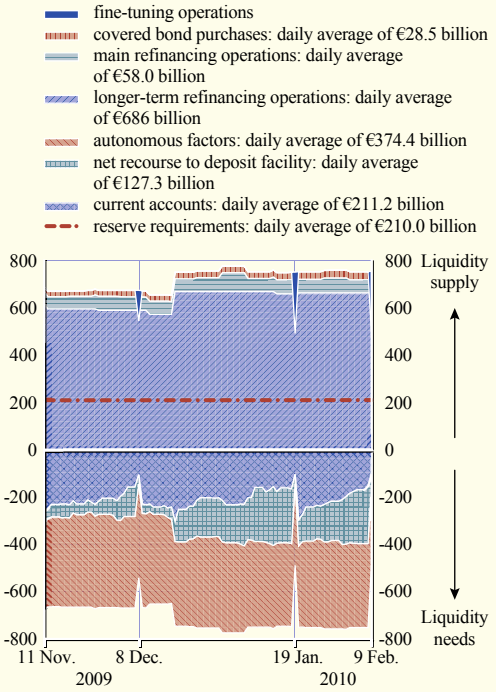
As in the previous three maintenance periods, the one-week MRO accounted for a limited share (i.e. around 8-10%) of total outstanding refinancing. Over the three maintenance periods under review, the volume of outstanding weekly MROs averaged €58.0 billion.

The volume of outstanding special-term refinancing operations declined significantly, averaging €3.3 billion over the three maintenance periods under review, down from an average of €15.9 billion over the previous three maintenance periods.

The volume of outstanding three and six-month LTROs declined further to stand at €42.1 billion on 9 February 2010, down from €97.6 billion on 11 November 2009, as some of these operations matured and were not replaced or were rolled over with an allotment amount lower than the maturing amount. The volume of outstanding three and six-month LTROs averaged €56.4 billion over the period under review. However, the decline in this outstanding amount was largely offset by the allotment of €96.9 billion in the third 12-month LTRO on 16 December 2009.

Chart B Liquidity needs of the banking system and liquidity supply

(EUR billions)



Source: ECB.

The period under review saw Eurosystem central banks continue their outright purchases of euro-denominated covered bonds as part of the covered bond purchase programme. This programme, which began on 6 July 2009, aims to purchase €60 billion worth of covered bonds by the end of June 2010. Bond purchases averaged €216 million per working day in the period under review, while the total cumulative value of bond purchases reached €35.4 billion on 9 February 2010 (up from €22.7 billion on 11 November 2009).

In the period under review, an average of €219.4 billion was absorbed in the three fine-tuning operations carried out on the last day of each maintenance period (see Chart B). By comparison, average liquidity absorption was €185 billion in the previous three maintenance periods. Recourse to the marginal lending facility averaged €0.45 billion in the period under review (€0.15 billion more than in the previous three maintenance periods).

Use of standing facilities

As a result of the increased liquidity supply and the largely unchanged liquidity needs of the banking system, average daily net recourse to the deposit facility[1] increased from €64.0 billion[2] in the maintenance period ending on 8 December 2009 to €149.1 billion in the maintenance period ending on 19 January 2010 and €168.1 billion in the maintenance period ending on 9 February 2010.

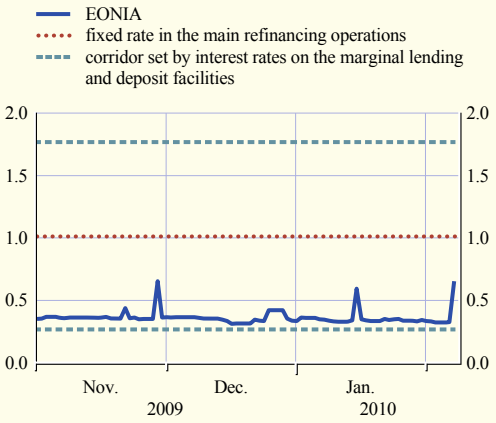
Interest rates

The ECB's key interest rates have remained unchanged since 13 May 2009, with the rate on the main refinancing operations standing at 1%, the marginal lending rate standing at 1.75% and the deposit rate standing at 0.25%. As a result of the ample liquidity in the euro area, the EONIA was stable over the period under review and remained close to the deposit facility rate, averaging 0.352% (see Chart C), almost unchanged from the 0.358% observed over the previous three maintenance periods. On the three days when liquidity-absorbing fine-tuning operations were conducted (i.e. the last day of each maintenance period), the EONIA averaged 0.623% – i.e. 30 basis points above the level observed the previous day.

The period under review saw the spread between the three-month EURIBOR and the three-month EONIA swap rate – which indicates the level of credit and liquidity risk – decline to an average of 30 basis points, down from an average of 35 basis points in the previous three maintenance periods. By comparison, this spread averaged 64 basis points in the maintenance period prior to the collapse of Lehman Brothers in mid-September 2008 and peaked at 186 basis points on 12 October 2008 following Lehman Brothers' collapse.

Chart C The EONIA and the ECB interest rates

(daily interest rates in percentages)



Source: ECB.

1 Net recourse to the deposit facility is equal to recourse to the deposit facility minus recourse to the marginal lending facility.
2 Average daily net recourse to the deposit facility includes weekends.

2.4 BOND MARKETS

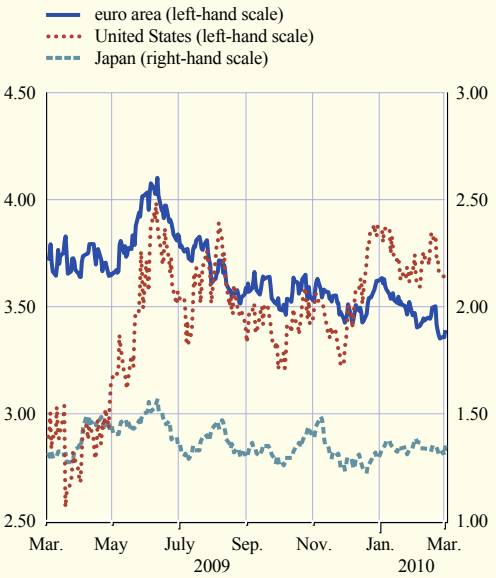
Over the last three months bond market developments have differed somewhat across the major markets. Compared with their end-November 2009 levels, long-term government bond yields in the euro area declined slightly, while yields in the United States increased markedly, resulting in an exceptionally steep US yield curve. Long-term forward break-even inflation rates in the euro area remained broadly unchanged overall. Sovereign risk spreads were very volatile and increased in some euro area countries in the period under review on account of market concerns about fiscal sustainability in those countries. At the same time corporate bond spreads declined somewhat further overall.

Between the end of November 2009 and 3 March 2010 the level of ten-year government bond yields in the euro area declined slightly, to around 3.4%, with only moderate swings in this period (see Chart 21). By contrast, long-term government bond yields in the United States increased markedly in the period under review, and stood at a level of around 3.7% on 3 March. Accordingly, the ten-year nominal interest rate differential between US and euro area government bonds changed sign and stood at around 30 basis points on 3 March.

Market participants' uncertainty about near-term developments in long-term bond yields in the major markets, as measured by implied bond market volatility, has changed only slightly since end-November 2009. This suggests that, despite the increased focus among market commentators on the sustainability of public finances in many developed economies and related upside risks to bond yields, investors do not anticipate large near-term swings in the major bond markets.

Chart 21 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.

At the beginning of the period under review, long-term government bond yields in the United States increased sharply, mainly on account of overall positive macroeconomic news, which generally confirmed that a gradual recovery of the US economy is under way. In addition, the sharp increase in the net supply of US Treasury securities to be absorbed by private market participants in 2010 (and beyond) appears to have exerted significant upward pressure on long-term US yields in the period under review. This supply-related pressure on longer-term Treasury yields is also visible in the long-term spreads between swap rates and government bond yields, which were negative and significantly below their pre-crisis levels. As yields on short-term government securities have remained subdued, reflecting market expectations that the federal funds rate will remain exceptionally low for an extended period, the increase in long-term yields over recent months has resulted in an unusually steep US yield curve. In January and February, however, somewhat less positive macroeconomic news, as well as the decline in investors' appetite for risky assets, led to a decline in long-term US yields. The decision by the Federal Open Market Committee on 18 February to increase the discount rate from 0.50% to 0.75% had only a moderate impact on the yield curve.

In comparison with the recent pronounced swings in US yields, long-term euro area government bond yields fluctuated within a significantly tighter range during the period under review. Consistent with these broadly stable yields, macroeconomic data releases were overall mixed and survey evidence suggested that market participants had changed their assessment of the economic outlook for the euro area only marginally. In late January and early February, amid intensifying market concerns about the sustainability of fiscal positions in some euro area countries and related market pressures, the appetite for risky assets abated, exerting downward pressure on the yields of the highest-rated government bonds. The increase in demand for the safest and most liquid assets was also reflected in

a temporary increase in the liquidity-related premium on German government bond prices. However, this development made only a modest contribution to the substantial widening of sovereign bond spreads vis-à-vis Germany, which was observed for a few euro area countries in the same period.

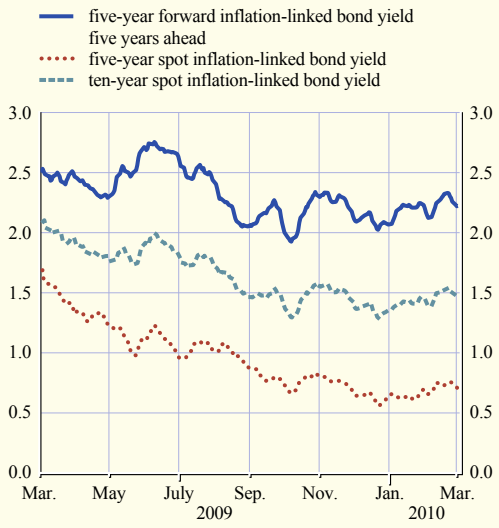
The yields on inflation-linked government bonds in the euro area have remained broadly stable since the end of November 2009, both at five-year and ten-year maturities (see Chart 22). The overall flat evolution of medium-term inflation-linked bond yields in the period under review supports the assessment that market expectations for economic growth in the euro area over the medium term remained broadly stable in this period.

Euro area break-even inflation rates at medium to long-term horizons have remained volatile over the past three months. Most of the observed swings were attributable to temporary technical market factors which influenced the market for inflation-linked bonds, in particular at end-December and in early January (see Chart 23). At the end of the period under review, five-year spot break-even inflation rates stood at around 1.6%, down about 20 basis points compared with end-November. As the ten-year break-even inflation rate decreased slightly less to stand at 2.2%, the five-year implied forward break-even inflation rate five years ahead – an indicator of market participants' longer-term inflation expectations and related risk premia – remained broadly unchanged at 2.5% on 3 March.

Between end-November 2009 and 3 March 2010 the implied forward overnight interest rate curve for euro area government bonds shifted downwards at shorter and medium-term maturities (see Chart 24). It is probable that this mainly reflected a downward revision of investors' expectations regarding the future path of short-term interest rates in the euro area, in a context of market anticipations of only a moderate pick-up in economic activity and in associated inflationary pressures.

Chart 22 Euro area zero coupon inflation-linked bond yields

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



Sources: Reuters and ECB calculations.

Chart 23 Euro area zero coupon break-even inflation rates

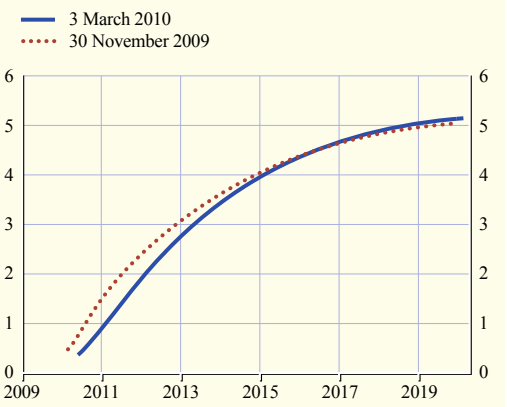
(percentages per annum; five-day moving averages of daily data; seasonally adjusted)

Sources: Reuters and ECB calculations.

The trend seen in past quarters towards progressively narrower corporate bond spreads in the euro area appears to have levelled off. Between end-November 2009 and mid-January 2010 corporate bond spreads narrowed somewhat further across all rating classes and sectors. However, concomitant with the observed increase in overall market uncertainty since mid-January, as measured by implied stock market volatility, a moderate re-widening of corporate bond spreads was observed. Taking a somewhat longer perspective, corporate bonds spreads for the highest-rated issuers have now narrowed to pre-crisis levels, whereas lower-rated corporate bond issuers still face significantly higher spreads.

Chart 24 Implied forward euro area overnight interest rates

(percentages per annum; daily data)



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

2.5 EQUITY MARKETS

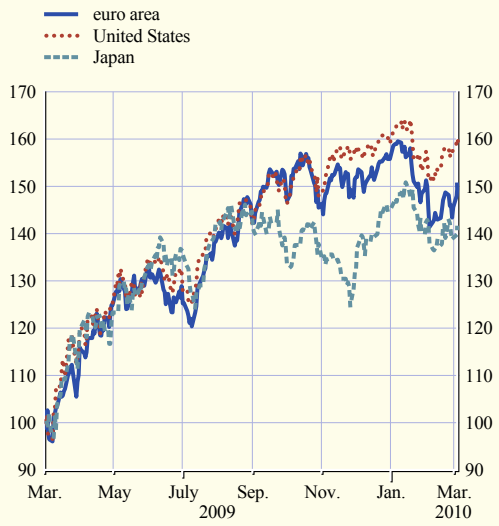
In the euro area and the United States, stock prices increased modestly compared with their end-November 2009 levels. Risk appetite among investors was lower from mid-January 2010, triggered mainly by intensifying market concerns about the outlook for public finances in a number of countries. Against this background, stock market uncertainty, as measured by implied volatility, rose markedly in the second half of the period under review. Corporate earnings per share, both actual and expected, improved on both sides of the Atlantic.

The upward trend in global stock prices, seen since March 2009, persisted until around mid-January 2010. Since then stock markets have exhibited increased volatility and earlier gains have been pared back (see Chart 25). Between end-November 2009 and 3 March 2010 stock prices in the euro area, as measured by the Dow Jones EURO STOXX index, increased by 2.2% overall. Stock prices in the United States, as measured by the Standard & Poor's 500 index, recorded a similar increase of 2.1%. Over the same period Japanese stock prices, as measured by the Nikkei 225 index, increased more strongly, rising by 9.7%, but this gain merely offset a comparable decline in the preceding months.

After declining steadily from the peaks recorded in the spring of 2009, stock market uncertainty, as measured by implied volatility, rebounded appreciably in mid-January 2010, before edging further downwards in the course of February (see Chart 26). It is likely that the increase in uncertainty in late January and early February mainly reflected a decline in risk appetite and an associated increase in the required compensation for risk in a context of volatile sovereign bond price developments in some euro area countries. Expected volatility at one and two-year horizons declined somewhat further overall.

Chart 25 Stock price indices

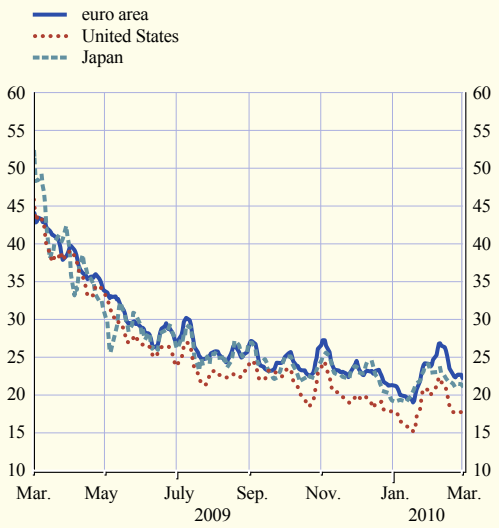
(index: 1 March 2009 = 100; daily data)



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 26 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.

From end-November 2009 to mid-January 2010 the recovery in stock prices resumed amid overall positive macroeconomic news, which led to a further upward adjustment in the expectations for global economic growth. In the second half of the period under review, stock market sentiment appeared to be increasingly influenced by intensifying concerns about public finances in some euro area countries. In the euro area, the most pronounced decreases were observed for stocks of financial

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-communi-cations	Utility
Share of sector in market capitalisation *(end-of-period data)*	100.0	8.8	6.4	12.4	7.5	26.0	4.3	12.8	4.7	7.6	9.6
Price changes *(end-of-period data)*											
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
Q2 2009	16.4	19.8	3.3	17.7	9.7	34.2	3.9	18.0	15.8	0.0	9.0
Q3 2009	20.7	21.8	14.9	15.8	7.3	32.4	14.2	26.4	13.6	14.7	14.9
Q4 2009	2.1	15.3	3.3	9.0	6.8	-5.5	7.7	3.8	-3.9	2.0	0.3
January 2010	-4.7	-6.8	0.0	-1.8	-5.3	-7.7	-0.8	-2.9	4.3	-7.1	-6.3
February 2010	-1.9	-0.1	-1.6	-1.9	-2.5	-3.4	0.7	-2.3	-1.2	-0.1	-1.9
30 Nov. 2009-3 Mar. 2010	2.2	6.9	7.9	7.8	2.4	-5.3	10.8	5.8	12.6	-3.5	1.1

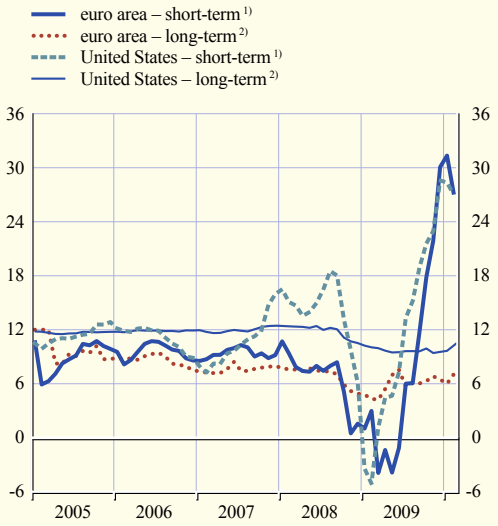
Sources: Thomson Financial Datastream and ECB calculations.

firms, whereas the stock price performance across other economic sectors was mixed and without a clear overall pattern (see Table 3). For example, shares in the health-care and telecommunications sectors, both relatively defensive sectors, moved in opposite directions. In the United States, the financial sector fared significantly better, on the back of generally robust bank earnings announcements over the period under review, despite new regulatory measures signalled by the US government, which initially triggered some decreases in the stock prices of banks.

Notwithstanding the recent weaknesses in stock prices, both the gradual improvement in the global macroeconomic outlook and the related upward adjustment of earnings expectations appear to have continued to support stock prices, particularly in the first half of the period under review. For companies listed on the Dow Jones EURO STOXX index, the pace of the year-on-year deterioration in realised earnings has declined markedly, with growth in realised earnings per share improving from -40% in November 2009 to -22% in February 2010. Expectations for earnings per share growth over the next 12 months improved as well, and stood at a robust level of 27% in February, whereas longer-term earnings expectations improved only marginally (see Chart 27).

Chart 27 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 on the Dow Jones EURO STOXX index for the euro area and on 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).

Similar improvements were seen in the outlook for corporate earnings in the United States, computed in terms of the earnings per share of companies included in the Standard & Poor's 500 index. Actual earnings per share growth improved from -19% in November 2009 to -8% in February 2010, and the expected growth in earnings per share 12 months ahead improved from 23% to 27% over the same period. Longer-term earnings expectations for listed US companies increased slightly.

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

The real cost of financing for euro area non-financial corporations decreased significantly between September 2009 and January 2010, continuing the trend that started in the fourth quarter of 2008. This further easing of financing costs was due in particular to sharp reductions in the cost of market-based debt financing and, to a lesser extent, to lower bank lending rates as well as the lower cost of quoted shares. In this context, debt securities issuance by non-financial corporations remained buoyant, while bank financing contracted further.

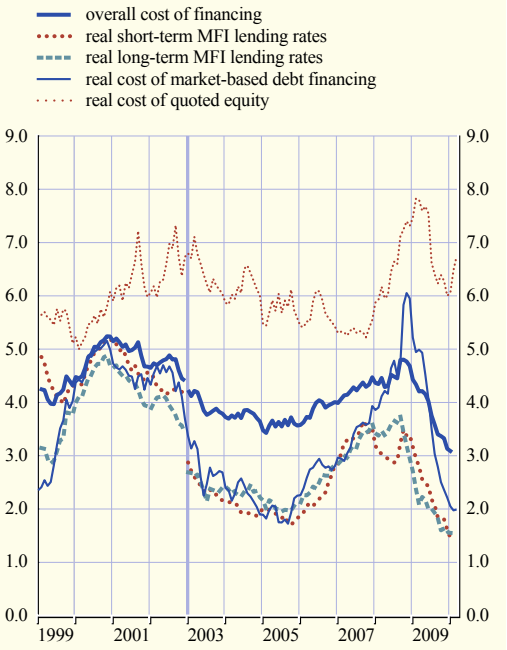
FINANCING CONDITIONS

The real cost of external financing for euro area non-financial corporations – as calculated by weighting the cost of financing from different sources on the basis of their outstanding amounts, corrected for valuation effects – declined to 3.1% in December 2009 and January 2010. This represents a reduction of 33 basis points compared with the third quarter of 2009 (see Chart 28).[4]

Both bank lending rates and market-based debt financing costs decreased in real terms during the period under review. The decline in bank interest rates reflected mainly a continuation of the gradual pass-through of changes in key ECB interest rates to banks' retail customers in the euro area. Real short-term MFI interest rates declined by 41 basis points between September 2009 and January 2010, while real long-term MFI rates dropped by 27 basis points. Conversely, the real cost of market-based debt financing decreased by around 74 basis points in the same period, driven by further reductions in corporate bond spreads and returning risk appetite for most of this period. Taking a longer-term perspective, the level of the real overall cost of financing for non-financial corporations in the euro area reached the lowest level recorded since 1999 for all components, except the real cost of equity.

Chart 28 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.

Between September 2009 and January 2010 most nominal MFI interest rates on new loans to non-financial corporations recorded a further slight decline (see Table 4). The downward trend observed in MFI interest rates since November 2008 remains consistent with the decline in money market rates and bond yields over this period, as developments in banks' short-term funding costs are, in normal times, affected primarily by movements in short-term money market rates (EURIBOR), while banks' longer-term lending rates normally reflect movements in government bond yields. Overall, the pass-through of past reductions in key ECB interest rates to bank lending rates is now likely to be close to completion. The latest bank lending survey for the euro area confirmed that banks' access to market financing and their liquidity position had improved somewhat, which contributed to an easing of credit standards for loans to enterprises, and may have implied lower lending rates.

The sharp reduction in the real cost of market-based debt financing also reflects the narrowing of corporate bond spreads measuring the difference between the yields on corporate bonds and the yields on government bonds. These spreads had already started to narrow at the beginning of 2009.

4 Using updated weights to compute the real cost of external financing, this item stood at 3.4% in September 2009, rather than 3.1% as presented in the December 2009 issue of the Monthly Bulletin.

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

(percentages per annum; basis points)

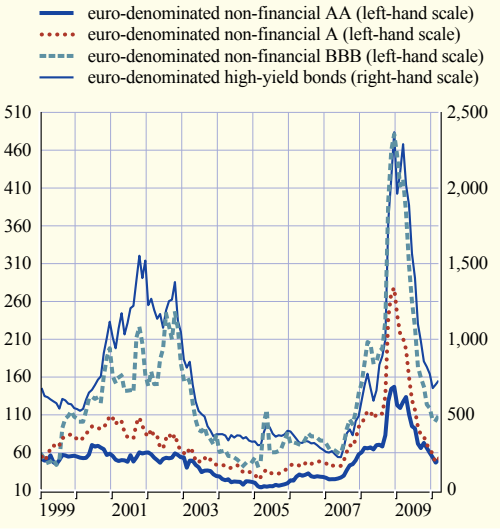
	2008 Q4	2009 Q1	2009 Q2	2009 Q3	2009 Dec.	2010 Jan.	Change in basis points up to January 2010[1] 2008 Oct.	2009 Oct.	2009 Dec.
MFI interest rates on loans									
Bank overdrafts to non-financial corporations	6.24	5.08	4.55	4.25	4.05	4.05	-284	-13	0
Loans to non-financial corporations of up to €1 million									
with a floating rate and an initial rate fixation of up to one year	5.38	4.03	3.64	3.36	3.28	3.23	-329	-10	-5
with an initial rate fixation of over five years	5.32	4.74	4.49	4.16	3.96	3.99	-158	-19	3
Loans to non-financial corporations of over €1 million									
with a floating rate and an initial rate fixation of up to one year	4.28	2.85	2.57	2.06	2.19	2.03	-356	-11	-16
with an initial rate fixation of over five years	4.76	3.87	3.71	3.64	3.58	3.65	-143	1	7
Memo items									
Three-month money market interest rate	3.26	1.63	1.22	0.77	0.71	0.68	-444	-6	-3
Two-year government bond yield	2.62	1.74	1.68	1.28	1.39	1.51	-176	12	12
Seven-year government bond yield	3.28	3.38	3.53	3.10	3.10	3.23	-63	17	13

Source: ECB.
1) Figures may not add up due to rounding.

In the fourth quarter of 2009 and in January and February 2010 they declined across all rating classes, falling back to or below the levels recorded in August 2008 (i.e. shortly before the broad-based widening of corporate bond spreads that occurred as the crisis intensified). The reduction was more pronounced for bonds with low credit ratings and, in particular, for speculative-grade bonds. For instance, spreads of euro area high-yield bonds and BBB-rated bonds dropped by around 201 and 49 basis points respectively between September 2009 and February 2010, remaining somewhat above pre-crisis levels, while spreads of AA-rated bonds returned to the same levels observed before the crisis started (see Chart 29). Factors, such as lower risk perceptions and risk aversion in the markets, may have influenced this decline. Box 4 provides information on the financial situation and financing needs of small and medium-sized enterprises and large firms in the euro area in the second half of 2009.

Chart 29 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-rated government bond yields.

Box 4

THE RESULTS OF THE "SURVEY ON THE ACCESS TO FINANCE OF SMALL AND MEDIUM-SIZED ENTERPRISES IN THE EURO AREA: SECOND HALF OF 2009"

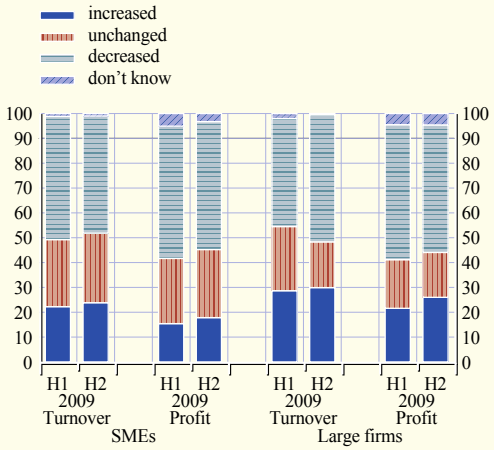
This box presents the results of the second wave of the "Survey on the access to finance of small and medium-sized enterprises in the euro area".[1] This survey was conducted on behalf of the ECB between 19 November and 18 December 2009 and covered 5,320 firms in the euro area.[2] It provides evidence on the financial situation, financing needs and access to finance of small and medium-sized enterprises (SMEs) and, for purposes of comparison, large firms in the euro area in the second half of 2009. Given the recent introduction of the survey caution should be exercised when drawing firm conclusions from the variations in the responses over time.

The financial situation of euro area SMEs

In the second half of 2009 the income and debt situation of SMEs changed only marginally. The percentage of SMEs reporting a deterioration in profits decreased to 51%, from 53% in the first half of 2009, while the percentage reporting an increase in profits rose to 18%, from 15% (see Chart A). On balance, 34% of the SMEs (as against 38% in the first half of 2009) reported a deterioration in their profits.[3] Profit developments were somewhat less negative for large firms, as 25% (33% in the first half of 2009) on balance reported a deterioration in their profits. In addition, the percentage of SMEs reporting a decrease in turnover also declined slightly (from 50% to 47%), while the percentage reporting a higher turnover increased somewhat (from 22% to 24%), in line with a slight improvement in economic activity in the second half of 2009.

Chart A Indicators of the financial situation of euro area firms

(change over the preceding six months; percentage of respondents)



Source: ECB/European Commission survey on the access to finance of SMEs.

The most pressing problem facing euro area SMEs in the second half of 2009 continued to be finding customers (28%, as against 27% in the first half of 2009), followed by access to finance (19%, as against 17%). Among large firms, by contrast, finding customers (24%) and competition (23%) were the problems mentioned most, whereas access to finance (12%) was mentioned less often as the most pressing problem.

1 For further details, see ECB, "Survey on the access to finance of SMEs in the euro area: second half of 2009", 16 February 2010, available on the ECB's website (http://www.ecb.europa.eu/stats/money/surveys/sme/html/index.en.html). This survey is conducted jointly by the ECB and the European Commission every two years and, in a somewhat reduced form, by the ECB every six months. The survey mainly asks about developments over the preceding six months, which on this occasion correspond to the second half of 2009.

2 SMEs include micro firms (1-9 employees), small firms (10-49 employees) and medium-sized firms (50-249 employees). Large firms are defined as firms with 250 or more employees.

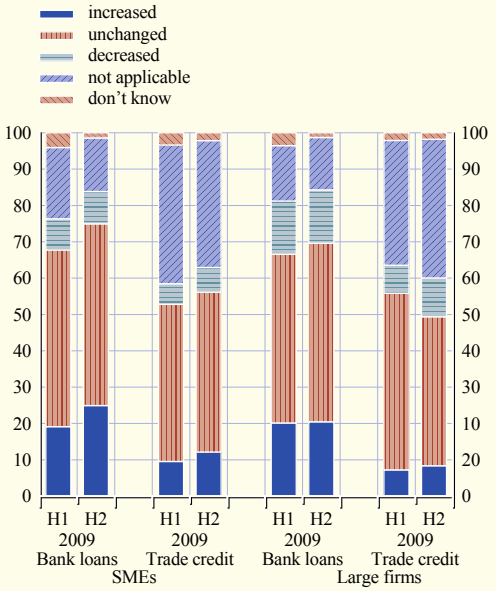
3 The net percentage or balance of firms reporting an increase (decrease) is calculated as the difference between the percentage of reported "increases" ("decreases") and the percentage of reported "decreases" ("increases").

External financing needs of euro area SMEs

While half of the SMEs reported an unchanged need for bank loans in the second half of 2009, a quarter of them reported an increase in bank financing needs and only slightly less than 10% a reduction (see Chart B). On balance 16% of SMEs (up from 11% in the first half of 2009), especially micro and small firms, reported an increase in their need for bank loans. By contrast, the balance of large firms reporting an increase in the need for bank loans remained lower and broadly unchanged (6%, as against 5% in the first half of 2009). This difference across firm sizes reflects a greater recourse by large firms to market-based financing, the conditions of which became considerably more favourable in the second half of 2009. In addition, SMEs' reported need for trade credit [4] remained broadly unchanged (on balance 5% of SMEs reported an increase, as against 4% in the first half of 2009), while that of large firms declined somewhat (-2%, as against 0%).

Chart B External financing needs of euro area firms

(change over the preceding six months; percentage of respondents)



Source: ECB/European Commission survey on the access to finance of SMEs.

Regarding the factors having an impact on the net increase in the external financing needs of SMEs, there were some noticeable differences across firm sizes. Fixed investment was more important for large and medium-sized firms, while the increased need for external financing of micro and small firms was attributable above all to inventories and working capital.

Applications for external financing

In the second half of 2009, 29% of the SMEs applied for bank loans (new loans or the renewal of existing loans), a percentage that was broadly unchanged from the first half of the year. Generally, the percentage of firms that applied for loans increased with firm size. Likewise, the percentage of firms that did not apply for fear of rejection decreased with firm size. Just 7% of SMEs did not apply for a bank loan for fear of rejection, as against 5% in the first half of 2009.

As regards the outcome of the applications for external financing, a large majority (75%) [5] of the SMEs reported that they had received either the full amount of the bank loans they had applied for or part of the amount, compared with 77% in the first half of 2009 (see Chart C). Meanwhile, the rejection rate increased: the percentage of SMEs reporting a rejection of their bank loan applications increased to 18%, from 12% in the first half of 2009. As in the first half of the

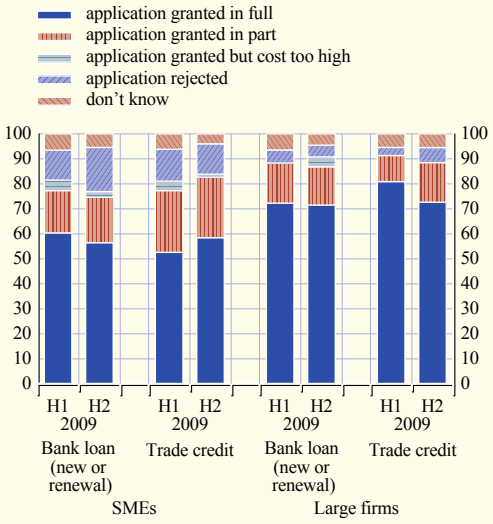
4 Trade credit is defined in the context of the survey as the purchase of goods or services by one firm from another, without immediate cash payment.

5 Due to rounding effects, the percentage of applications granted in full (56%) and the percentage of applications granted in part (18%) add up to 75%.

year, the application success rate was higher and the rejection rate lower the greater the size and age (from the age of two years up to more than ten years) of the firm. The full or partial bank loan application success rate (87%) and the rejection rate (5%) remained stable for large firms. In contrast to bank loans, the success rate of SMEs in obtaining trade credit increased, but in this case too the success rate increased with firm size.

Chart C Outcome of applications for external financing by euro area firms

(over the preceding six months; percentage of firms that applied for bank loans or trade credit)



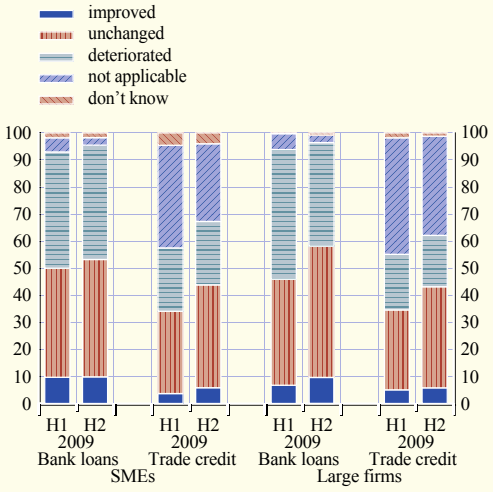
Source: ECB/European Commission survey on the access to finance of SMEs.

Availability of external financing to euro area SMEs

The assessment by large firms of the availability of bank loans in the second half of 2009 was less negative (-29% on balance, as against -41% in the first half), mainly due to a decline in the percentage of large firms reporting a deterioration. At the same time, the net percentage of SMEs reporting a deterioration in the availability of bank loans (in the form of new loans or the renewal of existing loans) was broadly unchanged from the first half of 2009 (-32%, as against -33% in the first half). 42% of the SMEs reported a deterioration and 10% an improvement (see Chart D). In line with the variation in external financing needs across firm sizes, large firms may have been less negative regarding the availability of bank financing as they had partly replaced it with market-based financing. With respect to trade credit, both SMEs and large firms reported, on balance, a slightly lower deterioration in its availability in the second half of 2009.

Chart D Availability of external financing to euro area firms

(change over the preceding six months; percentage of firms that applied for external financing)



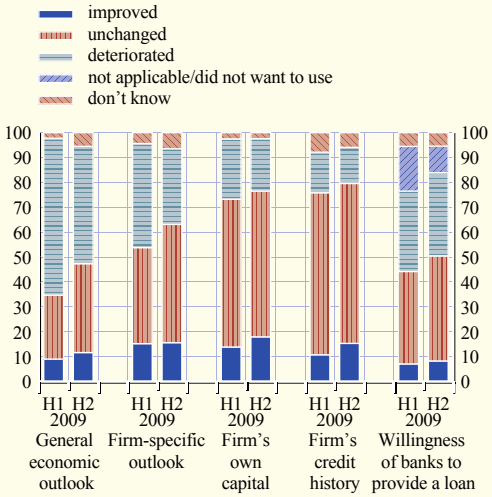
Source: ECB/European Commission survey on the access to finance of SMEs.

As in the first half of 2009, the main factors behind the deterioration in the availability of external financing for SMEs were the general economic and the firm-specific outlook and banks' willingness to provide loans (see Chart E). On the positive side, the net percentage of SMEs reporting a deterioration in the general economic and the firm-specific outlook decreased considerably in the second half of 2009. On balance, all firm size classes except micro firms reported an improvement in their firm's own capital and credit history, which may be linked to the somewhat slower pace of decline in profits. By contrast, SMEs'

assessment of banks' willingness to provide a loan remained broadly unchanged: 33% (as against 32% in the first half of 2009) of the SMEs reported a deterioration in banks' willingness to provide a loan, while only 8% (7% in the first half of 2009) saw an improvement. At the same time, the net percentage of large firms reporting a deterioration in banks' willingness to provide a loan decreased to 14%, from 20% in the first half of 2009.

Chart E Factors having an impact on the availability of financing to euro area SMEs

(change over the preceding six months; percentage of respondents)



Source: ECB/European Commission survey on the access to finance of SMEs.

Terms and conditions of bank loans

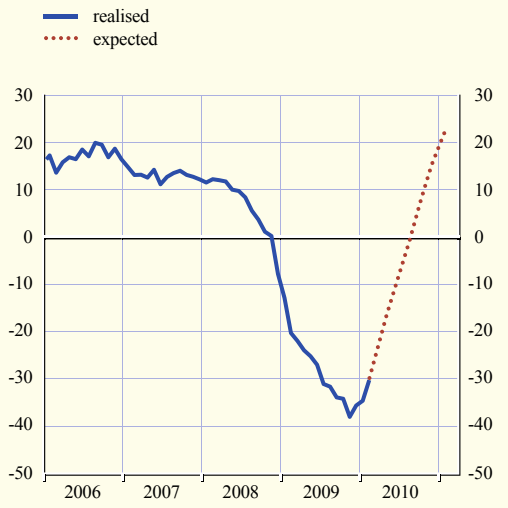
Around one third of SMEs reported an increase in the level of the interest rate charged on bank loans in the second half of 2009 (specifically 35%, broadly unchanged from the figure for the first half of 2009), while 27% reported a decline (29% in the first half of 2009). In particular a higher net percentage of micro firms reported an increase in the level of interest rates, which may be linked to the ongoing deterioration in their own capital and credit history, whereas the net percentages of small and medium-sized firms reporting an increase were smaller. By contrast, large firms on balance reported a decline in the level of interest rates. In addition, slightly more than one-third of the SMEs on balance reported a further increase in collateral requirements and in other requirements, such as loan covenants, as well as in charges, fees and commissions. Large firms, on balance, also reported a further tightening of these conditions. At the same time, large percentages of firms reported that such conditions had remained unchanged (between 45% and 54% of the SMEs and between 38% and 55% of the large firms).

Expectations regarding access to financing

Around half of the SMEs expected their access to internal and external financing sources to remain unchanged in the first half of 2010. At the same time, the percentages of SMEs expecting a deterioration in their access to bank loans (20%) and trade credit (11%) in the first half of 2010 continued to be somewhat larger than the percentages of SMEs expecting an improvement (14% for bank loans and 8% for trade credit). While also around half of the large firms expected their access to internal and external financing to remain unchanged, large firms were on balance somewhat more optimistic about their internal funds and access to bank loans in the first half of 2010.

Chart 30 Earnings per share of listed non-financial corporations in the euro area

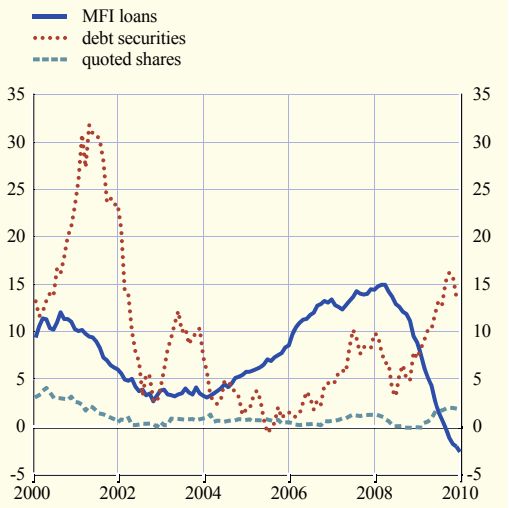
(percentages per annum; monthly data)



Sources: Thomson Financial Datastream and ECB calculations.

Chart 31 External financing of non-financial corporations broken down by instrument

(annual percentage changes)



Source: ECB.
Note: Quoted shares are euro-denominated.

FINANCIAL FLOWS

Most indicators of euro area non-financial corporations' profitability point towards a stabilisation in the pace of the contraction in the fourth quarter of 2009 and a deceleration at the beginning of 2010. The annual rate of change in earnings per share for listed non-financial corporations in the euro area remained strongly negative in February 2010 (at -32%), although the pace of the contraction had improved slightly (see Chart 30). Looking ahead, future profits are expected to improve further. However, the growth of non-financial firms' earnings per share is expected to remain in negative territory until summer 2010.

As regards external financing, MFI loans to non-financial corporations continued to contract, while the issuance of market instruments (debt securities as well as quoted shares) was buoyant (see Chart 31). In particular, the annual rate of growth of quoted shares issued by non-financial corporations increased in the fourth quarter of 2009, supported by the positive performance of stock markets. Debt securities issuance has remained buoyant, with the decline recorded in the fourth quarter of 2009 being driven by a drop in the annual growth rate of issuance at short-term maturities, as issuers showed a strong preference for long-term debt securities in order to lock in favourable long-term financing conditions. Two factors seem to have played a role in providing an incentive for debt securities issuance by non-financial corporations. First, the overall cost of market-based debt has recorded a more pronounced decline than bank lending rates since end-2008. Second, the substitution of market-based funding for bank financing – notably among large firms – may have been reinforced by constrained bank lending and tighter lending standards.

Growth of bank loans to non-financial corporations was negative (-2.1%) in December 2009 (see Table 5). In January 2010 the annual growth rate of loans to non-financial corporations declined further to -2.7%. In particular, short-term loans to non-financial corporations (with maturities up to one year) contracted most, and the annual growth rate of these loans has

Table 5 Financing of non-financial corporations

(percentage changes; end of quarter)

	Annual growth rates				
	2008 Q4	2009 Q1	2009 Q2	2009 Q3	2009 Q4
MFI loans	**9.5**	**6.2**	**2.7**	**-0.2**	**-2.1**
Up to one year	6.7	-0.5	-5.8	-10.2	-13.7
Over one and up to five years	14.0	11.1	7.2	2.0	-1.3
Over five years	9.4	8.1	5.9	4.6	3.9
Debt securities issued	**7.8**	**9.1**	**11.8**	**15.3**	**13.6**
Short-term	17.1	-10.7	-24.6	-26.1	-39.4
Long-term, *of which*: [1]	6.2	13.1	19.1	23.3	24.1
Fixed rate	7.7	17.6	25.3	31.8	32.8
Variable rate	2.3	-0.5	-1.0	-4.7	-4.8
Quoted shares issued	**-0.1**	**0.4**	**1.5**	**1.9**	**1.9**
Memo items [2]					
Total financing	3.9	3.3	2.8	2.1	-
Loans to non-financial corporations	8.9	6.3	4.1	1.6	-
Insurance technical reserves [3]	0.5	0.5	0.5	0.6	-

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 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 technical reserves, other accounts payable and financial derivatives.
3) Includes pension fund reserves.

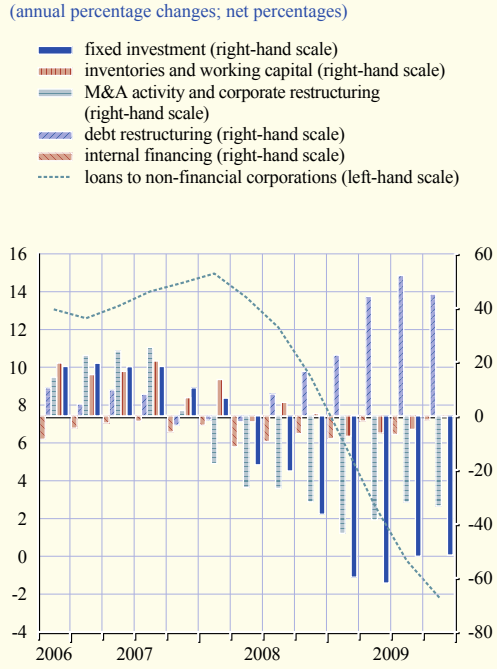
remained in negative territory since November 2008. Empirical evidence suggests that loans to non-financial corporations typically tend to lag the business cycle substantially. The slowdown in loans, therefore, appears consistent with the sharp deterioration in economic activity and capital expenditures seen in previous quarters.

According to the results of the latest bank lending survey, demand-side factors, such as lower fixed investment and M&A activity, were reported to have had a negative impact on demand for loans by non-financial corporations (see Chart 32). Although the reduction in the tightening of credit standards on loans and credit lines to enterprises declined further in the fourth quarter of 2009, empirical evidence suggests that changes in credit standards affect the dynamics of loan growth with a delay of three to four quarters.

The financing gap of non-financial corporations (or net borrowing) – i.e. the difference between outlays for real investment and internally generated funds (gross savings) – decreased significantly to 3.0% of gross value added in the third quarter of 2009 on the basis of four-quarter moving sums. Chart 33 illustrates the components that make up euro area firms' saving, financing and investment as reported in the euro area accounts, for which data are available up to the third quarter of 2009. As shown in the chart, lower real investment (gross fixed capital formation) could increasingly be financed by drawing on internal funds while external financing growth diminished. At the same time net acquisition of financial assets including equity declined further in the third quarter of 2009.

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

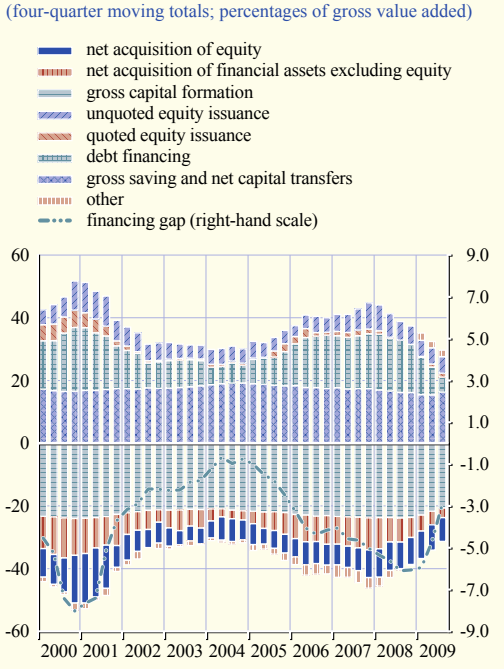
(annual percentage changes; net percentages)



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 October 2009 bank lending survey.

Chart 33 Savings, financing and investment of non-financial corporations

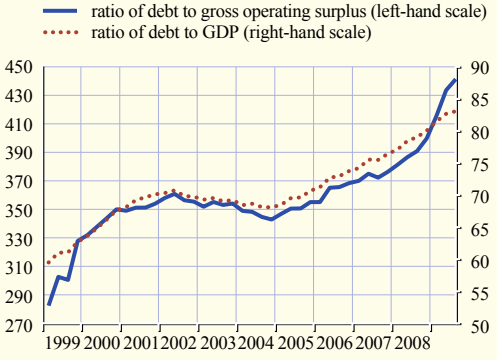
(four-quarter moving totals; percentages of gross value added)



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.

Chart 34 Debt ratios of non-financial corporations

(percentages)



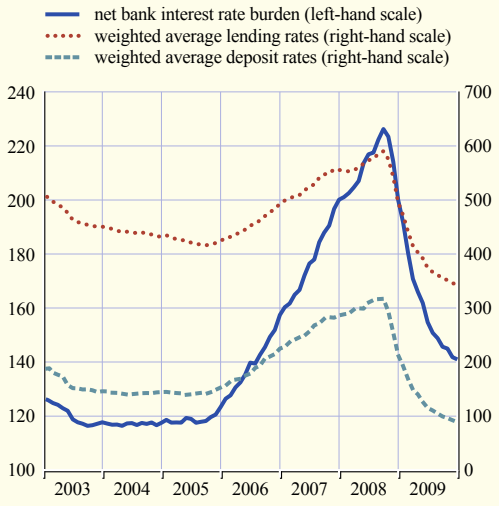
Sources: ECB, Eurostat and ECB calculations.
Notes: Debt is reported on the basis of the quarterly European sector accounts. It includes loans, debt securities issued and pension fund reserves. Data are up to the third quarter of 2009.

FINANCIAL POSITION

The combination of moderate external financing flows and the fall in corporate profits has resulted in further increases in non-financial corporate indebtedness, which reached record highs in the third quarter of 2009 (see Chart 34). Reflecting the significant decline in bank lending and market interest rates, the interest burden of non-financial corporations continued to fall in the fourth quarter of 2009, reaching levels previously recorded at the end of 2006 (see Chart 35). Overall, the high level of debt and the associated interest burden may induce the non-financial corporate sector to use future cash flow for balance sheet restructuring and may limit the demand for external financing in the period ahead.

Chart 35 Net bank interest rate burden of non-financial corporations

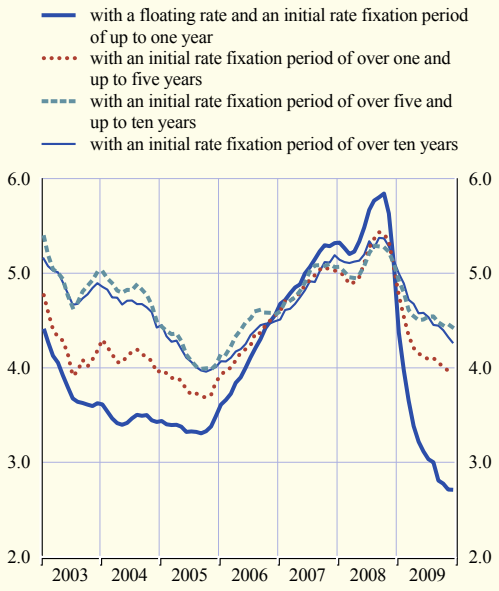
(basis points)



Source: ECB.
Note: The net bank interest rate 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.

Chart 36 MFI interest rates on loans to households for house purchase

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



Source: ECB.

2.7 FINANCIAL FLOWS AND FINANCIAL POSITION OF THE HOUSEHOLD SECTOR

The financing conditions facing households continued to improve in the fourth quarter of 2009, with further reductions in bank lending rates and a further decline in the net tightening of credit standards. The annual growth rate of bank loans to households increased in the fourth quarter of 2009 and January 2010, being driven mainly by sustained monthly inflows for loans for house purchase. Households' indebtedness relative to income remained broadly stable, while their interest payment burden eased further.

FINANCING CONDITIONS

The pass-through of past reductions in key ECB interest rates and declines in money market rates and bond yields led to a further decline in MFI interest rates on loans to households for house purchase in the fourth quarter of 2009 (see Chart 36). This decline was smaller than that observed in the previous quarter, but was broadly based across all maturities. The term structure of interest rates on loans for house purchase continued to be characterised by a substantial positive spread between the rates on loans with long (i.e. over five years) and short (i.e. up to one year) initial rate fixation periods, which continued to steer new business towards loans with a shorter period of initial interest rate fixation.

By contrast with the previous quarter, when MFI interest rates on consumer credit declined only for loans with an initial rate fixation period of over five years, the decline observed in the fourth quarter was broadly based across all maturities, being especially significant for loans with a floating rate and an initial rate fixation period of up to one year. Overall, the rates on loans with an initial rate fixation period of over one and up to five years remained the lowest, followed very closely by those on loans with the shortest rate fixation period (i.e. loans with a floating rate and an initial rate fixation period

of up to one year), while those on loans with a rate fixation period of over five years remained the highest. At the same time, the spread between the highest and lowest rates declined in the fourth quarter, having consistently increased in previous quarters.

Spreads between rates on new loans for house purchase and comparable market interest rates declined in the fourth quarter for both short and long-term rates. In the case of consumer credit, spreads for short-term rates remained broadly unchanged in the fourth quarter, while those for long-term rates declined.

The results of the January 2010 bank lending survey suggest that the net percentage of banks reporting a tightening of credit standards declined further in the fourth quarter, both as regards loans for house purchase and as regards consumer credit and other loans. In the case of loans for house purchase, this further decline was driven mainly by a reduction in the perceived risk surrounding general economic activity and, in particular, housing market prospects. The decline seen in the net tightening of credit standards applied to consumer credit and other lending was less pronounced than that observed for loans for house purchase. It is worth noting that banks' balance sheet constraints and the cost of funds – which, by contrast with economic conditions, can be regarded as purely bank-related factors – no longer contributed to the tightening of credit standards applied to loans for house purchase, consumer credit or other lending. Finally, banks considered that net demand for loans for house purchase increased further in the fourth quarter as a result of positive housing market prospects, while net demand for consumer credit and other lending was regarded as remaining subdued as there was no improvement in spending on durable goods or household savings.

FINANCIAL FLOWS

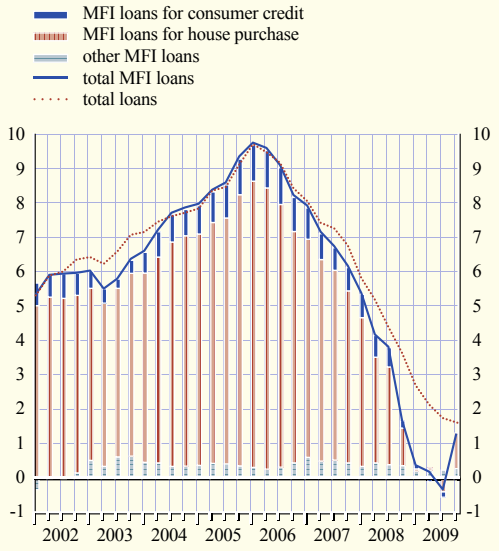
The annual growth rate of total loans to households declined further to stand at 1.7% in the third quarter of 2009 (the most recent quarter for which data from the euro area integrated accounts are available), down from 2.1% in the previous quarter. The annual growth rate of non-MFI lending to households remained very high, standing at 25.9% in the third quarter, up from 23.1% in the previous quarter. To a large extent, however, this 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), which was particularly strong at the end of 2008 and the beginning of 2009 and continues to influence annual growth rates. The increase in the annual growth rate of non-MFI loans to households in the third quarter was offset by the further deceleration observed for MFI loans, which recorded a negative annual growth rate. However, data on MFI loans available up to January indicate that the annual growth rate of total loans to households reached its lowest point in the third quarter (see Chart 37) before increasing somewhat in the fourth quarter and early 2010.

In January 2010 the annual growth rate of MFI loans to households increased to 1.6%, up from 0.3% and -0.1% in the fourth and third quarters of 2009 respectively. At the same time, the three-month annualised growth rate, an indicator of short-term dynamics, improved considerably during the second half of 2009 and reached 3.5% in January 2010. This provides further confirmation of a turning point having been reached for loans to households. However, if account is taken of the impact of the derecognition of loans in the context of securitisation activity, the recovery in the annual growth rate of loans to households is more limited.

The continued positive flows for MFI loans and the increases observed in the annual growth rate appear to be consistent with longer-term regularities, with household borrowing tending to improve

Chart 37 Total loans granted to households

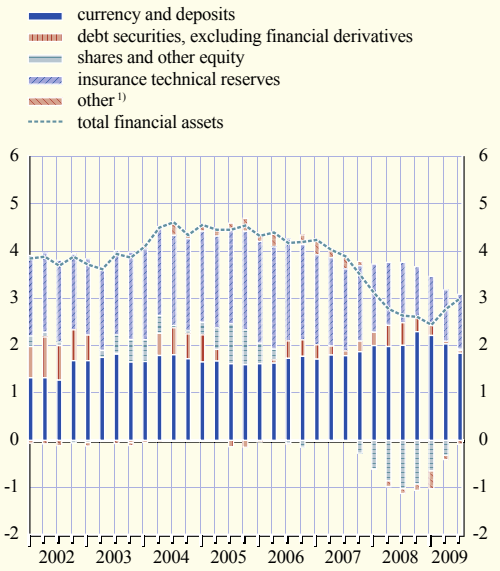
(annual percentage changes; contributions in percentage points; end of quarter)



Source: ECB.
Notes: Total loans comprise loans to households from all institutional sectors, including the rest of the world. For the fourth 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.

Chart 38 Financial investment of households

(annual percentage changes; contributions in percentage points)



Sources: ECB and Eurostat.
1) Includes loans and other accounts receivable.

early in the economic cycle. At the same time, such improvements may remain modest for the time being, given that housing markets and income are still surrounded by considerable uncertainty and the level of household indebtedness has remained high relative to previous cycles.

Within MFI loans to households, the annual growth rate of loans for house purchase increased further to stand at 1.8% in January 2010, up from an average of 0.2% in the fourth quarter of 2009, reflecting sustained monthly inflows since mid-2009. The same pattern can be observed for other lending, the annual growth rate of which rose to 2.2% in January, up from 1.9% in the fourth quarter. By contrast, the annual growth rate of consumer credit remained slightly negative (standing at -0.1% in January), but showed some signs of improvement by comparison with the second half of 2009, when it averaged -1.0%.

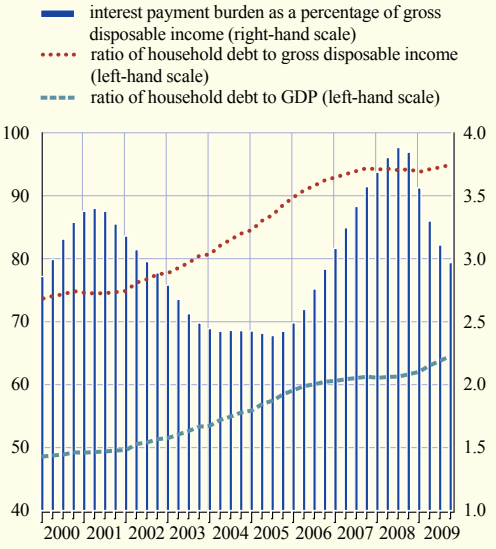
Turning to the asset side of the euro area household sector's balance sheet as recorded in the euro area accounts, the annual growth rate of total financial investment increased further to stand at 3.0% in the third quarter, up from 2.7% in the second quarter (see Chart 38). Households' investment in currency and deposits continued to make the largest positive contribution to total financial investment, but this contribution declined further. Indeed, households have been shifting funds from liquid assets into longer-term and riskier assets. In particular, purchases of equity and mutual funds (other than money market funds) increased, as did the acquisition of insurance technical reserves.

FINANCIAL POSITION

The continued subdued developments in household borrowing over the past few quarters have helped to stabilise households' indebtedness. In particular, households' debt-to-disposable income ratio has stood at around 94% since the end of 2007 and is estimated to have remained below 95% in the fourth quarter of 2009 (see Chart 39). By contrast, households' debt-to-GDP ratio is estimated to have increased somewhat further in the fourth quarter. This discrepancy between the two indicators stems from the fact that overall economic activity is displaying a stronger cyclical decline than household income. The household sector's interest payment burden is estimated to have declined further – albeit less markedly than in previous quarters – to stand slightly below 3.0% of disposable income in the fourth quarter, down from 3.1% in the previous quarter. With households' debt-to-income ratio remaining broadly stable, this mainly reflects the impact of declining interest rates on bank lending, particularly in the case of variable rate loans.

Chart 39 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

Euro area annual HICP inflation was 0.9% in February 2010, after standing at 1.0% in January. The HICP data released over the past quarter confirm that inflation has returned to positive territory after the disinflation period recorded during the summer and autumn months of 2009. Looking ahead, inflation is expected to be around 1.0% in the near term and to remain moderate over the policy-relevant horizon. In line with a slow recovery in domestic and foreign demand, overall price, cost and wage developments are expected to remain subdued. This assessment is also reflected in the March 2010 ECB staff macroeconomic projections for the euro area, which foresee annual HICP inflation in a range between 0.8% and 1.6% in 2010 and between 0.9% and 2.1% in 2011. Compared with the December 2009 Eurosystem staff macroeconomic projections, the range for 2010 has been adjusted marginally downwards, while the range for 2011 has been adjusted marginally upwards. Risks to this outlook remain broadly balanced.

3.1 CONSUMER PRICES

According to Eurostat's flash estimate, the euro area annual HICP inflation rate stood at 0.9% in February. This was the fourth consecutive month of positive inflation rates following the period of disinflation observed in the summer and autumn months of 2009 (see Chart 40 and Table 6).

Looking at the most recent news on HICP developments at the sectoral level, the year-on-year change in the HICP energy component increased from 1.8% in December to 4.0% in January 2010, the last month for which breakdown data are available. Taking a longer perspective, the annual change in energy prices has been rising steadily since the trough in July 2009, when it stood at -14.4%. The increase since July last year mainly emanates from base effects stemming from the sharp fall in oil prices in the latter part of 2008. Within the prices of the energy items, it is notable that the upward trend mainly derives from the rising prices of items directly linked to oil price developments (liquid fuels, fuels and lubricants for personal transportation), whereas annual price changes in non-oil related energy items (such as electricity and gas) have remained stable or decreased since August 2009. Looking ahead, energy price inflation is expected to remain broadly stable in 2010 with some slight positive contributions from base effects and indirect taxation.

Table 6 Price developments

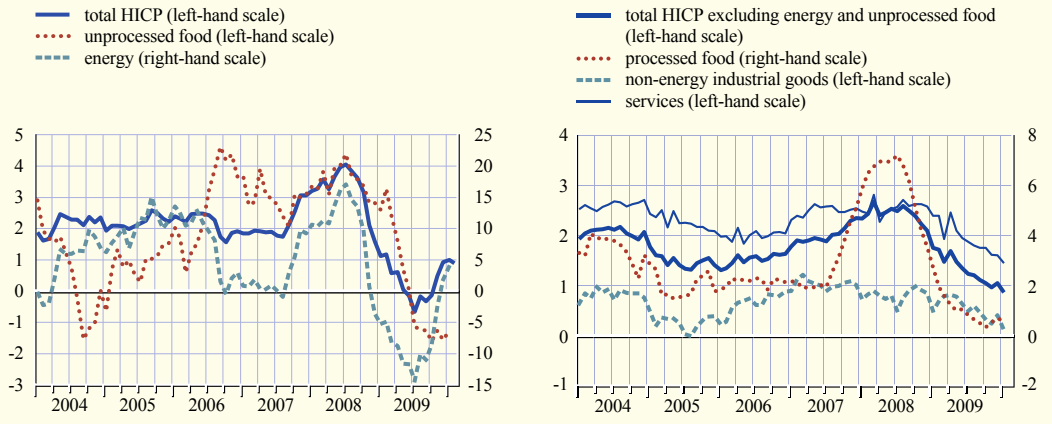
(annual percentage changes, unless otherwise indicated)

	2008	2009	2009 Sep.	2009 Oct.	2009 Nov.	2009 Dec.	2010 Jan.	2010 Feb.
HICP and its components								
Overall index [1]	3.3	0.3	-0.3	-0.1	0.5	0.9	1.0	*0.9*
Energy	10.3	-8.1	-11.0	-8.5	-2.4	1.8	4.0	.
Unprocessed food	3.5	0.2	-1.3	-1.6	-1.3	-1.6	-1.3	.
Processed food	6.1	1.1	0.5	0.3	0.5	0.7	0.6	.
Non-energy industrial goods	0.8	0.6	0.5	0.3	0.2	0.4	0.1	.
Services	2.6	2.0	1.8	1.8	1.6	1.6	1.4	.
Other price indicators								
Industrial producer prices	6.1	-5.1	-7.6	-6.6	-4.4	-2.9	-1.0	.
Oil prices (EUR per barrel)	65.9	44.6	46.9	49.8	52.1	51.6	54.0	54.5
Non-energy commodity prices	2.1	-18.5	-17.1	-7.3	-0.9	19.0	27.0	28.8

Sources: Eurostat, ECB and ECB calculations based on Thomson Financial Datastream data.
Note: The non-energy commodity price index is weighted according to the structure of euro area imports in the period 2004-06.
1) HICP inflation in February 2010 refers to Eurostat's flash estimate.

Chart 40 Breakdown of HICP inflation: main components

(annual percentage changes; monthly data)



Source: Eurostat.

Food price inflation was -0.1% in January, after standing at -0.2% in December (see Table 5.1 in the "Euro area statistics" section). This followed a disinflation process that has been unfolding over the past year and a half. In this respect, food prices gradually declined between mid-2008 and October 2009, when the annual change in food prices stood at -0.4% (the lowest rate since the start of the series in 1990). Since October some tentative stabilisation in food prices has been observed.

Within food prices, a progressive easing of price pressures (measured in annual growth rates) has been observed in both the unprocessed and processed food components, as well as in most items, especially those more exposed to food commodity price developments (such as meat, cereals, dairy, and oils and fats). One notable exception, however, is tobacco. Tobacco constitutes around a quarter of the processed food component, and rising indirect taxation over the past year brought the annual rate to 6.5% in January, which is above the long-time average of 5.6% since 1998.

Among the factors explaining the developments in food price inflation in the latter part of 2009 and early 2010, the following two can be considered particularly important. First, the pass-through to consumers of the previous falls in food commodity prices has dampened food price inflation. Second, strong competition in food retailing coupled with weak consumer demand have exerted downward pressure on food prices. In this respect, there are anecdotal reports that consumers may continue switching away from more expensive, high-quality, branded products in favour of cheaper substitutes. Looking ahead, annual food price inflation is likely to start slowly increasing again in the coming months, partly on account of upward base effects.

Excluding all food and energy items, which represent around 30% of the HICP basket, annual HICP inflation has followed a gradual downward movement over the past two years. This reflects the developments observed in the prices of its two components, non-energy industrial goods and services, which are determined largely by domestic factors, such as wages and profit mark-ups. In January 2010 the inflation rate of this aggregate stood at 0.9% compared with an average of 1.6% in the first half of 2009.

Annual non-energy industrial goods price inflation remained on a downward path in late 2009 and early 2010. In January, it fell to 0.1%, noticeably down from the 0.4% recorded in December 2009,

but largely on account of seasonal sales. Looking through the volatility caused by short-term factors, between October 2009 and January 2010 the annual rate of non-energy industrial goods inflation stood on average at 0.3%, compared with an average of 0.7% in the first half of 2009. Weak consumer demand coupled with downward domestic and external price pressures for manufactured consumer goods were the main drivers behind these developments.

Non-energy industrial goods can be decomposed into non-durable (electrical appliances for personal care, pharmaceutical products, newspapers, etc.), semi-durable (textiles, shoes, books, etc.) and durable goods (cars, furniture, electronic goods, etc.). The further fall in non-energy industrial goods inflation over the recent period was mainly on account of an easing in the contributions from non-durable and semi-durable goods. The annual rate of change in the latter significantly decreased further in January, heavily affected by the winter sales price reductions in textiles in early 2010, which were steeper than last year. This is a pattern that has been observed for a number of years in the euro area and can partly be related to sluggish demand. While textile prices tend to bounce back quite quickly with the arrival of the new collections, the underlying trend in this non-energy industrial goods component seems still to be on the downward side.

The latest figures for non-durable goods prices also suggest ongoing moderation. Although the items covered by this aggregate are rather diverse in nature and generally do not follow common trends, they are all currently affected by weak demand. Meanwhile, the negative contribution from durable goods prices to non-energy industrial goods inflation has remained broadly unchanged since the third quarter of 2009, although the annual rate of change in this component seems to have come out of the trough registered in September 2009. This largely reflects the apparent end to strong discounts on car prices, which is by far the biggest durable goods item in terms of weight.

Looking ahead, available leading indicators for non-energy industrial goods inflation, such as price developments in producer prices for consumer goods (excluding food and tobacco) and in import prices of consumer goods (again excluding food and tobacco), continue to suggest downward, albeit easing, pipeline pressures. Neither demand nor the pricing power of firms are expected to greatly nudge prices upwards in the near future.

In January annual service price inflation dropped to 1.4%, down from 1.6% in December 2009. Annual service price inflation continuously declined over the whole of 2009, when looking through some short-term volatility observed in March-April owing to a calendar effect. Average annual service price inflation in 2009 was 2.0%, considerably below the average rate of 2.5% observed over the period 2007-08.

Most of the decline in service price inflation observed over the past year appears to have been driven by developments in the prices of a few items (transport by air, package holidays, restaurants and cafés, and accommodation services), altogether representing around a quarter of total services in terms of weight. What these items have in common is that they are all related to leisure consumption, and are mostly holiday-related. Therefore, they can be seen as belonging to the "less-necessary" expenses that consumers might reduce first in a severe economic downturn. Faced with weak demand, firms operating in these sectors have been competing strongly on prices. This situation has been favourable to the pass-through to consumers of any reduction in input costs, especially those related to the decrease in energy and food prices from their high levels in the second half of 2008. When excluding the holiday-related components, service price inflation has been displaying more stability, hovering at around 2.0% over the past two years (2.0% is also the ten-year average of this exclusion measure). Looking ahead, service price inflation is

projected to remain low throughout 2010 mainly on account of the ongoing subdued wage growth in a context of weak consumption demand.

Given the swings observed in HICP inflation over the past three years, it is of interest to examine developments in inflation expectations over the same period, as these affect the wage and price setting process. Box 5 looks at recent developments in consumers' and professionals' inflation expectations.

Box 5

RECENT DEVELOPMENTS IN CONSUMERS' AND PROFESSIONALS' INFLATION EXPECTATIONS IN THE EURO AREA

When conducting monetary policy that is oriented towards price stability it is important to monitor inflation expectations as they can affect the wage and price setting process, as well as give an indication of the degree to which the objective of price stability is incorporated in private agents' decisions. While inflation expectations cannot be observed directly, approximate measures can be derived in different ways. One method is to survey a sample of consumers or professional forecasters. In the past three years, euro area annual headline inflation has experienced very wide swings. In an initial upswing, the annual growth rate of HICP, driven mainly by increases in commodity prices, started to rise in September 2007, reaching a peak at slightly above 4% in July 2008. This was followed by a downswing in the annual rate of HICP inflation, led by a fall in commodity prices and accelerated by the effects of the financial crisis. Affected largely by base effects, headline HICP changes entered into negative territory in June 2009, reached a trough in July and regained positive territory in November 2009. This box describes the reactions of consumers' and professionals' inflation expectations to these developments, highlighting the fact that, while they have adjusted substantially their short-term outlook for prices, their long-term inflation expectations have remained stable.

The only measure for consumers' inflation expectations for the euro area is produced by the European Commission. As part of its Consumer Survey, consumers' opinions on inflation developments in the euro area are collected every month. The responses given are of a qualitative nature and aggregate answers are presented as a "balance statistic", which weighs together the frequency of responses in different categories.[1] These measures provide information on the directional change in both consumers' perceptions of inflation developments over the past twelve months and their expectations for inflation developments over the next twelve months. Even if balance statistics give no indication of the magnitude of perceived and expected inflation, it is possible to map the qualitative responses of the Consumer Survey into quantitative estimates of perceived and expected inflation, so that they can be assessed against the background of actual HICP developments. While there are various approaches to performing the mapping – each approach with its own caveats – as an illustration, this box uses a methodology based on the probability approach.[2]

1 For a discussion of euro area consumer price-related survey data, see the box entitled "Consumers' inflation perceptions: still at odds with official statistics?" in the April 2005 issue of the Monthly Bulletin. See also the article entitled "Measured inflation and inflation perceptions in the euro area" in the May 2007 issue of the Monthly Bulletin.

2 A review of the main techniques can be found in D'Elia, E., "Using the results of qualitative surveys in quantitative analysis", *Working Paper*, No 56, Istituto di Studi e Analisi Economica (ISAE), September 2005. The methodological details of the technique used here can be found in Forsells, M. and Kenny, G., "The rationality of consumers' inflation expectations: survey-based evidence for the euro area", *Working Paper Series*, No 163, ECB, 2002. For a discussion of the caveats in the approach illustrated here see the box entitled "Recent Developments in consumers' inflation perceptions and expectations in the euro area" in the November 2007 issue of the Monthly Bulletin.

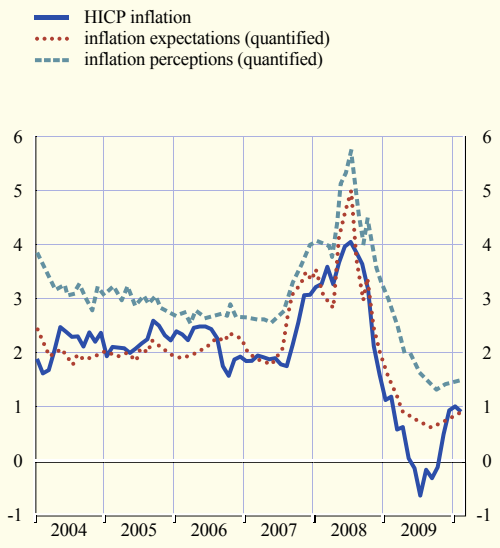
Chart A shows that, in recent years, there has been a relatively close relationship between the evolution of the quantified perceptions and expectations of inflation from the Consumer Survey and the developments in the HICP in the euro area. Indeed, the start of the increase in 2007, the peak in mid-2008 and the trough in 2009 in the quantified perceptions and expectations of consumers all coincided with the developments in the HICP during the same period. This shows that these shorter-term surveys are highly dependent on realised data.

While there are no consumer surveys on long-term expectations for the euro area, these expectations can be derived from surveys of professional forecasters. The inflation expectations of professional forecasters – such as the expectations measured in the ECB's Survey of Professional Forecasters or by Consensus Economics – show that the longer the time horizon for expectations, the less dependent they are on current and past outcomes. Indeed, the five years ahead and six to ten years ahead inflation expectations, of the ECB's Survey of Professional Forecasters and Consensus Economics respectively, have maintained a strong resilience during the commodity-driven inflation developments of recent years. In fact, they have consistently remained at or slightly below 2%, which indicates the successful anchoring of long-term inflation expectations in the euro area. They have also not been affected by the movements in short-term inflation forecasts contained in the same survey (see Chart B). This confirms an empirical finding by the Deutsche Bundesbank (2006) that suggests that, in recent years, the link between long-term and short-term inflation expectations has broken down and, contrary to what has been observed in earlier periods, there is no longer any statistically significant relationship between the two measures.[3]

3 Deutsche Bundesbank (2006), "How informative survey data on private sector inflation expectations are for monetary policymakers", *Monthly Bulletin*, October, pp. 15-27.

Chart A HICP inflation and consumers' quantified inflation perceptions and expectations

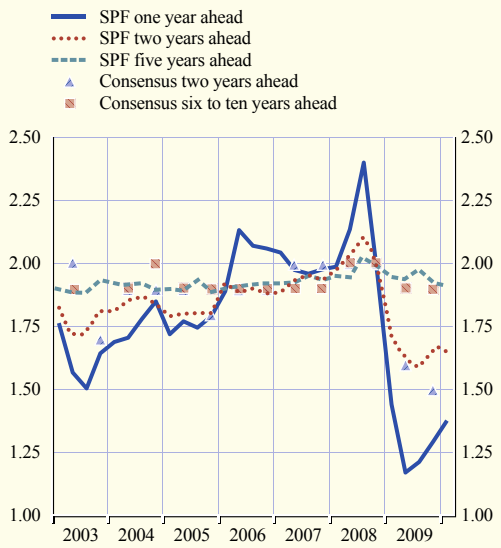
(annual percentage changes)



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

Chart B Short and long-term inflation expectations from professional forecasters

(annual percentage changes)



Sources: ECB and Consensus Economics.

Further evidence in support of this is provided by studies analysing the degree to which long-term inflation expectations are anchored, as derived from financial data. There is compelling empirical evidence that market-based inflation expectations for the euro area and other industrialised economies are generally unresponsive to macroeconomic news, a sign that they tend to remain unperturbed when the economic environment changes.[4] In fact, the stability of long-run inflation expectations can be seen as an important indicator for the credibility of the ECB's monetary policy orientation towards maintaining price stability over the medium term.

The resilience of longer-tem inflation expectations in the euro area supports the conjecture that a precise quantitative definition of price stability, which is an important element of the ECB's monetary policy strategy, helps to anchor inflation expectations at levels consistent with the central bank's objective and reduces their sensitivity to past inflation and other macroeconomic news.[5] This suggests that even if inflation fluctuates, private agents tend to adjust their long-term inflation expectations by very little. Indeed, the very fact that longer-run indicators of inflation expectations have hardly moved in reaction to a high volatility in short-term inflation or inflation forecasts, shows how well medium to longer-term expectations have been anchored by the aim of the ECB's Governing Council to maintain inflation rates at levels close to, but below, 2% in the medium term.

4 Gürkaynak, R., Levin, A. and Swanson, E., "Does inflation targeting anchor long-run inflation expectations? Evidence from long-term bond yields in the US, UK and Sweden", Federal Reserve Bank of San Francisco, *Working Paper*, No 2006-09, 2006. Ehrmann et al., "Convergence and Anchoring of Yield Curves in the Euro Area", *Working Paper Series*, No 817, ECB, 2007.

5 Levin, A.T., Natalucci, F.M. and Piger, J.M., "Explicit inflation objectives and macroeconomic outcomes", *Working Paper Series*, No 383, ECB, 2004. See also Johnson, D., "The effect of inflation targeting on the behaviour of expected inflation: evidence from an 11 country panel", *Journal of Monetary Economics* 49, 2002, pp. 1521-1538.

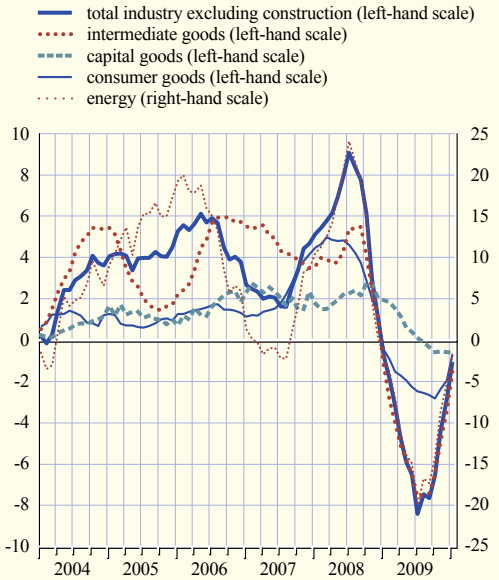
3.2 INDUSTRIAL PRODUCER PRICES

The most recent data on industrial producer prices suggest that prices are falling at a lower annual pace in the industrial sector. In January the annual rate of change in industrial producer prices (excluding construction) rose to -1.0%, from -2.9% in December. This development was driven mainly by the energy and intermediate goods components, largely on account of strong positive base effects and recent increases in prices for energy and raw materials. At the latter stage of the production chain, the annual rate of change in consumer goods prices increased in January, mainly driven by food items (see Chart 41).

Looking at slightly longer-term trends for the annual rate of change in industrial producer prices (excluding construction) suggests that supply price pressures are easing. This indicator has been rising gradually in the latter part of 2009 and early 2010 from its trough of

Chart 41 Breakdown of industrial producer prices

(annual percentage changes; monthly data)

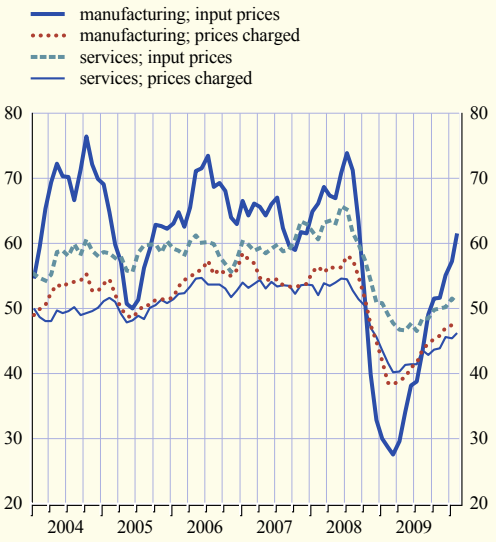


Sources: Eurostat and ECB calculations.

-8.4% in July 2009. The upward movements in the annual rates of change in industrial producer prices during this period have largely mirrored those in its energy and intermediate goods components. This reflects the interaction between upward base effects stemming from the fall in global crude oil prices in the latter part of 2008 and early 2009, and recent developments in these prices. At the same time, the annual rates of change of the other components of industrial producer prices have remained more stable, albeit at very subdued levels, on account of low input costs and weak demand for industrial products. Looking ahead, short-term dynamics, such as changes in the three-month moving average, and upward base effects in the coming months suggest a further abatement of the downward pressure on industrial producer prices.

Chart 42 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.

Developments in survey indicators are also signalling a trend towards stabilisation in price developments at the producer level. With regard to the Purchasing Managers' Index (PMI), all price indices went up again in February (see Chart 42). In particular, the input price index for manufacturing, which had already exceeded the threshold of 50 (a value above 50 indicates increasing prices and a value below 50 falling prices) in October, rose above the 60 mark in February. The corresponding index for services rose gradually in the summer and autumn months of 2009 and, since November, has stabilised at a level just above the threshold point of 50, thus signalling largely stable input costs for service providers. Indices of prices charged in the manufacturing and services sectors have both continued to increase over the past three months, but remained at levels below the threshold of 50 in February. This signals that companies on average are lowering prices, albeit at a slower pace than earlier. Taken together, the recent survey-based developments in input and selling prices suggest that firms' profit margins remain squeezed in early 2010.

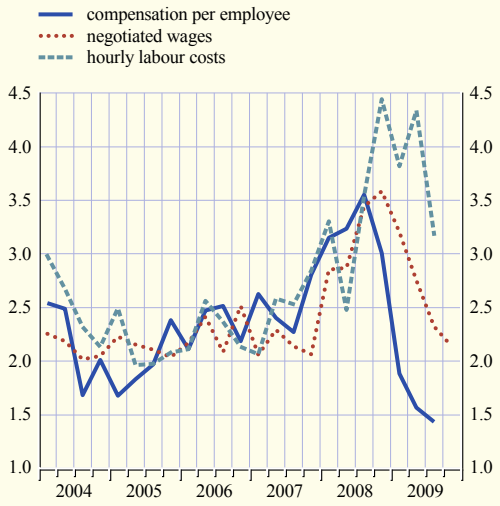
3.3 LABOUR COST INDICATORS

Since December 2009 a number of labour cost indicators for the third quarter of 2009 have become available. These indicators send the common message that labour costs continued to moderate in the third quarter, confirming the trend that started in late 2008. To a certain extent, the strong decline observed in the rates of growth of compensation per employee reflects both lower wage growth per hour and fewer hours worked. The interaction of these two elements thus helps to explain the observed differences in the annual rates of growth of negotiated wages, compensation per employee and hourly labour costs (see Chart 43 and Table 7).

The annual rate of growth in negotiated wages in the euro area, the only labour cost indicator currently available for the fourth quarter of 2009, declined to 2.1% in that quarter, from 2.3% in the previous quarter. The euro area figure is now broadly in line with the growth rates observed

Chart 43 Selected labour cost indicators

(annual percentage changes; quarterly data)



Sources: Eurostat, national data and ECB calculations.

during the period 2004-07, but is still high given the state of the labour market. This is possibly because this indicator includes several wage negotiations agreed in 2008, when the labour market was much tighter. Nevertheless, the recent decline confirmed that negotiated wage growth in the euro area remains on the downward path that it took at the beginning of 2009.

Looking ahead, it is likely that the annual rate of growth in negotiated wages will decline further in the coming quarters as older contracts are gradually replaced by new ones with smaller agreed wage increases in both the private and public sectors.

Wage restraint is also visible in the annual growth of euro area compensation per employee, which slowed to 1.4% in the third quarter, down from 1.6% a quarter earlier. The sectoral breakdown indicates that the decline in growth of compensation per employee in the third quarter of 2009 was broad based, with somewhat more pronounced declines recorded in the construction and market-related services sectors (see Chart 44). The sharp fall in annual growth of compensation per employee observed over the past year therefore continued, with the third quarter figure posting the lowest annual rate of increase since the beginning of EMU. Between the third quarter of 2008 and the third quarter of 2009 growth of compensation per employee fell by 2.2 percentage points. In the same period, the growth of negotiated wages declined to a lesser extent, by 1.1 percentage points. The larger fall in compensation per employee reflected both shorter working days per employee as well as wage drift during this period, as firms adjusted wage increases downwards owing to the economic downturn by cutting flexible components of the salary.[1]

1 The term "wage drift" refers to the part of growth of compensation per employee that is not explained by the growth of negotiated wages and/or social security contributions.

Table 7 Labour cost indicators

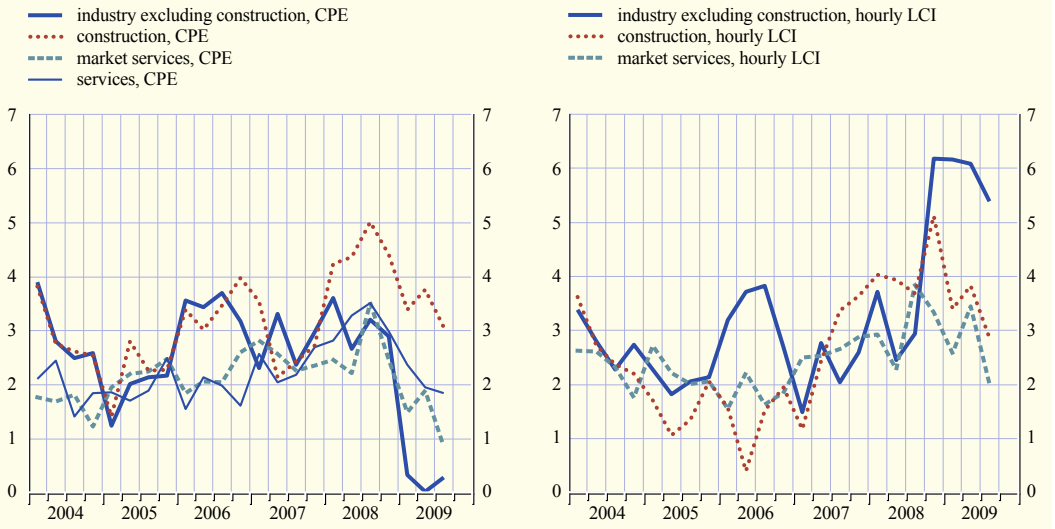
(annual percentage changes, unless otherwise indicated)

	2008	2009	2008 Q4	2009 Q1	2009 Q2	2009 Q3	2009 Q4
Negotiated wages	3.2	2.6	3.6	3.2	2.8	2.3	2.1
Total hourly labour costs	3.4	.	4.4	3.8	4.3	3.2	.
Compensation per employee	3.2	.	3.0	1.9	1.6	1.4	.
Memo items:							
Labour productivity	-0.1	.	-1.7	-3.8	-3.1	-2.1	.
Unit labour costs	3.3	.	4.8	6.0	4.9	3.6	.

Sources: Eurostat, national data and ECB calculations.

Chart 44 Sectoral labour cost developments

(annual percentage changes; quarterly data)



Sources: Eurostat and ECB calculations.
Note: CPE stands for "compensation per employee" and LCI stands for "labour cost index".

The annual growth rate of hourly labour costs in the euro area fell significantly in the third quarter of 2009 to 3.2%, from 4.3% in the second quarter. Notwithstanding the slowdown, the growth rate remained high both in comparison to rates observed prior to the recession and to other labour cost indicators. In part, the persistently strong growth in hourly labour costs reflects the higher rates of increase contained in pre-crisis wage agreements. However, it also reflects the various measures taken in several euro area economies to reduce the number of hours worked per employee, because the reduction in hours worked is often accompanied by a less than proportional decrease in remuneration. Given that the industrial sector is the most heavily affected by such adjustment measures, the year-on-year increase in hourly labour costs was highest in this sector in the third quarter of 2009. Hourly labour costs rose by 5.4% in industry, compared with 2.9% in construction and 2.0% in market services.

After the record low recorded in the first quarter of 2009, euro area productivity growth, although still negative, showed continued improvements in subsequent quarters, reflecting the lagged adjustment of employment to output growth developments. In the third quarter of 2009 productivity per person employed contracted by 2.1% in annual terms, which was 1.0 percentage point more moderate than the decline in the second quarter of the year. This less pronounced decline in productivity, combined with the slowdown in the annual rate of growth in compensation per employee, helped to bring down the annual growth in unit labour costs from 4.9% in the second quarter of 2009 to 3.6% in the third quarter.

Looking ahead, the expected further falls in employment, coupled with a gradual improvement in economic activity can be expected to lead to a return to positive annual productivity growth during the course of 2010. This expected recovery in productivity, coupled with continued declines in compensation per employee growth, should then also contribute to reducing further unit labour cost growth in 2010.

3.4 CORPORATE PROFIT DEVELOPMENTS

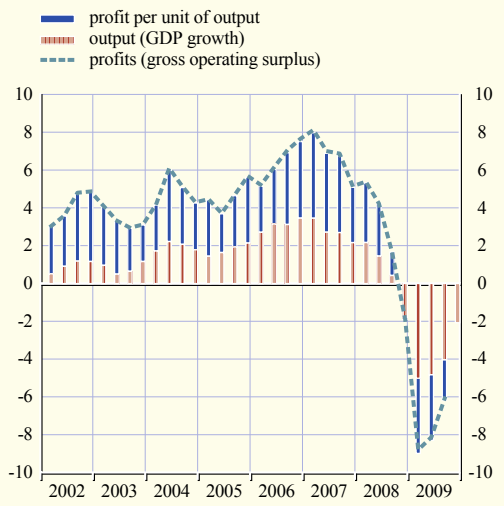
In the third quarter of 2009 euro area corporate profits, as estimated in the Quarterly National Accounts, declined by 6.1% year on year, contracting more slowly compared with the first half of 2009. This decline was brought about by a fall in economic activity (volume) and a reduction in unit profits (margin per unit of output) – see Chart 45. Unit profits have been pressed downwards mainly on account of high unit labour cost growth stemming from relatively high wages and the labour hoarding policies implemented by euro area companies during the recent downturn.

As regards developments in the main branches of activity (industry and market services), available data indicate that the contraction in profits was particularly severe for industry, with profits posting a year-on-year decline in excess of 26% in the third quarter of 2009. However, this represents an easing in the rate of deterioration compared with an annual fall of close to 35% in the second quarter of 2009 (see Chart 46). This more marked decline in industry reflects a sharper fall in activity in this branch as well as a stronger rise in unit labour costs. Profit growth in industry tends to be higher during cyclical upswings and to shrink more strongly during downturns. A year-on-year fall in profits in the industry was observed for the last time in mid-2003. On the contrary, the decline in year-on-year profit in market services that started in the first quarter of 2009 and continued in the third quarter was the first drop recorded since the data series started in 1996.

Looking beyond the available national accounts data, the fall in unit labour costs should help profit margins to recover from the low levels recorded in the first three quarters of 2009. However, owing to its volatile nature and the unprecedented contraction witnessed recently, the outlook for profits is particularly uncertain.

Chart 45 Breakdown of euro area profit growth into output and profit per unit of output

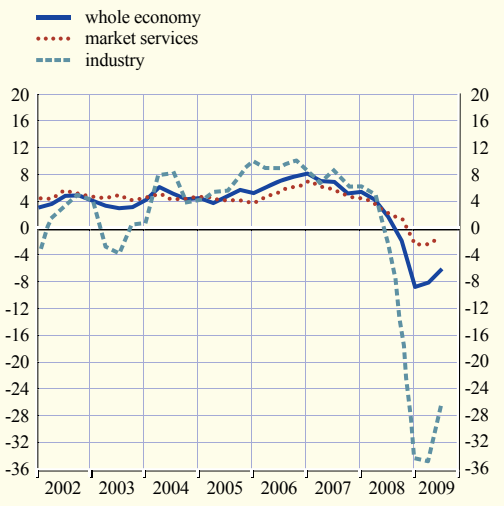
(annual percentage changes; quarterly data)



Sources: Eurostat and ECB calculations.

Chart 46 Euro area profit developments by main branch of activity

(annual percentage changes; quarterly data)



Sources: Eurostat and ECB calculations.

3.5 THE OUTLOOK FOR INFLATION

HICP inflation is expected to be around 1.0% in the near term and to remain moderate over the policy-relevant horizon. In line with a slow recovery in domestic and foreign demand, overall price, cost and wage developments are expected to stay subdued. The March 2010 ECB staff macroeconomic projections foresee euro area annual HICP inflation in a range between 0.8% and 1.6% in 2010, and between 0.9% and 2.1% in 2011. Compared with the December 2009 Eurosystem staff macroeconomic projections, the range for 2010 has been adjusted marginally downwards, while the range for 2011 has been adjusted marginally upwards (see Box 8).

Risks to this outlook remain broadly balanced. They relate, in particular, to further developments in economic activity and the evolution of commodity prices. Furthermore, increases in indirect taxation and administered prices may be greater than currently expected, owing to the need for fiscal consolidation in the coming years.

4 OUTPUT, DEMAND AND THE LABOUR MARKET

Supported by the recovery in the world economy, the significant macroeconomic stimulus and the measures adopted to restore the functioning of the financial system, euro area economic activity continued to grow in the fourth quarter of 2009. According to Eurostat's first estimate, euro area real GDP increased, on a quarterly basis, by 0.1% in the last three months of 2009, after growing by 0.4% in the third quarter. Available indicators suggest that the economic recovery in the euro area is on track, although it is likely to remain uneven.

Looking ahead, euro area real GDP growth is expected to remain moderate in the current year as low capacity utilisation rates are likely to dampen investment and weak labour market prospects in the euro area are expected to reduce consumption growth. Furthermore, the process of balance sheet adjustment in various sectors, both inside and outside the euro area, will continue.

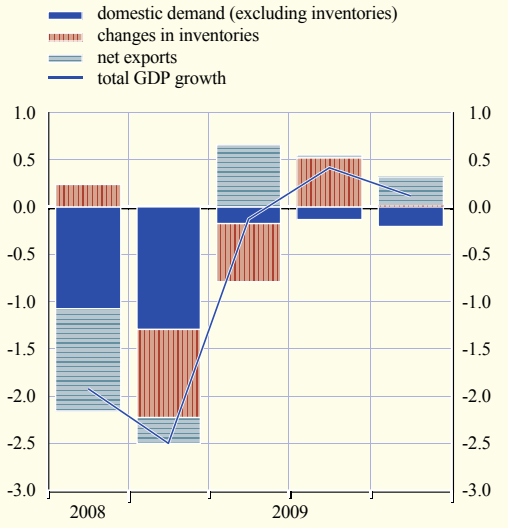
This assessment is also reflected in the March 2010 ECB staff macroeconomic projections for the euro area, which envisage annual real GDP growth to be in a range between 0.4% and 1.2% in 2010 and between 0.5% and 2.5% in 2011. Compared with the December 2009 Eurosystem staff projections, the range for real GDP growth in 2010 is slightly narrower, while for 2011 the range has been revised slightly upwards, reflecting notably stronger activity worldwide. The risks to the economic outlook continue to be viewed as broadly balanced, in an environment marked by continued uncertainty.

4.1 REAL GDP AND DEMAND COMPONENTS

Euro area economic activity continued to grow in the final quarter of 2009, albeit at a slower pace than in the period from July to September 2009. According to Eurostat's first estimate, euro area real GDP increased by 0.1%, quarter on quarter, in the final quarter of the year, compared with a 0.4% increase recorded in the previous three-month period. Economic growth in the last two quarters of 2009 followed five consecutive quarters of GDP contraction in the euro area (see Chart 47).

Chart 47 Real GDP growth and contributions

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



Sources: Eurostat and ECB calculations.

The real GDP growth rate in the final quarter of 2009 was entirely driven by a positive contribution from net exports, of 0.3 percentage point, while the contribution from domestic demand excluding inventories was again negative. This negative contribution, of 0.2 percentage point, reflected flat private consumption and declines in investment and government consumption. Changes in inventories did not contribute to GDP growth in the final quarter of 2009, after having provided a contribution of 0.5 percentage point in the previous quarter. The moderation in the quarter-on-quarter rate of real GDP growth in the last three months of 2009 confirms

the expectation that the economic recovery in the euro area is likely to follow an uneven path. Survey data indicate that quarter-on-quarter real GDP growth should remain positive in the period from January to March 2010.

Despite returning to positive growth on a quarter-on-quarter basis, annual euro area real GDP fell, for the first time in the euro area's history, by 4.1% over the whole of 2009, after increasing by 0.6% in the previous year. The sharp GDP contraction in 2009 reflected, in particular, a strong negative carry-over effect from 2008, as the economic downturn had already started in that year. Box 6 recalls the concept of the carry-over effect and shows what impact it will exert on the annual growth rate in the current year.

Box 6

THE CARRY-OVER EFFECT ON ANNUAL AVERAGE REAL GDP GROWTH

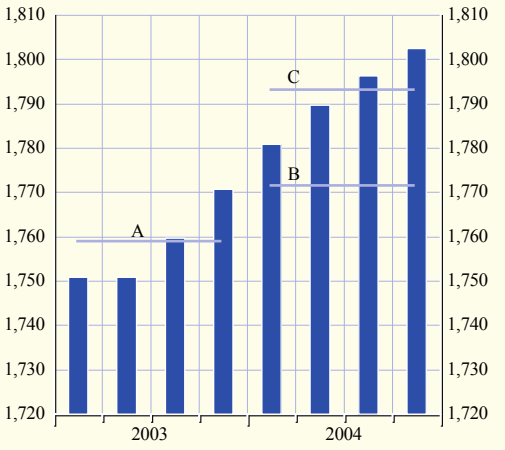
This box recalls the concept of the "carry-over effect" and highlights its importance for understanding growth dynamics in 2009 and the outlook for 2010.[1]

The annual average growth rate of real GDP for a given year is determined both by the growth dynamics in that particular year and in the previous year, the so-called "carry-over effect". The carry-over effect shows how much GDP would grow in a given year if all quarterly growth rates in that year were to have been zero (which is equivalent to the assumption that the quarterly levels of GDP in that year had remained at the same level as those in the fourth quarter of the previous year). The growth dynamics within the year considered are then merely the difference between the annual average growth rate and the carry-over effect.

Chart A displays the profile of the quarterly euro area real GDP level in 2003 and 2004 as a historical example of the use of this concept. The lines labelled A and C represent the average actual outcome of GDP in 2003 and 2004 respectively, while line B corresponds to the average level of GDP in 2004, if all quarterly growth rates in that year were to have been zero (i.e. the quarterly levels had been the same as the level recorded in the fourth quarter of 2003). The percentage difference between A and C corresponds to the average annual growth rate in 2004 (1.9%), the percentage difference between A and B to the carry-over effect (0.7%) and the percentage difference between B and C to the growth dynamics in 2004 (1.2%). These growth rates also correspond to the historical averages calculated over the period from 1981 to 2009. The average

Chart A Euro area real GDP level in 2003 and 2004

(EUR billions at 2000 prices; quarterly data)



Sources: Eurostat and ECB calculations.
Note: Data are seasonally and partly working day adjusted.

1 See Boxes 6 and 8 in the December 2001 and March 2005 issues, respectively, of the Monthly Bulletin.

positive carry-over effect relates to the fact that GDP predominantly shows a positive trend. The carry-over effect explains, on average, more than a third of annual GDP growth.

Chart B shows average annual GDP growth between 1981 and 2009 decomposed into the carry-over effect and the growth dynamics within the year. The carry-over effect for 2010 is also shown.

In 2008 the growth dynamics within the year were negative (-0.1%). In fact, the average positive growth (of 0.5%) was entirely explained by the carry-over effect from the growth profile in 2007 (0.7%).

Chart B Euro area annual GDP growth, carry-over effect and growth within the year

(annual percentage changes; annual data)

Sources: Eurostat and ECB calculations.
Note: Data are seasonally and partly working day adjusted.

One further observation is the unprecedented downturn in 2009 when GDP contracted by 4.0%. Both the carry-over effect (-1.7%) as well as the growth dynamics within the year (-2.3%) were negative. Indeed, the downturn already started back in 2008 and continued in 2009, particularly in the first half of the year.

The carry-over effect on growth in 2010 from growth in 2009 is estimated at 0.3%.[2] Although it is lower than the historical average of the carry-over effect, it is still positive, suggesting that GDP started to rise again in the course of 2009. Available forecasts and estimates from international organisations and the private sector put average annual GDP growth in the range from 0.7% to 1.3% in 2010 (see Box 8 on the ECB staff macroeconomic projections). This implies that the expectations regarding growth dynamics within the year range between 0.4% and 1.0%. While the range is below the average of 1.2% recorded over the past 30 years, it still shows that expectations are for a continuation of the upward movement of GDP that began in 2009. The same applies to the ECB staff macroeconomic projections, which envisage real GDP growth to be in a range between 0.4% and 1.2% in 2010.

One point worth mentioning is that the first estimate of real GDP growth in the fourth quarter of 2009 at 0.1% was lower than expected by many forecasters. This may lead to a downward revision of some forecasts of annual real GDP growth for 2010. For instance, the survey conducted by the Euro Zone Barometer in mid-February, prior to the release of the flash estimate for the fourth quarter, pointed to real quarter-on-quarter GDP growth of 0.4% in the fourth quarter of 2009, implying a carry-over effect of 0.5% at the time. Therefore, the rather weak outcome in the fourth quarter (of 0.1%) implies a mechanical downward effect of around 0.2 percentage point on average annual real GDP growth in 2010.

2 This estimate may change as forthcoming releases of annual accounts may contain revisions.

PRIVATE CONSUMPTION

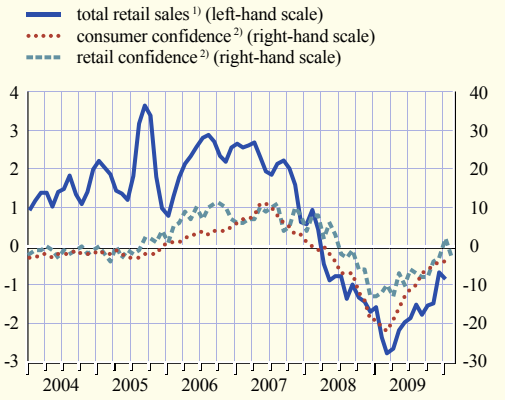
Private consumption was flat in the fourth quarter of 2009, after having declined by 0.2% quarter on quarter in the third quarter of the year. These figures confirm that private consumption has remained weak, following the severe contractions recorded in late 2008 and early 2009. Recent indicators suggest that consumer spending has continued to be subdued at the beginning of 2010.

Consumer spending has been held back by a number of factors over recent quarters. A key driver of the lack of dynamism in consumption developments has been weakness in household real disposable income. Several developments have influenced household disposable income growth over the past year. On the one hand, it was supported by the rise in nominal compensation, which, despite slowing down in 2009, remained at relatively high rates (see Section 3.3). Moreover, the very low levels of HICP inflation in 2009 have contributed to sustaining income growth in real terms. On the other hand, real disposable income has been negatively affected by the drop in employment which has dampened labour income and thus consumption. In addition to weak household disposable income, consumer spending has been hampered by uncertainty concerning employment prospects, falling residential property prices and accumulated past losses in financial wealth. Moreover, conditions for consumer credit have been tightened substantially after the economic downturn, even though the net tightening of standards for consumer credit declined in the course of 2009 (see the Box entitled "The results of the January 2010 Bank Lending Survey for the euro area" in the February 2009 issue of the Monthly Bulletin). As a consequence of these factors, the household savings ratio accelerated sharply over the past year. According to the euro area integrated accounts, the household savings ratio rose to 15.5% in the third quarter of 2009, i.e. 1.7 percentage points above the level a year earlier.

The time profile of consumption has also been influenced by government-sponsored subsidies for consumers who scrapped old cars and bought new ones. The effects of the subsidies, which boosted consumption in the earlier quarters of 2009, have notably diminished in the latter part of the year and in early 2010, as the fiscal incentives are being progressively phased out in a number of euro area countries. This is evident as the growth rates of new car registrations declined from 12.2%, quarter on quarter, in the second quarter of 2009, to 2.8% and 1.2%, respectively, in the last two quarters of the year. These developments have largely shaped the growth rate of retail sales, including car registrations. In the final quarter of 2009, the quarter-on-quarter growth rate of retail sales, including car registrations, was flat, compared with a 0.2% growth rate in the previous quarter. By contrast, retail sales, excluding car registrations, declined, broadly at the same rate, both in the third and fourth quarters of 2009. The further fading of the impact of fiscal incentives for car purchases suggests downward pressures on consumer spending in the coming quarters. This perspective has so far been confirmed by the still scarce data available concerning consumption developments in early 2010. In January 2010, new car registrations dropped by 8.5% compared with the previous month, while retail sales declined by 0.3% (see Chart 48).

Chart 48 Retail sales and confidence in the retail trade and household sectors

(monthly data)



Sources: European Commission Business and Consumer Surveys and Eurostat.
1) Annual percentage changes; three-month moving averages; working day-adjusted. Excludes fuel.
2) Percentage balances; seasonally and mean-adjusted.

Consumer confidence, driven by improvements in the assessment of the general economic situation and employment perspectives, was on an upward trend from the beginning of 2009 until December 2009. Compared with previous recoveries, however, the employment perspectives in the consumer confidence survey have increased to a lesser extent. Furthermore, despite its increases, the prevailing level of confidence at the end of 2009 was still lower than its long-term average since 1985. As regards most recent developments, consumer confidence declined in February 2010 for the first time in ten months. This decline follows a stable confidence level in the previous month and provides further evidence of a pause of the upward trend that consumer confidence had shown since the beginning of 2009. This suggests that euro area consumers are currently uncertain with regard to the strength and sustainability of the economic recovery. Overall, although consumer confidence has proved to be a relatively poor indicator of quarter-on-quarter changes in euro area consumption, it has provided a reasonably good indicator of trend developments in consumption. Box 7 explains how the European Commission's indicator of consumer confidence is compiled and assesses its usefulness in gauging developments in private consumption.

Looking ahead, private consumption growth should remain subdued throughout 2010. Households' real disposable income is expected to be negatively affected by declining real labour income, driven by diminishing employment, although low inflation and government transfers are expected to support real income. At the same time, further increases in the savings ratio seem less likely.

Box 7

COMPILATION, USEFULNESS AND RECENT DEVELOPMENTS IN THE EURO AREA CONSUMER CONFIDENCE INDICATOR

This box explains how the European Commission's (DG ECFIN) indicator of euro area consumer confidence is compiled and assesses its usefulness in gauging developments in household spending as measured by private consumption. A comparison is also made between the current recovery and the recovery in private consumption in 1993.

The compilation of consumer confidence

On a monthly basis, the European Commission's consumer survey asks households a set of questions on finances, the labour market, and the economic situation, amongst other things, some of which are backward-looking questions, while others are forward-looking. For most questions, the respondents are offered six possible qualitative answers.[1] Each question is summarised as a percentage balance derived from the proportion of respondents opting for each of these response categories (dismissing the "stayed the same" and "don't know" responses). The consumer confidence indicator is calculated as the arithmetic mean of the four balances derived from the four forward-looking questions. Two of these questions relate to expectations regarding their personal situation, while the other two refer to aggregate developments in the given country.[2]

1 The response categories are typically structured as follows: (i) got a lot better; (ii) got a little better; (iii) stayed the same; (iv) got a little worse; (v) got a lot worse; or (vi) don't know.

2 The questions are as follows: (i) How do you expect the financial position of your household to change over the next 12 months?; (ii) How do you expect the general economic situation in this country to develop over the next 12 months?; (iii) How do you expect the number of people unemployed in this country to change over the next 12 months?; and (iv) Over the next 12 months, how likely is it that you will save any money?

Correlation between year-on-year private consumption growth and consumer confidence – 1985Q1 to 2009Q4

	year-on-year	quarter-on-quarter
Consumer confidence	0.72	0.47
Households' financial position	0.81	0.53
General economic situation	0.74	0.53
Unemployment (inverted)	0.59	0.37
Savings	0.53	0.31
Major purchases	0.87	0.53

Sources: Eurostat, DG ECFIN and ECB calculations.
Note: Even though the survey questions are forward-looking, the table displays the contemporaneous correlations, as they tend to be higher than the correlations with lagged consumer confidence.

Usefulness of the consumer confidence indicator in assessing consumption growth in the euro area

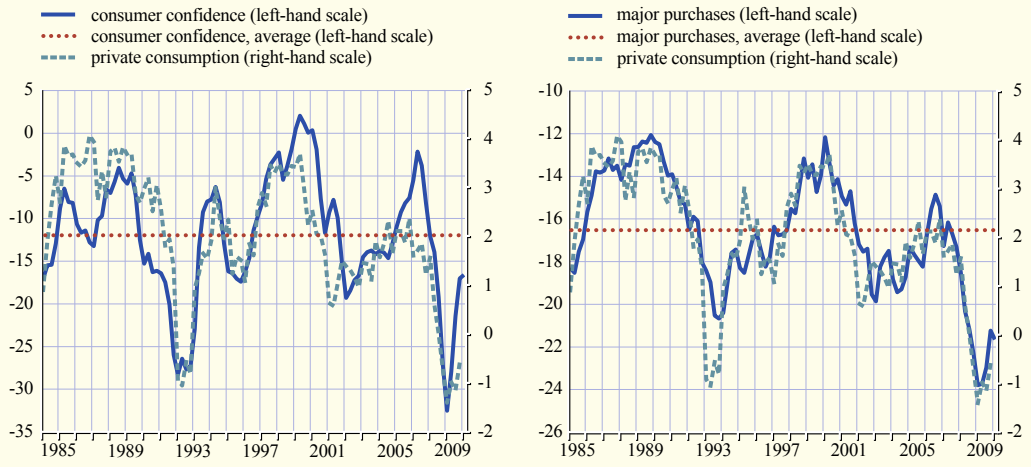
One major advantage of the consumer confidence indicator is its timeliness. The results are usually available monthly, at the end of the reporting period to which they refer. Even for the quarterly average this implies, for example, a lead-time of eight to nine weeks with regard to the date of release of quarterly private consumption figures. Recently, a flash estimate of this indicator for the euro area was introduced by DG ECFIN, bringing forward the availability of preliminary information by around ten days.

Overall, the consumer confidence indicator provides a reasonably good indication of trend developments in consumption, displaying a high correlation with year-on-year consumption growth (0.72, see the table), although the correlation with more volatile quarter-on-quarter movements in euro area consumption is much lower (0.47).

The assessment of the future financial position of households displays the highest correlation with year-on-year consumption growth, while the question on savings shows the lowest

Chart A Private consumption, consumer confidence and major purchases

(percentage balance; year-on-year percentage growth; quarterly data)



Sources: Eurostat, DG ECFIN and ECB calculations.
Note: Survey data for 2010Q1 are estimated with the results for January and February 2010.

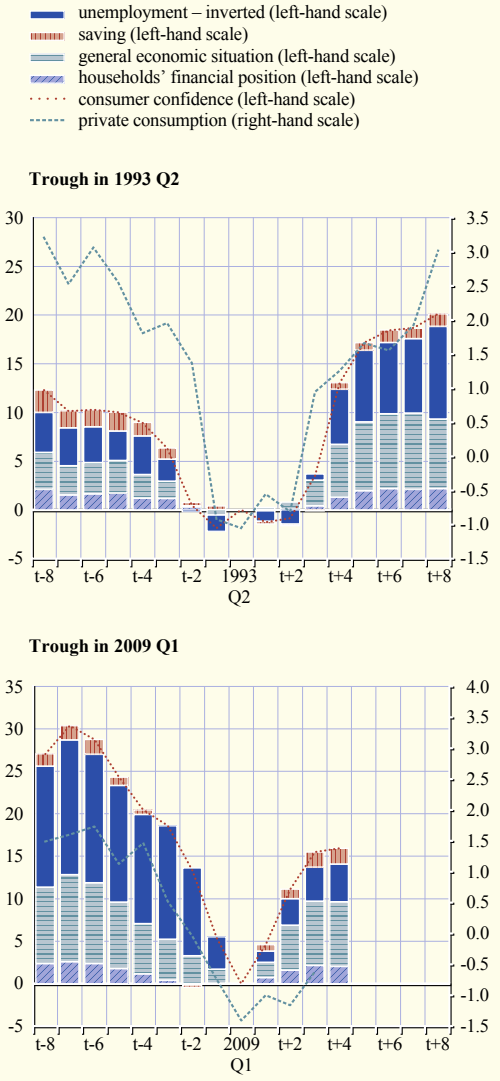
correlation. Notably, another question in the survey, which is not included in the indicator of consumer confidence, a question on major purchases planned, displays a higher correlation than consumer confidence and any of its components.[3] The high degree of co-movement between annual consumption growth, consumer confidence and major purchases is also illustrated in Chart A.

Recent developments and a comparison with the 1993 recovery

Although consumer confidence at the beginning of 2010 still remained below its long-term average, Chart A reveals that confidence has been rising since the beginning of 2009, following a protracted period of decline which started in the first half of 2007. However, consumption growth has not picked up to the same extent and the wedge between consumption and confidence was unusually large in the third quarter of 2009. In this respect, it is worth recalling that the profile of consumption growth has recently been heavily shaped by fiscal incentives geared towards boosting car sales in some countries. While these fiscal measures had an upward impact on consumption around mid-2009, they are likely to have had a downward impact towards the end of last year and at the beginning of 2010 owing to their withdrawal. It could be that these temporary measures are only partly reflected in the confidence indicator. Moreover, the unprecedented speed and depth of the recent downturn may not only have had an impact on the relationship between the percentage balance indicator of consumer confidence and annual consumption growth but also undoubtedly created challenges for statisticians in compiling macroeconomic indicators (e.g. seasonal and working day adjustment). Thus, latest estimates of consumption growth may be more prone than normal to future revisions. Chart B shows consumer confidence, the contributions from its components and annual consumption growth for the periods around the trough of the second quarter of 1993 and the first quarter of 2009, respectively.

Chart B Private consumption, consumer confidence and its components

(percentage balance; year-on-year percentage growth)



Sources: Eurostat, DG ECFIN and ECB calculations.
Notes: Consumer confidence has been rebased to zero in the quarters when annual consumption growth reached the trough: 1993 Q2 and 2009 Q1. The sub-components of confidence are illustrated as contributions to overall confidence. Survey data for 2010 Q1 have been estimated with the results for January and February 2010.

3 "Compared to the past 12 months, do you expect to spend more or less money on major purchases (furniture, electrical/electronic devices, etc.) over the next 12 months?"

The implications of the latest rise in consumer confidence can be examined in the light of developments in consumer confidence following the trough in consumption growth in the second quarter of 1993, when annual growth rates reached negative territories of a similar size as those in the first quarter of 2009 (around -1.0%). In the upturn, it was the assessment regarding unemployment and the general economic situation that drove consumer confidence. Thus, the most influential factor affecting households' consumption decisions was the views on the overall state of the economy underlying the rise in confidence, and not the views on the personal situation among households. This is somewhat surprising, as one would expect the views on the personal situation to be better determinants of turning points and upswings in consumption. On the other hand, it could be the case that expectations regarding the overall state of the economy better reflect cyclical developments than expectations regarding the personal situation.

Developments in consumer confidence and its components following the latest turning point in consumption growth in the first quarter of 2009 do not differ significantly from the experience following the trough of the second quarter of 1993. Again, it is the views on the overall state of the economy that explain the rise in confidence. However, the improvement in the assessment of unemployment is, up to the first quarter of 2010, smaller than in the previous recovery.

At the current juncture, it is probably too early to assess whether or not recent developments in consumer confidence signal a genuine turning point in consumption growth. However, unless consumption contracts further, the year-on-year rates of growth are likely to increase owing to base effects once the negative or subdued quarter-on-quarter growth rates in 2009 fall out from the year-on-year growth rates. Still, the speed and the strength of the recovery in consumption is very uncertain given the expected weakening of the impact of fiscal incentives for car purchases, the fact that consumer confidence is still below its long-term average and the weak outlook for labour markets. Moreover, the indicator regarding major purchases has displayed a more modest upswing than overall consumer confidence.

INVESTMENT

Gross fixed capital formation fell by 0.8%, quarter on quarter in the last three months of 2009, following a decline of 0.9% in the previous three-month period. Investment has been contracting since the second quarter of 2008 on account of weak demand, low business confidence, negative earnings growth, historically low capacity utilisation, and tight lending standards. Despite the further declines recorded in the second half of 2009, recent developments signal a significant improvement, particularly in view of the very large falls in investment recorded during the economic downturn. For instance, in the first quarter of 2009 investment fell by 5.4% compared with the previous quarter, which had also exhibited a large decline.

Aggregate investment figures can be better understood by analysing separately the two main components of gross fixed capital formation: construction and non-construction investment. Construction investment, which includes residential and commercial building and accounts for about half of total investment, is heavily affected by developments in property markets. Construction investment growth has been negative since the second quarter of 2008 on account of over-capacity in some countries, financing constraints and slower growth in residential and commercial property prices. Subdued property price developments make residential investment less profitable, which in turn hampers construction investment. Looking at more recent developments, euro area residential property prices fell in the first half of 2009, driven by pronounced corrections in those countries that had exhibited the strongest house price increases in the period up to 2005. The decline in euro

area house prices has been associated with a high accumulated stock of housing supply and weak demand (for further details, see Box 3 in the February issue of the Monthly Bulletin).

Looking ahead, the issuance of building permits suggests that the lack of dynamism in the housing market will persist, as the number of permits issued continued to fall sharply in the third quarter of 2009. It thus appears likely that the ongoing adjustment in the euro area real estate markets will continue to weigh on construction investment in the coming quarters. In addition, the severe weather conditions at the turn of the year in many euro area countries are likely to have hindered construction activity considerably. These consequences are likely to be reflected in the construction investment figures in the final quarter of 2009 and in the first quarter of 2010. Moreover, despite the fall in mortgage rates, financing conditions have not been overall supportive, as the latest Bank Lending Survey has shown further tightening of credit standards applied to mortgages, although at a slower pace than in previous surveys.

Non-construction investment (mainly in assets intended for use in the production of goods and services) also fell sharply throughout the economic downturn, as weakening demand lowered profitability, capacity pressures waned and tighter lending standards raised financing costs and reduced the availability of funds. However, the third quarter of 2009 (the investment breakdown for the final quarter of 2009 has not yet been published) has shown that non-construction investment declined by only 0.3% compared with the previous quarter.

Non-construction investment is expected to improve further in the coming quarters but to remain generally subdued as a result of low capacity utilisation and weak prospects for domestic demand and profit growth. While capacity utilisation improved somewhat up to the end of January, it remained, however, far below its long-term average. A further factor that could be influencing capital expenditure is the cost and availability of finance. Overall, the real cost of external financing for non-financial firms has declined, while the net tightening of credit standards applied by banks has continued to diminish. However, the dynamics of MFI loans to non-financial corporations remain extremely subdued (see Section 2).

The recovery in investment has historically been particularly slow and gradual during periods in which an economic downturn is exacerbated by a financial crisis.[1] All in all, euro area aggregate investment is expected to remain weak in the coming quarters.

GOVERNMENT CONSUMPTION

Government consumption growth remained, in contrast to other components of domestic demand, rather dynamic in the first three quarters of 2009. However, it declined by 0.1%, quarter on quarter, in the fourth quarter of 2009, following an increase by 0.8% in the third quarter. The relatively stronger dynamics in the first part of 2009 came about because several government consumption expenditure items, such as public sector wages, were not affected directly by cyclical developments. However, this support to domestic demand from government consumption faded in the fourth quarter of 2009 and is expected to remain moderate in 2010.

INVENTORIES

Following large negative contributions to the contraction of euro area GDP in the first half of 2009, inventories contributed positively to quarter-on-quarter GDP growth in the third quarter, but they did not contribute to GDP growth in the final quarter of 2009. The economic downturn

1 See the article entitled "The latest euro area recession in a historical context" in the November 2009 issue of the Monthly Bulletin.

was exacerbated in the first half of 2009 by the cyclical pattern of inventories, whereby firms observing a steep and possibly prolonged fall in demand tend to reduce their inventories by cutting production aggressively, as they strive to maintain an optimal inventories-to-sales ratio. However, the downward adjustment of inventories tends to slow down eventually to prevent an excessive fall in the ratio as sales start to grow again.

On the back of the rapid de-stocking and the recovery in economic activity, the pace of de-stocking slowed in the third quarter of 2009 and, as a result, inventories made a positive contribution to real GDP growth of 0.5 percentage point. However, according to national accounts data, the pace of de-stocking remained constant in the final quarter of 2009 and thus there was no contribution to GDP growth from changes in inventories.

Looking ahead, both surveys and anecdotal evidence suggest that the level of inventories is increasingly perceived as lean, both at the manufacturing and at the retail stages. As a result, inventories will probably make a further positive contribution to euro area GDP growth in the first quarter of 2010. The size of that contribution, however, remains highly uncertain, as it depends on how quickly demand picks up and firms revise their expectations regarding future prospects.

TRADE

The recovery in the global economy has strengthened global trade and, as a result, the demand for euro area goods and services increased in the second half of 2009. In parallel, euro area imports also rebounded following the recovery in euro area economic activity and, in particular, the pick-up of industrial production.

Following a sharp contraction around the end of 2008 and the beginning of 2009, and a further, albeit more moderate, decline in the second quarter of 2009, exports and imports increased compared with the previous quarter, by 2.9% and 2.8%, respectively, in the third quarter of 2009. The rebound in trade slowed in the final quarter of 2009 when exports and imports grew by 1.7% and 0.9% respectively. Due to the more pronounced slowdown in imports growth, the net trade contribution to euro area real GDP growth was 0.3 percentage point in the final quarter of 2009. The rebound in exports and imports in the second half of 2009 was broadly based, affecting all major product categories. In particular, exports and imports of intermediate goods, which had been the main driver of the previous decline in trade flows, exhibited strong increases.

Looking ahead, survey indicators signal that the global economy is on the path to recovery. This is likely to bring about some further increases in the demand for euro area products, especially intermediate and capital goods, which should, in turn, support export-oriented euro area firms. By contrast, given that the euro area recovery is expected to lag behind the global upturn in economic activity somewhat, import growth may turn out to be slightly more sluggish than export growth. As a consequence, in the coming quarters, net trade is likely to provide, positive, albeit modest, contributions to euro area GDP growth.

4.2 OUTPUT, SUPPLY AND LABOUR MARKET DEVELOPMENTS

Economic activity seen from a value added perspective shows that economic growth has not been widespread across sectors and that activity grew in the second half of 2009, driven principally by the industrial sector. The services sector recorded no growth in the third quarter and modest growth in the last quarter of the year, while the construction sector continued to contract in both quarters.

Survey data suggest a further modest increase in value added at the beginning of 2010.

Conditions in the labour market continued to deteriorate in the second half of 2009 (see the labour market section below). Employment growth contracted by 0.5%, quarter on quarter, in the third quarter of 2009 and euro area unemployment reached 9.9% at the turn of the year.

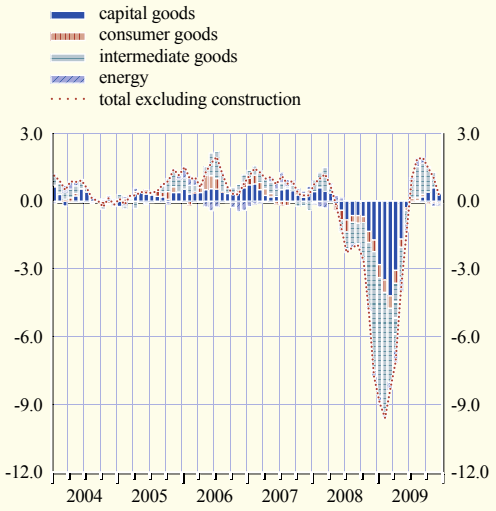
SECTORAL OUTPUT

Industrial activity was the major driver behind the increase in total euro area value added in the second half of 2009. After contracting for five consecutive quarters, value added in the industrial sector (excluding construction) grew by 2.3% and 0.3%, respectively, in the third and fourth quarters of last year.

The increases in the value added of the industrial sector reflected developments in industrial production, which expanded by 1.9%, quarter on quarter, in the third quarter of 2009, and by only 0.2% in the last quarter of the year, reflecting a substantial month-on-month decline in December 2009 (see Chart 49). Looking at the main industrial sectors, in the second half of 2009 production increased, in particular, in the intermediate and capital goods sectors, while it remained weak in the consumer goods sector. Divergences between sectors are not inconsistent with an early stage of the recovery, which normally exhibits more robust growth in the intermediate sector. Given the increase in activity, capacity utilisation in the industrial sector rose to 72.4% in January 2010. This level remains, however, far below its long-term average of 81.5%. In the European Commission Business Survey, firms indicated that limits to production eased somewhat in the second half of 2009, on account of declining constraints from insufficient demand and financial factors, but remained at elevated levels. Looking ahead, timely data in the form of business surveys suggest that growth in the industrial sector remained positive at the beginning of 2010 (see Chart 50). The PMI output index for the euro area manufacturing

Chart 49 Industrial production growth and contributions

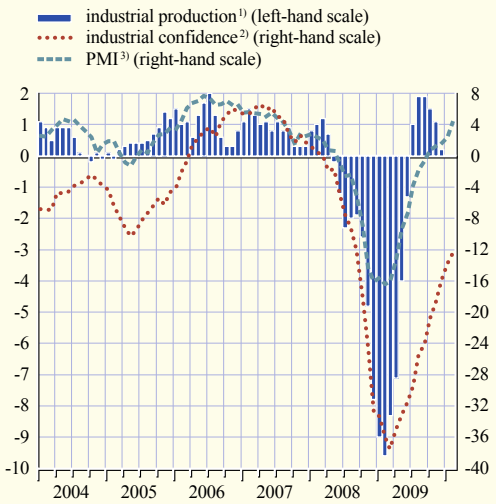
(growth rate and percentage point contributions; monthly data; seasonally adjusted)



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

Chart 50 Industrial production, industrial confidence and the PMI

(monthly data; seasonally adjusted)



Sources: Eurostat, European Commission Business and Consumer Surveys, Markit and ECB calculations.
Note: All series refer to manufacturing.
1) Three-month-on-three-month percentage changes.
2) Percentage balances.
3) Purchasing Managers' Index; deviations from an index value of 50.

sector increased further in February 2010 to 57, a level above its pre-recession average and which points to a solid rate of expansion in this sector. Further expansion in this sector has also been signalled by other industrial confidence surveys and anecdotal evidence.

Activity in the construction sector continued to decline over recent quarters. Value added in construction diminished by 1.1%, quarter on quarter, in the last three months of 2009, at a rate broadly in line with the declines recorded in the previous three quarters, but not as negative as at the end of 2008. Relatively large cross-country differences in construction value added were discerned, with more severe declines in countries where the weight of this sector, in terms of GDP, had increased significantly prior to the financial market turmoil. Overall, developments in the construction sector have continued to be driven by the adjustments in the housing market, as described earlier. This is also confirmed by the performance of the two main sub-sectors – building and civil engineering – which have differed considerably. A sharp decline in activity has characterised the former, which encompasses both residential and commercial property, whereas civil engineering has recovered, also benefiting from public sector stimulus packages.

Services sector activity has been more resilient than other sectors during the economic downturn, with services activity being much less sensitive to cyclical developments than manufacturing and construction. After declining at the end of 2008 and in early 2009, services value added has remained subdued in more recent quarters. After posting small growth in the second quarter of last year, services value added stagnated in the subsequent three-month period and increased by 0.1% in the fourth quarter of 2009. Available information on the main sub-sectors shows that, following the sharp falls around the end of 2008 and the beginning of 2009, value added has so far only broadly stabilised in trade and transportation, as well as in financial intermediation and business services, which tend to be the most cyclical and volatile among the services' sub-sectors. Looking ahead, recently published survey data suggest that the services sector is growing at a moderate pace at the beginning of 2010.

LABOUR MARKET

Conditions in the euro area labour markets deteriorated further in the last two quarters of 2009, as changes in employment often lag behind business cycle fluctuations. During the economic downturn, employment started to fall earlier in the construction sector than in the industrial, services and government sectors. This was partly linked to overcapacity in the construction sector in some countries and the fact that this sector typically employs workers on a temporary basis, which makes labour adjustment smoother. Subsequently, labour shedding has also affected the industrial sector, while the services sector has remained considerably less affected (see Table 8).

As the economic downturn unfolded, many euro area countries implemented special working time schemes aimed at preserving the stability of employment. These schemes have reduced working hours through various channels, including changes to firms' flexible working arrangements, general reductions in overtime and special employment-saving schemes set up by a number of European governments. The various schemes to reduce working hours have helped to prevent a sharper decline in employment and have smoothed the process of labour adjustment against falling demand. When viewed against the background of the significant decline observed in economic activity, it appears that euro area employment has been relatively resilient throughout the economic downturn. A large part of the adjustment has actually taken place as a result of the reduction of hours worked per person rather than from large increases in unemployment, although it has to be said that developments in the labour market have been considerably different across euro area economies.

Table 8 Employment growth

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

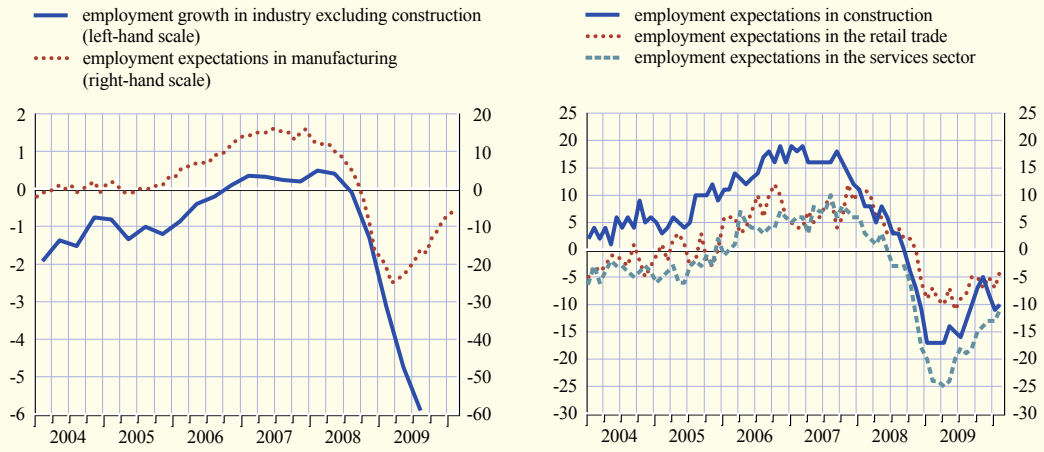
	Annual rates		Quarterly rates				
	2007	2008	2008 Q3	2008 Q4	2009 Q1	2009 Q2	2009 Q3
Whole economy	1.8	0.7	-0.2	-0.4	-0.7	-0.5	-0.5
of which:							
Agriculture and fishing	-1.5	-1.4	-0.6	0.1	-0.8	-0.9	-1.1
Industry	1.3	-0.8	-0.9	-1.4	-1.7	-1.7	-1.8
Excluding construction	0.3	-0.1	-0.5	-1.1	-1.5	-1.8	-1.7
Construction	3.8	-2.2	-1.9	-2.2	-2.3	-1.4	-2.0
Services	2.1	1.4	0.0	0.0	-0.4	-0.1	-0.1
Trade and transport	2.0	1.3	-0.1	-0.4	-0.8	-0.4	-0.2
Finance and business	4.0	2.3	0.0	-0.5	-0.9	-0.7	-0.5
Public administration [1]	1.2	1.0	0.2	0.6	0.2	0.6	0.3

Sources: Eurostat and ECB calculations.
1) Also includes education, health and other services.

Data for the third quarter of 2009 confirmed the slowing down in the quarter-on-quarter rate of contraction of euro area employment. Employment contracted by 0.5%, quarter on quarter, i.e. the same quarterly rate of decline as that recorded in the second quarter, but less than the 0.7% contraction rate recorded at the beginning of the year. At the sectoral level, industry and construction continued to bear the brunt of the contraction in employment. While the 1.7% quarter-on-quarter decline in industrial employment (excluding construction) in the third quarter suggests some moderation in the rate of contraction compared with the previous quarter, the decline in construction employment seems again to have accelerated in that quarter, after some signs of improvement in the second quarter. By contrast, employment in the services sector appears to have held up somewhat better, declining by only 0.1% quarter on quarter, which was the same rate as that recorded in the previous quarter (see Chart 51).

Chart 51 Employment growth and employment expectations

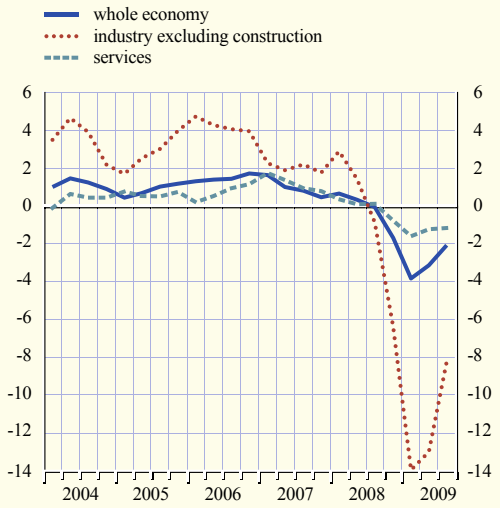
(annual percentage changes; percentage balances; seasonally adjusted)



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

Chart 52 Labour productivity

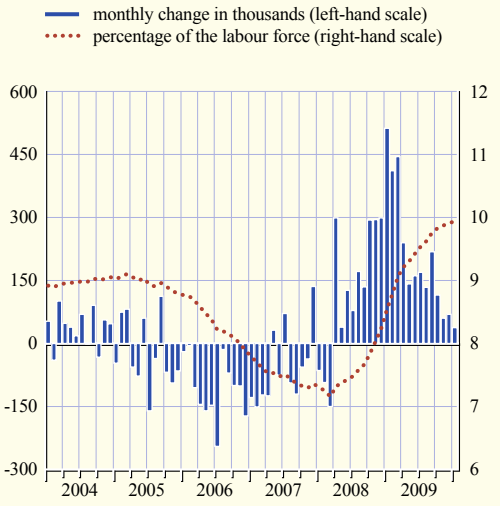
(annual percentage changes)



Sources: Eurostat and ECB calculations.

Chart 53 Unemployment

(monthly data; seasonally adjusted)



Source: Eurostat.

Together with the recovery in euro area output growth, the job losses seen in recent quarters have contributed to an inflection in the decline of productivity. In year-on-year terms, aggregate euro area productivity (measured as output per employee) still dropped by 2.1% in the third quarter of 2009, but this rate is a substantial improvement on the record contractions seen in the first half of the year (see Chart 52). More recently, the latest survey indicators suggest that productivity continued to improve in the fourth quarter.

The most recent data have shown a temporary interruption in the rise of the euro area unemployment rate around the turn of the year. The euro area unemployment rate remained at 9.9% in January 2010, the same level as that of the previous two months, following a 0.1 percentage point downward revision to the December 2009 figure (see Chart 53). Looking ahead, survey indicators have improved from their lows, but still suggest that further increases in euro area unemployment are likely in the months ahead, albeit at a slower pace than was observed and expected earlier in 2009.

4.3 THE OUTLOOK FOR ECONOMIC ACTIVITY

Looking ahead, euro area real GDP growth is expected to remain moderate in the current year, as low capacity utilisation rates are likely to dampen investment and weak labour market prospects in the euro area are expected to reduce consumption growth. Furthermore, the process of balance sheet adjustment in various sectors, both inside and outside the euro area, will continue. This assessment is also reflected in the March 2010 ECB staff macroeconomic projections for the euro area, which envisage real GDP growth to be in a range of 0.4% to 1.2% in 2010 and between 0.5% and 2.5% in 2011 (see Box 8). Compared with the December 2009 Eurosystem staff projections, the range for real GDP growth in 2010 is slightly narrower, while for 2011 the range has been revised slightly upwards, reflecting notably stronger activity worldwide.

The risks to the economic outlook are viewed as broadly balanced, in an environment marked by continued uncertainty. On the upside, confidence may improve more than expected, and both the global economy and foreign trade may recover more strongly than projected. Furthermore, there may be stronger than anticipated effects stemming from the extensive macroeconomic stimulus being provided and from other policy measures taken. On the downside, concerns remain relating to a stronger or more protracted than expected negative feedback loop between the real economy and the financial sector, renewed increases in oil and other commodity prices, the intensification of protectionist pressures and renewed tensions in some financial market segments, as well as the possibility of a disorderly correction of global imbalances.

Box 8

ECB STAFF MACROECONOMIC PROJECTIONS FOR THE EURO AREA

On the basis of the information available up to 19 February 2010, ECB staff have prepared projections for macroeconomic developments in the euro area.[1] Reflecting the prospects for the economic recovery worldwide, average annual real GDP growth is projected to increase gradually from between 0.4% and 1.2% in 2010 to between 0.5% and 2.5% in 2011. Inflation is projected to rise slightly over the projection horizon, from between 0.8% and 1.6% in 2010 to between 0.9% and 2.1% in 2011, as the recovery gathers pace.

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 12 February 2010.[2] The assumption about short-term interest rates is of a purely technical nature. Short-term rates are measured by the three-month EURIBOR, with market expectations derived from futures rates. The methodology gives an overall average level of short-term interest rates of 0.9% for 2010 and 1.7% for 2011. The market expectations for euro area ten-year nominal government bond yields imply an average level of 4.0% in 2010 and 4.5% in 2011. The baseline projection takes into account the recent further improvements in financing conditions and assumes that, over the projection horizon, bank lending rate spreads vis-à-vis the above-mentioned interest rates will stabilise or narrow somewhat. Similarly, credit supply conditions are assumed to ease over the projection horizon. 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 75.1 in 2010 and USD 79.8 in 2011. The prices of non-energy commodities in US dollars are assumed to rise by 18.4% in 2010 and a further 2.7% in 2011.

1 The ECB staff macroeconomic projections complement the Eurosystem staff macroeconomic projections that are produced jointly by experts from the ECB and from the euro area national central banks on a biannual basis. The techniques used are consistent with those of the Eurosystem staff projections as described in "A guide to Eurosystem staff macroeconomic projection exercises", ECB, June 2001, 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 are based on the differences between actual outcomes and previous projections carried out over a number of years. The width of the ranges is twice the average absolute value of these differences. The method used, involving a correction for exceptional events, is documented in "New procedure for constructing Eurosystem and ECB staff projection ranges", ECB, December 2009, also available on the ECB's website.

2 Oil and food price assumptions are based on futures prices up to the end of the projection horizon. For other commodities, prices are assumed to follow futures until the last quarter of 2010 and thereafter to develop in line with global economic activity.

Bilateral exchange rates are assumed to 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 1.38 over the whole projection horizon and an effective exchange rate of the euro that, on average, depreciates by 2.6% in 2010 and a further 0.2% in 2011.

Fiscal policy assumptions are based on individual euro area countries' national budget plans as available on 12 February 2010. They include all policy measures that have already been approved by national parliaments or have been specified in detail by governments and are likely to pass the legislative process.

Assumptions with regard to the international environment

The global economic outlook has shown stronger signs of improvement since the turning-point around mid-2009. In the near term, the recovery is expected to continue to be driven primarily by the impact of monetary and fiscal stimuli, the normalisation in trade and the inventory cycle. While some of these factors are temporary, the improvement in financing conditions is expected to provide more lasting support to the projected continuing global recovery. Overall, global economic growth is expected to remain below past trends over the whole projection horizon, as advanced economies in particular experience a subdued recovery, reflecting the need for balance sheet adjustment following the crisis. World real GDP outside the euro area is assumed to grow, on average, by 4.2% in 2010 and 4.0% in 2011. Reflecting the significant recovery in global trade, growth in the euro area's export markets is assumed to increase to 6.9% in 2010 and 5.4% in 2011. The stronger growth rate, in annual terms, in 2010 reflects the impact of a larger statistical carry-over from 2009 and masks the fact that the pace of quarterly growth for the global economy is actually projected to be faster in 2011 than in 2010.

Real GDP growth projections

After a deep recession, the euro area posted a second consecutive quarter of positive real GDP growth in the last quarter of 2009. Available evidence suggests that the recovery was driven by exports, following the rebound in world trade. In addition, temporary factors, such as the fiscal stimulus packages and the inventory cycle, provided support to the recovery. As the effects of these factors fade away over time, GDP growth in 2010 is expected to remain moderate, even though activity is projected to be progressively supported by exports and a slowly recovering domestic demand, reflecting the lagged effects of monetary policy actions and of the significant

Table A Macroeconomic projections for the euro area

(average annual percentage changes)[1),2)]

	2009	2010	2011
HICP	0.3	0.8 - 1.6	0.9 - 2.1
Real GDP	-4.0	0.4 - 1.2	0.5 - 2.5
Private consumption	-1.0	-0.3 - 0.5	0.2 - 2.0
Government consumption	2.5	0.1 - 1.1	0.2 - 1.6
Gross fixed capital formation	-10.8	-3.1 - -0.5	-1.1 - 2.9
Exports (goods and services)	-13.0	3.2 - 7.6	1.4 - 7.8
Imports (goods and services)	-11.6	1.9 - 5.7	0.7 - 6.5

1) The projections for real GDP and its components are based on working day-adjusted data. The projections for imports and exports include intra-euro area trade.
2) Data refer to all 16 countries of the euro area.

efforts to restore the functioning of the financial system. The recovery is expected to consolidate in 2011. Growth is expected to remain on a weaker path than before the recession, owing to the need for balance sheet repair in various sectors and the fact that consumption is being dampened by weak labour market prospects and precautionary savings remain high. Furthermore, private investment, while picking up over the horizon, is projected to be dampened by high levels of unused capacity and low demand prospects. Overall, after decreasing, in annual terms, by 4.0% in 2009, real GDP is projected to increase by between 0.4% and 1.2% in 2010 and between 0.5% and 2.5% in 2011. Nonetheless, with estimates of annual potential growth also projected to be lower than before the recession, the output gap is projected to narrow over the projection horizon.

Price and cost projections

Having reached a low of -0.4% in the third quarter of 2009, annual HICP inflation turned positive in the fourth quarter of the year. This pattern was mostly due to strong base effects from past falls in commodity prices. After rising to 1.0% in January 2010, inflation is expected to remain close to this level over the following months. Thereafter, inflation is expected to increase progressively, reflecting the gradual improvements that are expected in activity, in a context where potential output growth remains modest. The average annual inflation rate is projected to be between 0.8% and 1.6% for 2010 and between 0.9% and 2.1% for 2011. Growth in compensation per employee is expected to remain low, dampened by the continued weakness of the labour market. As employment is projected to fall further for some time to come, the resulting productivity increases are expected to contribute to a significant fall in unit labour cost growth from the high levels observed in 2009. This, in turn, is projected to allow a moderate growth in profit margins and a partial recouping of the losses incurred in 2009. The annual rate of change in the HICP excluding energy is expected to moderate further in 2010, reflecting the weakness of aggregate demand, before recovering slightly in 2011.

Comparison with the December 2009 projections

Compared with the Eurosystem staff macroeconomic projections published in the December 2009 issue of the Monthly Bulletin, the projection range for real GDP growth in 2010 lies within the previous one. The range for 2011 has been revised slightly upwards, reflecting notably the more buoyant activity worldwide, which is expected to boost euro area exports and encourage investment.

With regard to HICP inflation, the range for 2010 has been adjusted marginally downwards with respect to that of December 2009, while the range for 2011 has been adjusted slightly upwards, in line with the improved prospects for activity.

Table B Comparison with the December 2009 projections

(average annual percentage changes)

	2009	2010	2011
Real GDP – December 2009	-4.1 - -3.9	0.1 - 1.5	0.2 - 2.2
Real GDP – March 2010	-4.0	0.4 - 1.2	0.5 - 2.5
HICP – December 2009	0.3 - 0.3	0.9 - 1.7	0.8 - 2.0
HICP – March 2010	0.3	0.8 - 1.6	0.9 - 2.1

Comparison with 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 ECB 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).

According to the forecasts currently available from other organisations and institutions, euro area real GDP is expected to range between 0.7% and 1.3% in 2010 and between 1.5% and 1.7% in 2011. As regards inflation, available forecasts anticipate average annual HICP inflation to be between 0.8% and 1.3% in 2010 and between 0.7% and 1.5% in 2011. For both GDP growth and HICP inflation, the forecasts by other institutions therefore generally fall within the ranges of the ECB staff projections.

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

(average annual percentage changes)

		GDP growth		HICP inflation	
	Date of release	2010	2011	2010	2011
OECD	November 2009	0.9	1.7	0.9	0.7
IMF	January 2010	1.0	1.6	0.8	0.8
Consensus Economics Forecasts	February 2010	1.3	1.5	1.2	1.5
Survey of Professional Forecasters	February 2010	1.2	1.6	1.3	1.5
European Commission	February 2010	0.7	1.5	1.1	1.5
ECB staff projections	March 2010	0.4 - 1.2	0.5 - 2.5	0.8 -1.6	0.9 - 2.1

Sources: European Commission Interim Forecast, February 2010, for 2010 figures and European Economic Forecast – autumn 2009, for 2011 figures; IMF World Economic Outlook, October 2009, for inflation and World Economic Outlook Update, January 2010, for GDP growth; OECD Economic Outlook, November 2009; Consensus Economics Forecasts; and the ECB's Survey of Professional Forecasters.
Notes: The ECB 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.

5 FISCAL DEVELOPMENTS

The year 2009 was marked by a sharp deterioration in budget balances in the euro area. According to the updated stability programmes submitted by most euro area countries between December 2009 and February 2010, the euro area government deficit-to-GDP ratio is expected to continue to increase in 2010. Although some countries have announced corrective measures for 2010, many others plan to start a fiscal consolidation process only in 2011. To ensure continued confidence in fiscal sustainability and to avoid negative spillover effects on other member countries and EMU as a whole, it is essential that euro area countries fully meet their commitments under the excessive deficit procedures. In particular, many countries' consolidation efforts will need to be ambitious and underpinned by credible and clearly specified structural measures, with a strong focus on expenditure reforms. With regard to Greece, on 16 February 2010 the ECOFIN Council set 2012 as the new deadline for correcting the country's excessive deficit and requested Greece to design, implement and report regularly on a comprehensive set of structural measures.

FISCAL DEVELOPMENTS IN 2009

In 2009 fiscal positions deteriorated sharply in most euro area countries. According to the updated stability programmes submitted by most euro area countries between December 2009 and February 2010 (see Table 9), the euro area general government deficit more than tripled, rising from 2.0% of GDP in 2008 to 6.2% of GDP in 2009. This is the most dramatic budget deterioration since the inception of EMU. At the same time, euro area general government debt increased from 69.4% of GDP in 2008 to 78.7% of GDP in 2009. A comparison of the 2009 deficits with the targets set in the stability programme updates released at the end of 2008 and in early 2009 reveals a shortfall in the euro area general government budget balance of 2.8 percentage points of GDP. This constitutes the largest revision to date in the history of the stability programmes.

Looking more closely at developments at the country level, three euro area countries – Greece, Ireland and Spain – recorded double-digit deficit-to-GDP ratios in 2009. A second group of countries – Portugal, France, Slovakia, Belgium, Cyprus, Slovenia and Italy – had high deficit ratios in the range of 5% to 9.5% of GDP. Four more countries, namely the Netherlands, Malta, Austria and Germany, had deficit ratios ranging from 3% to 4.9% of GDP. Only in Finland and Luxembourg did budget deficits remain below 3% of GDP. Overall, 14 out of the 16 euro area countries recorded deficits above the 3% of GDP reference value in 2009. With the exception of Cyprus, all these countries are currently subject to excessive deficit procedures (EDPs) (see Table 10).

These adverse fiscal developments can be attributed mainly to five factors. First, the financial crisis and economic downturn triggered declines in tax revenues and increases in social payments (such as unemployment benefits) through the operation of automatic stabilisers. Second, in addition to automatic stabilisation, revenues were adversely affected by factors (such as falling asset prices) not reflected in the development of key macroeconomic aggregates, giving rise to revenue shortfalls. Third, while the trend growth rate of the euro area economy declined, structural spending growth maintained its momentum. Fourth, following the European Economic Recovery Plan endorsed by the European Council in December 2008, most euro area governments implemented significant fiscal stimulus measures. Fifth, several countries have taken far-reaching measures to stabilise their financial sectors, which impacted on the government debt position in 2009 or translated into substantial contingent liabilities. The latter constitute a risk of higher deficits and/or debt in the future (see also the article entitled "The impact of government support to the banking sector on euro area public finances" in the July 2009 issue of the Monthly Bulletin).

Table 9 The updated stability programmes of the euro area countries

	Real GDP growth (percentage change)					Budget balance (as a percentage of GDP)					Debt (as a percentage of GDP)				
	2008	2009	2010	2011	2012	2008	2009	2010	2011	2012	2008	2009	2010	2011	2012
Belgium															
Update of April 2009	1.1	-1.9	0.6	2.3	2.3	-1.2	-3.4	-4.0	-3.4	-2.6	89.6	93.0	95.0	94.9	93.9
Update of January 2010	1.0	-3.1	1.1	1.7	2.2	-1.2	-5.9	-4.8	-4.1	-3.0	89.8	97.9	100.6	101.4	100.6
Germany															
Update of January 2009	1.3	-2.3	1.3	1.3	1.3	-0.1	-3.0	-4.0	-3.0	-2.5	65.5	68.5	70.5	71.5	72.5
Update of February 2010	1.3	-5.0	1.4	2.0	2.0	0.0	-3.2	-5.5	-4.5	-3.5	65.9	72.5	76.5	79.5	81.0
Ireland															
Update of January 2009	-1.4	-4.0	-0.9	2.3	3.4	-6.3	-9.5	-9.0	-6.4	-4.8	40.6	52.7	62.3	65.7	66.2
Update of December 2009	-3.0	-7.5	-1.3	3.3	4.5	-7.2	-11.7	-11.6	-10.0	-7.2	44.1	64.5	77.9	82.9	83.9
Greece															
Update of December 2008	3.0	1.1	1.6	2.3		-3.7	-3.7	-3.2	-2.6		94.6	96.3	96.1	94.7	
Update of January 2010	2.0	-1.2	-0.3	1.5	1.9	-7.7	-12.7	-8.7	-5.6	-2.8	99.2	113.4	120.4	120.6	117.7
Spain															
Update of January 2009	1.2	-1.6	1.2	2.6		-3.4	-5.8	-4.8	-3.9		39.5	47.3	51.6	53.7	
Update of February 2010	0.9	-3.6	-0.3	1.8	2.9	-4.1	-11.4	-9.8	-7.5	-5.3	39.7	55.2	65.9	71.9	74.3
France															
Update of December 2008	1.0	0.2	2.0	2.5	2.5	-2.9	-3.9	-2.7	-1.9	-1.1	66.7	69.1	69.4	68.5	66.8
Update of February 2010	0.4	-2.3	1.4	2.5	2.5	-3.4	-7.9	-8.2	-6.0	-4.6	67.4	77.4	83.2	86.1	87.1
Italy															
Update of February 2009	-0.6	-2.0	0.3	1.0		-2.6	-3.7	-3.3	-2.9		105.9	110.5	112.0	111.6	
Update of January 2010	-1.0	-4.8	1.1	2.0	2.0	-2.7	-5.3	-5.0	-3.9	-2.7	105.8	115.1	116.9	116.5	114.6
Cyprus															
Update of February 2009	3.8	2.1	2.4	3.0	3.2	1.0	-0.8	-1.4	-1.9	-2.2	49.3	46.8	45.4	44.2	44.2
n.a.															
Luxembourg															
Update of January 2009	1.0	-0.9	1.4			2.0	-0.6	-1.5			14.4	14.9	17.0		
Update of February 2010	0.0	-3.9	2.5	3.0	2.7	2.5	-1.1	-3.9	-5.0	-4.6	13.5	14.9	18.3	23.9	29.3
Malta															
Update of December 2008	2.8	2.2	2.5	2.8		-3.3	-1.5	-0.3	1.2		62.8	61.9	59.8	56.3	
Update of February 2010	2.1	-2.0	1.1	2.3	2.9	-4.7	-3.8	-3.9	-2.9	-2.8	63.6	66.8	68.6	68.0	67.3
Netherlands															
Update of November 2008	2.3	1.3	2.0	2.0		1.2	1.2	0.8	1.1		42.1	39.6	38.0	36.2	
Update of January 2010	2.0	-4.0	1.5	2.0	2.0	0.7	-4.9	-6.1	-5.0	-4.5	58.2	62.3	67.2	69.6	72.5
Austria															
Update of April 2009	1.8	-2.2	0.5	1.5	2.0	-0.4	-3.5	-4.7	-4.7	-4.7	62.5	68.5	73.0	75.7	77.7
Update of January 2010	2.0	-3.4	1.5	1.5	1.9	-0.4	-3.5	-4.7	-4.0	-3.3	62.6	66.5	70.2	72.6	73.8
Portugal															
Update of January 2009	0.3	-0.8	0.5	1.3		-2.2	-3.9	-2.9	-2.3		65.9	69.7	70.5	70.0	
n.a.															
Slovenia															
Update of April 2009	3.5	-4.0	1.0	2.7		-0.9	-5.1	-3.9	-3.4		22.8	30.5	34.1	36.3	
Update of January 2010	3.5	-7.3	0.9	2.5	3.7	-1.8	-5.7	-5.7	-4.2	-3.1	22.5	34.4	39.6	42.0	42.7
Slovakia															
Update of April 2009	6.4	2.4	3.6	4.5	5.1	-2.2	-3.0	-2.9	-2.2	-1.7	27.6	31.4	32.7	32.7	
Update of January 2010	6.4	-5.7	1.9	4.1	5.4	-2.3	-6.3	-5.5	-4.2	-3.0	27.7	37.1	40.8	42.5	42.2
Finland															
Update of December 2008	2.6	0.6	1.8	2.4	2.2	4.4	2.1	1.1	1.0	0.9	32.4	33.0	33.7	34.1	34.6
Update of January 2010	1.0	-7.6	0.7	2.4	3.5	4.4	-2.2	-3.6	-3.0	-2.3	34.2	41.8	48.3	52.2	54.4
Euro area															
Update of 2008-09	1.0	-1.2	1.2	1.8		-1.6	-3.4	-3.3	-2.6		67.8	71.5	73.2	73.8	
Update of 2009-10	0.7	-4.0	1.0	2.1	2.3	-2.0	-6.2	-6.6	-5.2	-3.9	69.4	78.7	83.9	86.5	87.3

Sources: Updated stability programmes for 2008-09 and 2009-10, ECB calculations.
Notes: The euro area aggregate is calculated as a weighted average of all euro area countries except, for the 2009-10 update, Cyprus and Portugal, for which the programmes are not yet available. For the 2009-10 update, Ireland's real GDP growth and debt for 2008 have been taken from the European Commission's autumn 2009 forecast.

Table 10 Overview of the ongoing excessive deficit procedures in euro area countries

(as a percentage of GDP)

	Budget balance in 2009	Start of consolidation process	Deadline for correction	Recommended annual average structural adjustment
Belgium	-5.9	2010	2012	3/4
Germany	-3.4	2011	2013	≥ 0.5
Ireland	-12.5	2010	2014	2
Greece	-12.7	2010	2012	≥ 3 1/2 in 2010-11, ≥ 2 1/2 in 2012
Spain	-11.2	2010	2013	> 1.5
France	-8.3	2010	2013	> 1
Italy	-5.3	2010	2012	≥ 0.5
Malta	-4.5	2010	2011	3/4
Netherlands	-4.7	2011	2013	3/4
Austria	-4.3	2011	2013	3/4
Portugal	-8.0	2010	2013	1 1/4
Slovenia	-6.3	2010	2013	3/4
Slovakia	-6.3	2010	2013	1

Sources: European Commission's autumn 2009 economic forecast and ECOFIN Council recommendations of December 2009 and February 2010.

IMPLEMENTATION OF THE STABILITY AND GROWTH PACT

On 16 February 2010 the ECOFIN Council took decisions regarding two euro area countries, namely Malta and Greece. With regard to Malta, the Council issued a recommendation under Article 126(7) of the Treaty on the Functioning of the European Union (hereinafter referred to as the "Treaty"), extending the deadline for correcting the country's excessive deficit from 2010 to 2011 and setting a deadline of 16 August 2010 for corrective action.

Regarding Greece, the ECOFIN Council issued an opinion on Greece's updated stability programme, which foresees a reduction in its general government deficit ratio from 12.7% of GDP in 2009 to 8.7% of GDP in 2010, and then to below 3% of GDP in 2012. According to the programme, in 2011 the general government debt ratio will broadly stabilise. The Council opinion indicated that the programme is sufficiently ambitious, with fiscal consolidation being frontloaded to 2010 and 2011 and adjustments in the headline deficit by 4.0 percentage points and 3.4 percentage points of GDP respectively. However, although the programme contains some concrete corrective measures for 2010, it does not include any detailed measures for the 2011-13 consolidation path.

The ECOFIN Council also issued, under Article 121(4) of the Treaty, a recommendation to Greece referring to the broad economic policy guidelines, and adopted a decision to make this recommendation public.[1] Furthermore, it adopted a decision under Article 126(9) of the Treaty, giving notice to Greece to take action to correct the excessive deficit. The recommendation identifies a list of key structural and fiscal measures that Greece should adopt. Greece is requested to design and implement, starting as soon as possible in 2010, a bold and comprehensive structural reform package. It should encompass reforms of public sector wages and of the pension and healthcare systems, as well as measures to improve the efficiency of public administration, the business environment and the functioning of the product market, and to bolster productivity and employment growth. In parallel, the ECOFIN Council decision set 2012 as the deadline for Greece to correct its excessive deficit and stated that the adjustment path towards the correction of the excessive deficit should include a structural annual adjustment of at least 3½ percentage points of GDP in both

1 See the "Council Recommendation with a view to ending the inconsistency with the broad guidelines of the economic policies in Greece and removing the risk of jeopardising the proper functioning of the economic and monetary union" (6145/10, 16 February 2010).

2010 and 2011, and of at least 2½ percentage points of GDP in 2012. Moreover, the decision set a detailed timetable for measures to be taken during the period 2010-12. Greece was also invited to submit to the Council and the European Commission by 16 March 2010 a report spelling out the measures and providing the implementation timeline for achieving the 2010 budgetary targets. Finally, Greece is required to report regularly and publicly on the measures taken, starting with reports on 16 March 2010 and 15 May and on a quarterly basis thereafter. These requirements, as well as the close monitoring of Greece's progress, reflect the particularly serious fiscal imbalances that Greece is facing and the risk of adverse spillover effects on other euro area countries and EMU as a whole. In this context, the European Council's statement, on 11 February 2010, mentioned that the euro area Member States will take determined and coordinated action, if needed, to safeguard financial stability in the euro area as a whole.

On 3 March 2010 the Greek government announced additional permanent fiscal consolidation measures to make the necessary significant progress with fiscal consolidation in 2010. Importantly, the measures include cuts in public expenditure and adjustments of public sector wages.

FISCAL PLANS FOR 2010 AND BEYOND

According to the updated stability programmes that have been submitted so far, the euro area general government deficit is expected to peak at 6.6% of GDP in 2010, a level unprecedented since the start of Stage Three of EMU. Assuming real GDP growth to be in the range of 2% to 2.5%, the deficit is then expected to decline to 5.2% of GDP in 2011 and 3.9% of GDP in 2012. Most of the euro area countries currently subject to EDPs plan to bring their deficits to below the 3% of GDP reference value within the agreed deadline. The ratio of euro area government debt to GDP is expected to increase further to 83.9% in 2010, 86.5% in 2011 and 87.3% in 2012, with debt ratios reaching levels not seen for decades in several euro area countries.

For the 2009-10 round of updates, the stability programmes were generally submitted later than usual, in January or February 2010 rather than in November or December 2009. This was on the understanding that a delayed submission would allow countries to take account of the ECOFIN Council's October 2009 conclusions on the fiscal exit strategy and its December 2009 decisions on the EDPs (see Tables 9 and 10). At the current juncture, a broad assessment of the stability programmes suggests that this invitation to include details of the fiscal exit and consolidation strategies was not heeded in many cases.

Each country needs to comply with the annual average adjustment effort set in the EDP recommendations over the correction period, and any shortfall in structural consolidation in 2010-11 will need to be compensated for by stronger fiscal efforts in the outer years. However, in view of the lack of clearly specified measures for those years, there is currently a significant risk in this regard.

The German 2010 stability programme update foresees an increase in the country's deficit ratio from 3.2% of GDP in 2009 to 5½ % of GDP in 2010, reflecting, among other things, fiscal measures aimed at boosting growth. In line with the EDP requirements, the deficit would then decline gradually to 3% of GDP in 2013. To date, the envisaged fiscal adjustment has not yet been underpinned by concrete measures. In this regard, the German government intends to announce a detailed consolidation strategy by summer 2010. The ratio of gross debt to GDP is projected to increase from 72½% in 2009 to 82% in 2013.

The French stability programme update projects a further increase in the deficit ratio from 7.9% of GDP in 2009 to 8.2% of GDP in 2010. It is envisaged that from 2011 onwards the deficit ratio will decrease each year, leading to a correction of France's excessive deficit in 2013, in line with the EDP requirements. The debt-to-GDP ratio is projected to rise over the period 2010-12, before declining slightly to 86.6% in 2013. According to the programme, the structural consolidation process is envisaged to start in 2011 and should be based mainly on spending restraint. To facilitate these consolidation plans, the French government is discussing the implementation of a fiscal rule.

Italy's 2010 stability programme update foresees a slight reduction in the deficit ratio from 5.3% of GDP in 2009 to 5.0% of GDP in 2010. Thereafter it is projected to decrease further to below 3% of GDP in 2012, in line with EDP requirements. It is envisaged that the debt-to-GDP ratio will rise from 115.1% in 2009 to 116.9% in 2010, before edging down to 114.6% in 2012. According to the Italian government, this consolidation strategy is underpinned by the three-year fiscal plan, which was approved by the parliament in 2008 and based primarily on expenditure restraint (amounting to around 1.5% of GDP cumulatively over the period 2009-11).

Ireland's stability programme update includes projections until 2014, which is the deadline set by the ECOFIN Council for reducing the country's deficit to below 3% of GDP. According to the programme, the deficit will fall from 11.7% of GDP in 2009 to 2.9% of GDP in 2014, with an average structural adjustment of 2 percentage points of GDP per year from 2011 onwards. For 2010 the specified measures focus on expenditure, with an overall adjustment of 2.5% of GDP. For 2011 and beyond the government has committed to further ambitious structural consolidation targets. However, the measures for achieving these targets have yet to be specified.

Spain's stability programme update foresees a correction of the country's excessive deficit by 2013, in line with the EDP recommendations. The average annual structural consolidation target amounts to 1.8 percentage points of GDP, which is in line with the EDP recommendation of above 1.5 percentage points. However, this is not yet fully backed by concrete measures, especially for the period 2011-13.

FISCAL POLICY CONSIDERATIONS

The dramatic rise in the fiscal imbalances of euro area countries is threatening the sustainability of public finances and is giving cause for concern for several reasons. First, growing budget deficits and government debt may push up inflation expectations and place an additional burden on the ECB's monetary policy for the euro area. Second, large government (re)financing needs may drive up (real) medium and longer-term interest rates, which could also spill over to other euro area countries and crowd out private demand in the recovery phase. Third, rising government debt and higher sovereign bond yields imply higher interest expenditure. This either has to be covered by higher taxes, which are detrimental to potential growth, or by imposing constraints on other government spending items, including those promoting longer-term growth (e.g. infrastructure or education). Such constraints will become even tighter in the absence of reforms addressing the rising budgetary costs of an ageing society. Fourth, large fiscal imbalances may fuel the accumulation of other macroeconomic imbalances, such as current account deficits, which make countries more vulnerable to negative shocks. Moreover, high budget deficits and debt severely limit the ability of fiscal policy action to counter such shocks.

To sustain confidence and avoid negative spillover effects on other euro area countries and EMU as a whole, it is crucial that member countries meet their commitments under the EDPs. In particular, in cases where consolidation needs to start in 2010, budget plans should include

effective consolidation measures. More generally, as specified in the ECOFIN Council's country recommendations under the EDPs, many countries' consolidation efforts will need to significantly exceed the minimum annual adjustment of 0.5% of GDP specified in the Stability and Growth Pact. The scenarios for euro area government debt presented in Box 9 highlight the importance of rapid and ambitious consolidation.

Given the steep increase in expenditure ratios and already high tax burdens, credible consolidation strategies will need to place a strong focus on expenditure reforms. This will enhance the probability of successful deficit reduction, provide scope for addressing the projected expenditure pressures stemming from ageing populations and, over time, help to reduce the tax burden and support potential growth. The success of fiscal adjustment will also depend crucially on appropriate national budgetary rules, institutions and transparent budgetary procedures, as well as on reliable and complete government finance statistics.

Box 9

FISCAL SUSTAINABILITY CHALLENGES IN THE EURO AREA

This box presents three scenarios for possible developments in the general government debt-to-GDP ratio for the euro area until 2030. The aim is to provide a rough estimate of the amount of fiscal consolidation needed in the euro area to put public finances back on a sustainable path. The scenarios focus on euro area aggregates and thus abstract from the existing heterogeneity among the euro area countries. This heterogeneity, however, must be fully accounted for when designing exit strategies from the crisis-related fiscal measures and when discussing the appropriate timing, pace and composition of fiscal consolidation at the country level.

The macroeconomic assumptions underlying the three scenarios are as follows: the real GDP growth rate is based on the path for the real potential growth rate of the euro area, as projected by the European Commission and the Economic Policy Committee.[1] According to this source, real potential growth will decline gradually from the (rather high) value of 2.2% in 2011 to 1.5% in 2030. The increase in the GDP deflator is assumed constant at 1.9% over the scenario period. The nominal implicit interest rate on government debt is assumed constant at 4.3%, which is the value recorded in 2008 (as the values for the period 2009-10 could be distorted by the financial crisis).

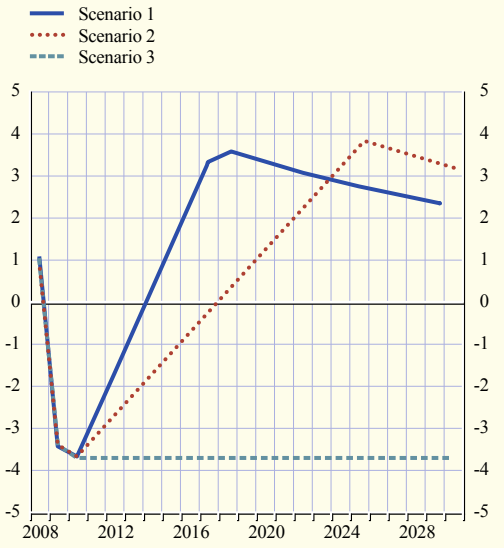
All three scenarios use the European Commission's autumn 2009 forecast[2] for euro area general government debt in 2010 (84% of GDP) as a starting point. The starting value of the primary balance in 2010, based on the same source, is -3.7% of GDP. Given the macroeconomic assumptions and this unfavourable fiscal starting position, the debt ratio is set to increase further unless a sufficiently high primary surplus (i.e. overall budget balance minus interest payments) is established in order to stabilise the debt ratio and put it on a downward path.

1 See the "2009 Ageing Report: Economic and Budgetary Projections for the EU-27 Member States (2008-2060)", *European Economy*, No 2, European Commission and Economic Policy Committee, 2009.
2 See the "European Economic Forecast Autumn 2009", *European Economy*, No 10, European Commission, 2009.

Fiscal developments as of 2011 are determined by three alternative scenarios shown in Chart A. Scenario 1 assumes a rather rapid fiscal consolidation process, with the primary balance improving by 1.0 percentage point of GDP per year until an overall balanced budget is reached (in 2018). Thereafter, the primary surplus is assumed to decline slightly in order to maintain the budget in balance until the end of the simulation period (i.e. 2030). Scenario 2 assumes a less ambitious consolidation path, with the primary balance improving by only 0.5 percentage point of GDP per year until an overall balanced budget is reached (in 2025). Primary surpluses compatible with a balanced budget are then assumed until 2030. Finally, Scenario 3 assumes that no consolidation efforts are made. The primary balance remains at -3.7% of GDP, i.e. constant at the forecast value for 2010, over the whole simulation period.

Chart A Primary balance assumptions

(percentage of GDP)



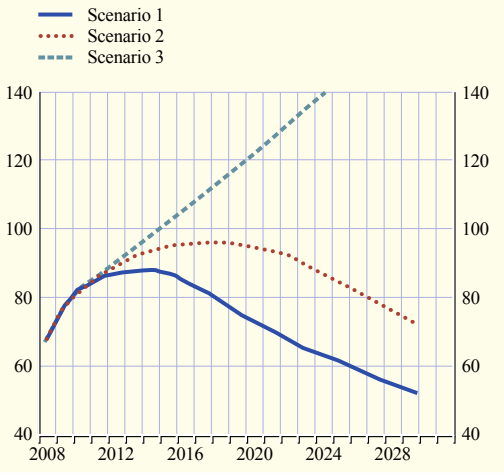
Source: ECB calculations.

The results of these scenarios for euro area debt are shown in Chart B. The government debt ratio in Scenario 1 peaks at 89.3% of GDP in 2013 and in Scenario 2 at 97.2% of GDP in 2017. Subsequently both these scenarios lead to a gradual decline in the government debt-to-GDP ratio. The 60% of GDP reference value is reached within the next two decades (i.e. in 2026) only in Scenario 1. Scenario 3 would lead to a steady rise in the government debt ratio to over 100% of GDP in 2015, 120% in 2020 and 150% in 2026.

The results of these scenarios are sensitive to the underlying assumptions on economic growth and (implicit) interest rates. They are based on pre-crisis calculations, and their actual values may differ substantially in the aftermath of the crisis. However, they may well serve to illustrate the increased risks to fiscal sustainability in the euro area stemming from a rapidly rising euro area government debt-to-GDP ratio. Unchanged fiscal policies (i.e. Scenario 3) would pose a clear threat to the longer-term sustainability of public finances. These risks may be compounded by negative feedback effects if rising government debt ratios were to trigger higher real interest rates and/or reduce economic growth. The true risks to fiscal sustainability are even more pronounced, as the three debt scenarios take into account neither the projected rise

Chart B Government debt scenarios

(percentage of GDP)



Source: ECB calculations.

in ageing-related costs, nor the risks associated with contingent liabilities stemming from the guarantees provided to the financial and non-financial sectors in the context of the crisis. However, banks may still be faced with further write-downs [3] and, after 2020 in particular, strong pressures on public finances are to be expected on account of ageing populations.[4]

Member States that wish to adopt the euro are required to maintain a government debt-to-GDP ratio that is below the reference value of 60%, or else ensure that their debt ratios are diminishing and approaching the reference value at a satisfactory pace. As a consequence of the crisis, many euro area countries that fulfilled this criterion upon joining EMU will need to realign their fiscal policies in order to put their debt ratios back onto a steadily declining path and to limit the debt servicing burden for future generations. Even with average consolidation efforts of 0.5 percentage point of GDP per year (Scenario 2), the return to the pre-crisis euro area debt ratio is likely to take two decades. Annual consolidation efforts would thus need to be substantially higher to ensure a more rapid decline in the debt-to-GDP ratio towards the reference value of 60% or below. The challenges are particularly pronounced for euro area countries with high or very high government deficits and/or debt ratios as a result of the crisis and for those facing relatively high interest rates or low potential growth.[5]

3 See the box entitled "Estimate of potential future write-downs on securities and loans facing the euro area banking sector" in the ECB's Financial Stability Review, December 2009.

4 See the box entitled "The 2009 Ageing Report: updated projections for age-related public expenditure" in the June 2009 issue of the Monthly Bulletin and the box entitled "The European Commission's 2009 Sustainability Report" in the December 2009 issue of the Monthly Bulletin.

5 For a review of successful experiences with debt reduction in euro area countries in the run-up to EMU, see the box entitled "Experience with government debt reduction in euro area countries" in the September 2009 issue of the Monthly Bulletin.

6 EXCHANGE RATE AND BALANCE OF PAYMENTS DEVELOPMENTS

6.1 EXCHANGE RATES

The euro has depreciated in nominal effective terms by around 6% over the past three months, moving below its average level in 2009. The weakening of the euro has been broadly based, but particularly pronounced vis-à-vis the US dollar.

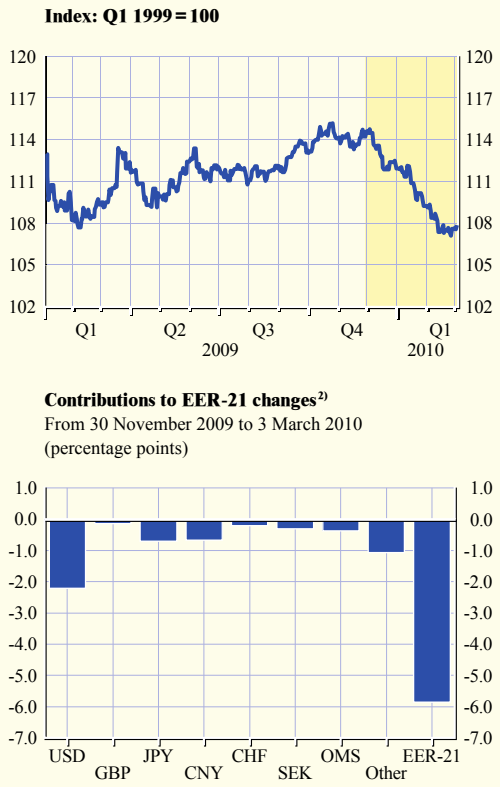
EFFECTIVE EXCHANGE RATE OF THE EURO

The euro has depreciated over the past three months, in nominal effective terms, by more than it appreciated over the course of 2009 (see Chart 54). On 3 March the nominal effective exchange rate of the euro – as measured against the currencies of 21 of the euro area's most important trading partners – was 5.9% lower than at the end of November and 3.4% below its average level in 2009. Over the last three months the depreciation of the euro has been broadly based, but particularly pronounced vis-à-vis the US dollar.

With regard to indicators of the international price and cost competitiveness of the euro area, in January 2010 the real effective exchange rate of the euro based on consumer prices was around 1.4% lower than its average 2009 level (see Chart 55).

Chart 54 Euro effective exchange rate (EER-21) and its decomposition [1]

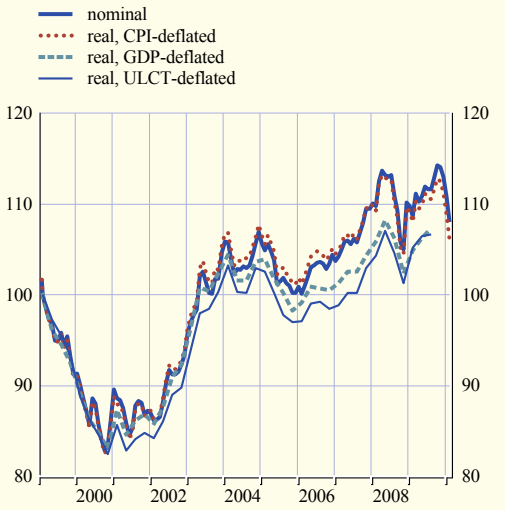
(daily data)



Source: ECB.
1) An upward movement of the index represents an appreciation of the euro against the currencies of 21 of the most important trading partners of the euro area (including 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 55 Euro nominal and real effective exchange rates (EER-21) [1]

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



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 February 2010. In the case of the GDP and ULCT-based real EER-21, the latest observation is for the third quarter of 2009 and is partly based on estimates.

US DOLLAR/EURO

Over the last three months the euro has weakened vis-à-vis the US dollar, partly reversing the appreciation in 2009 (see Chart 56). Over the same period the implied volatility of the USD/EUR exchange rate has decreased overall, particularly at the longer horizons, indicating that market expectations of a return to a higher foreign exchange volatility environment have eased somewhat (see Chart 56). On 3 March the euro was trading at USD 1.36, 9.2% lower than at the end of November and around 2% below its 2009 average.

JAPANESE YEN/EURO

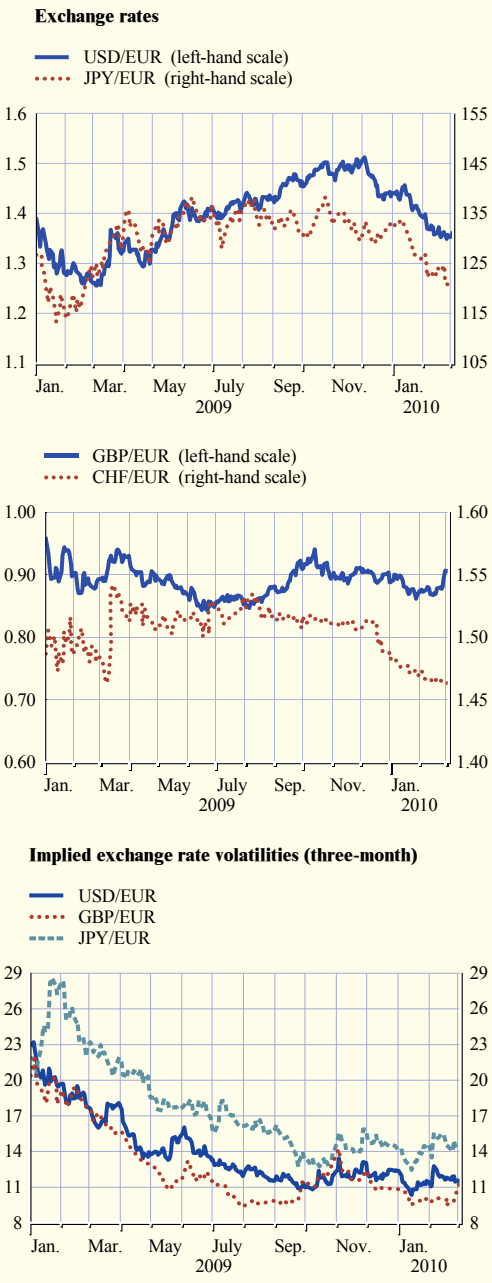
From March 2009 until the end of the year the euro traded against the Japanese yen within the range of JPY 129-138 (see Chart 56). Since then, the euro has depreciated vis-à-vis the Japanese yen. On 3 March it stood at JPY 121, 6.7% weaker than at the end of November and around 7% below its 2009 average. The appreciation of the Japanese yen in early 2010, in an environment of declining global stock markets and rising risk aversion, was broadly based against other major currencies. Over the last three months the implied volatility of the JPY/EUR exchange rate has decreased amid considerable fluctuations (see Chart 56). Considering, among other currencies, the Japanese yen, Box 10 provides a backward-looking review of the relevance of carry trades for exchange rate movements in recent years.

EU MEMBER STATES' CURRENCIES

Over the three months to 3 March the currencies participating in ERM II remained broadly stable against the euro, trading at, or close to, their respective central rates (see Chart 57). The Latvian lats, however, remained on the weak side of the +/-1% unilaterally set fluctuation band.

Chart 56 Patterns in exchange rates and implied volatilities

(daily data)



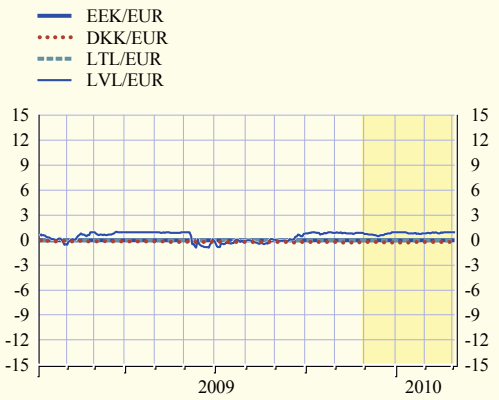
Sources: Bloomberg and ECB.

As regards the currencies of the EU Member States not participating in ERM II, the euro remained broadly unchanged vis-à-vis the pound sterling over the three months to 3 March amid some fluctuation. The implied volatility of the GBP/EUR exchange rate decreased over the last three months, notwithstanding a recent rebound (see Chart 56). Over the same period the euro also

weakened against the currencies of other EU Member States. The depreciation ranged from 1.4% vis-à-vis the Czech koruna to 5.9% against the Polish zloty and 6.3% vis-à-vis the Swedish krona.

Chart 57 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 ±2.25%; for all other currencies, the standard fluctuation band of ±15% applies.

OTHER CURRENCIES

Between March and November 2009 the euro fluctuated against the Swiss franc between the rates of CHF 1.50 and CHF 1.54 to the euro, amid market reports of foreign exchange intervention by the Swiss monetary authorities to counter an appreciation of the Swiss franc. Following a change in the Swiss National Bank's communication on exchange rate policy in December 2009, the euro weakened vis-à-vis the Swiss franc, falling by around 3% over the three months to 3 March, to CHF 1.46. Over the same period the bilateral euro exchange rates vis-à-vis the Chinese renminbi and the Hong Kong dollar moved in line with the USD/EUR exchange rate. The euro also weakened against major commodity currencies, such as the Canadian dollar (by 11.2%), the Australian dollar (by 8.1%) and the Norwegian krone (by 5.1%).

Box 10

CARRY TRADES AND EXCHANGE RATES

Carry trade strategies are often cited as being one of the factors behind some of the exchange rate fluctuations of recent years.[1] A "carry trade" is usually defined as an investment strategy in which an investor borrows funds at a low interest rate in one currency (the "funding currency") and invests them in assets yielding a higher interest rate in another (the "target currency"), without hedging the exchange rate risk. Empirical evidence provides some support for the proposition that carry trades have been profitable in the long term. For example, carry trade returns over the past 30 years have been calculated as being of the same order of magnitude as those generated by investing in the S&P 500.[2] This box reviews the relevance of carry trades for exchange rate movements in recent years.

Two main factors determine the risk-adjusted profitability of carry trades: (1) the interest rate differential between the funding and the target currency, and (2) the exchange rate risk, as reflected in measures of foreign exchange market volatility. The former divided by the latter is the so called "carry-to-risk" ratio. Large exchange rate movements may have important repercussions

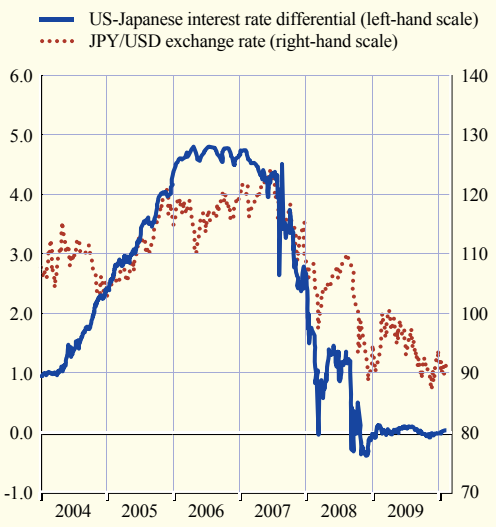
1 See, for instance, G. Galati, A. Heath , P. McGuire, "Evidence of carry trade activity", Bank for International Settlements, Quarterly Review, September 2007.
2 See C. Burnside, M. Eichenbaum, I. Kleshchelski and S. Rebelo, "The returns to currency speculation", NBER working paper No 12489, 2006.

on the profitability of carry trades. For this reason, carry trade activity tends to increase in periods of low foreign exchange market volatility and to unwind when volatility rises.

The profitability of this investment strategy, however, contradicts the uncovered interest parity (UIP) condition. This states that a high-yielding currency will depreciate vis-à-vis a low-yielding currency by an amount equal to the interest rate differential, hence predicting that carry-trade returns will be zero. Empirically, however, there is little support for the UIP condition. Currencies associated with higher yielding assets often appreciate vis-à-vis low-interest-rate currencies for prolonged periods of time (the so-called "forward premium puzzle"). As a result, the carry-trade return arising from the interest rate differential is often augmented, rather than offset, for a prolonged period by the appreciation of the target currency vis-à-vis the funding currency. However, at some point the one-way movement of the exchange rate will come to an end, and then carry-trade investors often suffer large losses due to rapid exchange rate corrections. There is indeed empirical evidence that carry traders are subject to the risk of a sharp depreciation of the target currency due to the sudden unwinding of carry trades, which tends to occur in periods of decreasing risk appetite and funding liquidity.[3]

Chart A The US-Japanese three-month interest rate differential and JPY/USD exchange rate

(percentage points; Japanese yen per US dollar)



Source: Reuters and ECB calculations.
Note: Last observation refers to 03 March 2010.

The evolution of the Japanese yen/US dollar exchange rate provides an example of the interplay of interest rate differentials and foreign exchange market volatility. The period prior to the global financial crisis was characterised by high interest-rate differentials worldwide as well as subdued exchange rate volatility, i.e. a favourable environment for carry trades. During this period, market observers regularly referred to the Japanese yen as a funding currency and to the US dollar as a target currency. Between early 2004 and mid-2007 the US-Japanese three-month interest rate differential stood on average at 3.5 percentage points, gradually increasing at first and remaining stable thereafter (see Chart A). At the same time implied exchange rate volatility for this currency pair was rather subdued, at 8.5%, well below the average level observed over the past ten years.

Carry trade activity is reflected in the evolution of net non-commercial positions, obtained from the Commitment of Traders data for the US futures market. These positions – the most commonly used indicator of the presence of carry trade operations – are calculated as the difference between long (buying) and short (selling) futures positions in a given currency, vis-à-vis the US dollar, and may be seen to be related to the evolution of the JPY/USD exchange rate (see Chart B). The accumulation of net short yen positions between the first few months of 2005 and the summer of 2007 occurred in parallel with a 20% appreciation of the US dollar

3 See, for instance, M. K. Brunnermeier, S. Nagel, L. H. Pedersen, "Carry Trades and Currency Crashes", NBER Working Paper No 14473, 2008.

vis-à-vis the Japanese yen. Over this period, other high-yielding currencies, such as the New Zealand dollar, the pound sterling, the Canadian dollar and the Australian dollar also appreciated sharply against the Japanese yen.

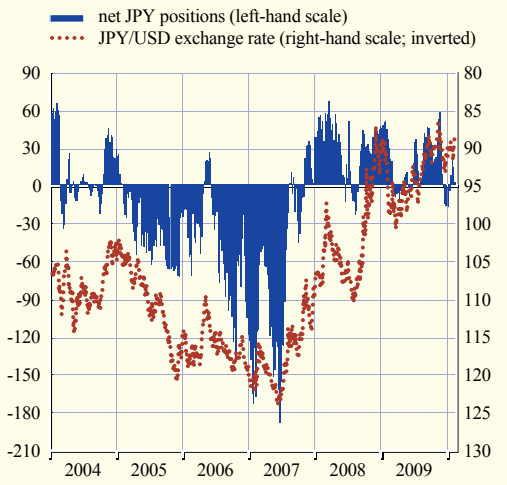
In late 2007 and in the first half of 2008, when interest rate differentials between the United States and Japan narrowed as a result of the US recession and the associated cuts in the federal funds rate, carry trades became less attractive for this currency pair. This led to some reversal of net speculative positions, while other currencies, such as the Australian dollar, continued to be supported by high yields.

Following the collapse of Lehman Brothers in September 2008, interest rates declined sharply worldwide and their dispersion decreased. At the same time, risk aversion mounted, as indicated by surging implied foreign exchange volatility. These developments led to a sharp drop in the carry-to-risk ratio, thereby reducing investors' incentives to pursue carry trade strategies. The sharp unwinding of carry trades over that period was also evident in the decline in net speculative positions on the foreign exchange futures market, from peak levels towards neutrality, for all major currency pairs. As a result, the Japanese yen, in the two-month period to the end of October 2008, appreciated sharply, rising by 28% against the euro and by 11% against the US dollar, in a period in which the demand for dollars was actually increasing owing to "safe haven" flows.

In 2009, as foreign exchange market volatility gradually subsided, market participants were reportedly looking again at carry trades. However, interest rate differentials were still very low, so that carry trades were probably of less importance for global exchange rate movements than in the low-volatility period that preceded the global financial turmoil.

Chart B Net JPY positions vis-à-vis the USD and the JPY/USD exchange rate

(thousands of contracts; Japanese yen per US dollar)



Sources: Bloomberg and ECB calculations.
Notes: Last observation refers to 03 March 2010.

6.2 BALANCE OF PAYMENTS

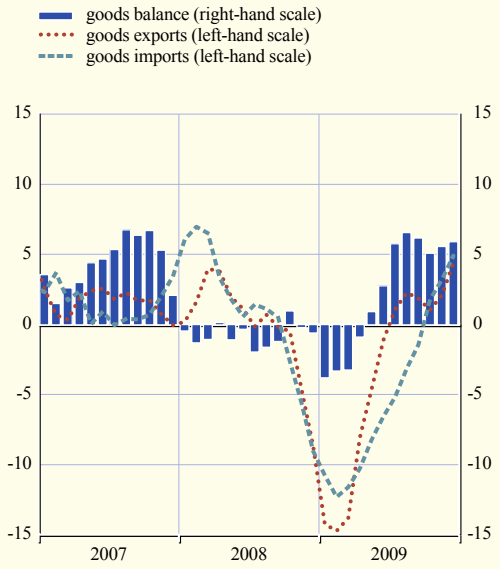
The fourth quarter of 2009 witnessed a strong expansion of extra-euro area goods trade and a return to growth in services trade. The current account deficit for 2009 as a whole narrowed significantly relative to the previous year, to €59.0 billion (around 0.7% of GDP). In the financial account, the euro area recorded net inflows in portfolio investment and net outflows in direct investment in 2009.

TRADE AND THE CURRENT ACCOUNT

In the fourth quarter of 2009 extra-euro area trade in goods grew strongly, confirming the first signs of recovery observed in the previous quarter (see Chart 58). Both imports and exports of goods grew at well above their longer-term average growth rates. Amid a broad-based rebound in global economic activity, exports gained momentum, relative to the third quarter, rising by 4.4%. The boost

Chart 58 Extra-euro area trade in goods

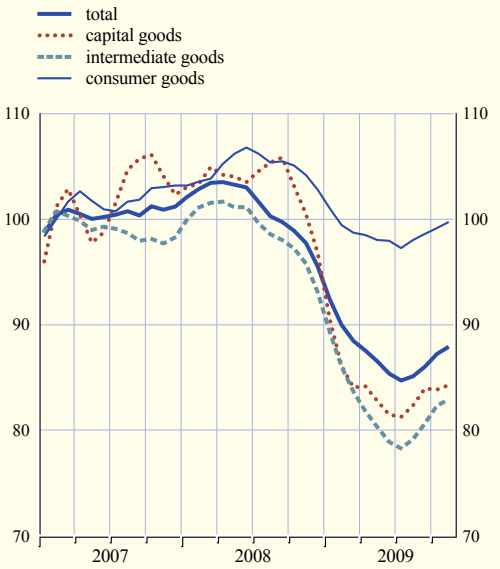
(three-month-on-three-month percentage changes; EUR billions; three-month moving averages; monthly data; working day and seasonally adjusted)



Source: ECB.

Chart 59 Extra-euro area goods import volumes

(indices: first quarter of 2007=100; seasonally adjusted; three-month moving average)



Sources: Eurostat and ECB calculations.

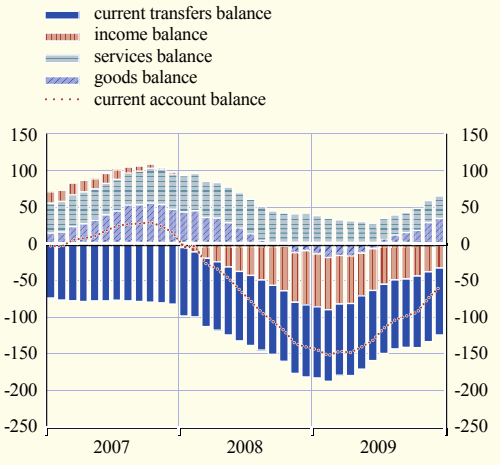
to export growth also reflected support from temporary factors, such as fiscal stimuli and the turn in the inventory cycle outside the euro area. Imports of goods, which had still been contracting in the third quarter, outpaced exports, rising by 4.9% quarter on quarter. Notwithstanding the rebound in extra-euro area trade in goods, both imports and exports are still well below the levels observed before the financial crisis and the associated downturn in global trade.

Having contracted less sharply than merchandise trade during the downturn, trade in services has rebounded more sluggishly. Nevertheless, both imports and exports of services increased in the fourth quarter, by 0.8% and 2.4% respectively, relative to the previous quarter (see Table 11). This is in line with evidence showing an expansion of global activity in the services sector towards the end of 2009.

The breakdown of extra-euro area import volumes by goods categories (based on Eurostat's external trade statistics) indicates that the recent rebound was particularly pronounced for intermediate goods (see Chart 59). Their use at early stages of the production process is

Chart 60 Main items of the current account

(EUR billions; 12-month cumulated flows; monthly data; working day and seasonally adjusted)



Source: ECB.

Table 11 Main items of the euro area balance of payments

(seasonally adjusted data; unless otherwise indicated)

	Monthly figures		Quarterly figures 2009				Annual figures	
	2009 Nov.	2009 Dec.	Q1	Q2	Q3	Q4	2008	2009
	EUR billions							
Current account	-0.5	1.9	-12.5	-4.7	-1.4	-1.1	-140.6	-59.0
Goods balance	6.2	4.4	-3.2	2.7	6.2	5.9	-9.5	34.7
Exports	110.3	112.5	105.9	104.7	106.6	111.2	1,575.6	1,285.0
Imports	104.1	108.1	109.1	101.9	100.4	105.3	1,585.1	1,250.3
Services balance	2.5	4.5	1.9	1.8	2.9	3.5	41.0	30.6
Exports	38.6	40.0	39.8	38.3	38.1	39.1	509.2	466.0
Imports	36.1	35.6	37.9	36.5	35.2	35.5	468.2	435.4
Income balance	-3.4	-1.7	-3.0	-2.0	-3.6	-2.4	-73.8	-32.9
Current transfers balance	-5.8	-5.2	-8.1	-7.3	-6.9	-8.1	-98.3	-91.3
Financial account [1]	-0.6	-5.7	18.6	4.6	4.7	-0.6	163.9	81.8
Combined net direct and portfolio investment	-16.1	43.5	23.7	26.2	19.7	14.2	161.5	251.2
Net direct investment	0.7	-2.4	-19.6	-1.4	-8.1	-1.2	-189.0	-90.9
Net portfolio investment	-16.9	45.9	43.3	27.6	27.8	15.4	350.5	342.1
Equities	-11.7	35.9	-4.4	12.8	14.0	-3.3	-23.0	57.4
Debt instruments	-5.2	10.0	47.7	14.7	13.8	18.7	373.6	284.7
Bonds and notes	-9.7	-1.0	48.8	3.9	-13.4	7.4	154.7	140.0
Money market instruments	4.5	11.0	-1.2	10.8	27.3	11.3	218.9	144.7
	Percentage changes from previous period							
Goods and Services								
Exports	-0.3	2.4	-11.6	-1.8	1.2	3.8	3.8	-16.0
Imports	1.2	2.4	-9.7	-5.8	-2.0	3.8	7.4	-17.9
Goods								
Exports	-0.5	1.9	-13.8	-1.1	1.9	4.4	3.9	-18.4
Imports	0.3	3.8	-11.6	-6.6	-1.5	4.9	7.9	-21.1
Services								
Exports	0.2	3.7	-5.0	-3.7	-0.5	2.4	3.7	-8.5
Imports	3.8	-1.6	-3.7	-3.7	-3.5	0.8	5.7	-7.0

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

giving them a lead over other goods categories in the business cycle. Moreover, imports of intermediate goods have been propelled by rising demand for imported inputs from euro area exporters. On the export side, a similar pattern has emerged, with the export volumes of intermediate goods outperforming those of other goods categories (see the box entitled "Recent developments in euro area trade" in the February 2010 issue of the Monthly Bulletin).

In 2009 as a whole, the euro area recorded a current account deficit of €59.0 billion (around 0.7% of GDP). The deficit was significantly smaller than that observed in 2008 (€140.6 billion), mainly owing to a shift from deficit to surplus in the goods balance, as well as to a halving of the deficit in the income account and a small reduction in the current transfers deficit (see Chart 60). These developments were only partly offset by a smaller surplus in services trade. The goods balance improved, since imports recovered more sluggishly than exports for most of 2009, notwithstanding the reversal of this pattern in the fourth quarter. In addition, lower commodity import prices, relative to 2008, helped improve the trade balance.

Looking ahead, available indicators suggest that the recovery in extra-euro area exports of goods will continue in the near term. In February 2010 the Purchasing Managers' Index (PMI) of new

export orders in the euro area manufacturing sector climbed to its highest reading in three years, and stood well above the expansion/contraction threshold of 50. Extra-euro area imports of goods are also expected to rise further, not least owing to export-induced demand for imported inputs. However, given that the recent rebound in world and extra-euro area trade has partly reflected the impact of temporary factors – such as fiscal stimuli and support from the inventory cycle – some loss of momentum may be expected as the impact of those factors fades.

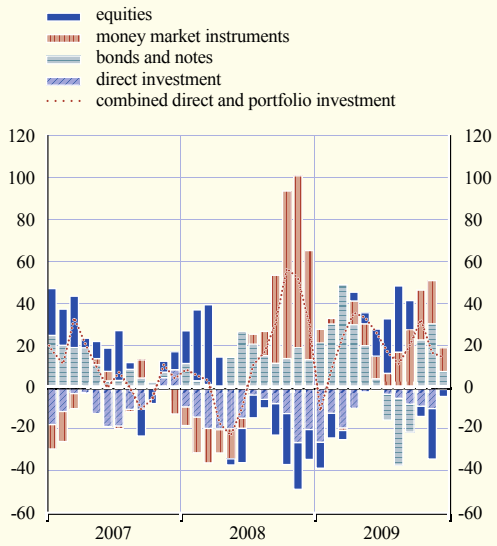
FINANCIAL ACCOUNT

In the last quarter of 2009 net inflows in combined direct and portfolio investment to the euro area decreased slightly to €14.2 billion, from €19.7 billion in the preceding quarter (see Chart 61). This development was mostly attributable to lower net inflows in portfolio investment, owing to a shift from net inflows to net outflows in equities, which more than offset rising net inflows in debt instruments. In equity markets, the reduction in net purchases of both foreign equities by euro area residents and, more markedly, euro area equities by non-residents indicated that the rebound in investors' risk appetite remained rather fragile. In addition, the lower net purchases of equities may also be partly attributable to more profitable opportunities offered by other types of securities, both foreign and domestic. Meanwhile, the shift from net outflows to net inflows in bonds and notes appeared to be in line with the positive yield spread between euro area bonds and the bonds of other major economies, such as the United States. At the same time investment in euro area money market instruments appears to have become relatively less attractive. In the last quarter of 2009, the euro area recorded lower net inflows in money market instruments, with net purchases by non-residents reaching the lowest level observed during 2009.

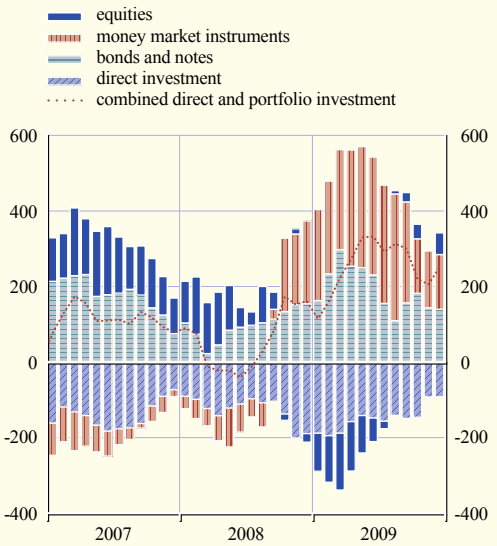
Turning to direct investment, the euro area recorded a slight decrease in net outflows in the last quarter of 2009, compared with the previous quarter. This development is mainly explained by a fall

Chart 61 Main items of the financial account

(EUR billions; net flows; three-month moving averages; monthly data)



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



Source: ECB.

in euro area investment abroad, particularly in inter-company loans, while foreign direct investment in the euro area picked up slightly.

In 2009 as a whole the euro area recorded a net inflow in combined direct and portfolio investment of €251.2 billion, compared with a net inflow of €161.5 billion in 2008. This increase was the result of lower net outflows in direct investment, which were only slightly offset by marginally lower net inflows in portfolio investment. The developments in foreign direct investment were characterised by an increase in foreign direct investment in the euro area, as well as a reduction in foreign direct investment by euro area firms abroad. The marginal change in net inflows in portfolio investment masks significant changes in cross-border transactions in equities and debt instruments, which largely cancelled each other out. More specifically, investment in equities shifted from net outflows to net inflows, while net inflows in debt instruments decreased. In gross terms, these developments were primarily driven by non-residents' investment activity in relation to euro area equities and debt instruments.

EURO AREA STATISTICS

CONTENTS [1]

EURO AREA OVERVIEW

Summary of economic indicators for the euro area S5

1 MONETARY POLICY STATISTICS

1.1 Consolidated financial statement of the Eurosystem S6
1.2 Key ECB interest rates S7
1.3 Eurosystem monetary policy operations allotted through tender procedures S8
1.4 Minimum reserve and liquidity statistics S9

2 MONEY, BANKING AND INVESTMENT FUNDS

2.1 Aggregated balance sheet of euro area MFIs S10
2.2 Consolidated balance sheet of euro area MFIs S11
2.3 Monetary statistics S12
2.4 MFI loans: breakdown S14
2.5 Deposits held with MFIs: breakdown S17
2.6 MFI holdings of securities: breakdown S20
2.7 Revaluation of selected MFI balance sheet items S21
2.8 Currency breakdown of selected MFI balance sheet items S22
2.9 Aggregated balance sheet of euro area investment funds S24
2.10 Securities held by investment funds broken down by issuer of securities S25

3 EURO AREA ACCOUNTS

3.1 Integrated economic and financial accounts by institutional sector S26
3.2 Euro area non-financial accounts S30
3.3 Households S32
3.4 Non-financial corporations S33
3.5 Insurance corporations and pension funds S34

4 FINANCIAL MARKETS

4.1 Securities other than shares by original maturity, residency of the issuer and currency S35
4.2 Securities other than shares issued by euro area residents, by sector of the issuer and instrument type S36
4.3 Growth rates of securities other than shares issued by euro area residents S38
4.4 Quoted shares issued by euro area residents S40
4.5 MFI interest rates on euro-denominated deposits from and loans to euro area residents S42
4.6 Money market interest rates S44
4.7 Euro area yield curves S45
4.8 Stock market indices S46

5 PRICES, OUTPUT, DEMAND AND LABOUR MARKETS

5.1 HICP, other prices and costs S47
5.2 Output and demand S50
5.3 Labour markets S54

6 GOVERNMENT FINANCE

6.1 Revenue, expenditure and deficit/surplus S55
6.2 Debt S56

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

6.3 Change in debt S57
6.4 Quarterly revenue, expenditure and deficit/surplus S58
6.5 Quarterly debt and change in debt S59

7 EXTERNAL TRANSACTIONS AND POSITIONS
7.1 Summary balance of payments S60
7.2 Current and capital accounts S61
7.3 Financial account S63
7.4 Monetary presentation of the balance of payments S69
7.5 Trade in goods S70

8 EXCHANGE RATES
8.1 Effective exchange rates S72
8.2 Bilateral exchange rates S73

9 DEVELOPMENTS OUTSIDE THE EURO AREA
9.1 In other EU Member States S74
9.2 In the United States and Japan S75

LIST OF CHARTS S76

TECHNICAL NOTES S77

GENERAL NOTES S83

Conventions used in the tables

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

EURO AREA OVERVIEW

Summary of economic indicators for the euro area

(annual percentage changes, unless otherwise indicated)

1. Monetary developments and interest rates [1]

	M1 [2]	M2 [2]	M3 [2,3]	M3 [2,3] 3-month moving average (centred)	MFI loans to euro area residents excluding MFIs and general government [2]	Securities other than shares issued in euro by non-MFI corporations [2]	3-month interest rate (EURIBOR; % per annum; period averages)	10-year spot rate (% per annum; end of period) [4]
	1	2	3	4	5	6	7	8
2008	2.4	9.6	9.7	-	9.5	18.9	4.64	3.69
2009	9.5	4.8	3.3	-	1.6	24.8	1.22	3.76
2009 Q1	5.4	7.3	6.1	-	4.6	26.1	2.01	3.77
Q2	8.1	5.6	4.4	-	2.1	27.7	1.31	3.99
Q3	12.2	4.5	2.7	-	0.4	25.3	0.87	3.64
Q4	12.3	2.2	0.2	-	-0.6	20.5	0.72	3.76
2009 Sep.	12.8	3.6	1.8	1.5	-0.3	24.3	0.77	3.64
Oct.	11.8	2.3	0.3	0.6	-0.8	23.5	0.74	3.68
Nov.	12.5	1.8	-0.3	-0.1	-0.7	19.7	0.72	3.57
Dec.	12.3	1.5	-0.3	-0.1	-0.1	12.9	0.71	3.76
2010 Jan.	11.5	1.9	0.1	.	-0.6	.	0.68	3.66
Feb.	.	.	.	.	.	.	0.66	3.49

2. Prices, output, demand and labour markets

	HICP [1]	Industrial producer prices	Hourly labour costs	Real GDP	Industrial production excluding construction	Capacity utilisation in manufacturing (percentages)	Employment	Unemployment (% of labour force)
	1	2	3	4	5	6	7	8
2008	3.3	6.1	3.4	0.6	-1.7	81.8	0.7	7.5
2009	0.3	-5.1	.	-4.1	-15.0	71.0	.	9.4
2009 Q2	0.2	-5.7	4.3	-4.9	-18.6	69.9	-1.8	9.3
Q3	-0.4	-7.8	3.2	-4.1	-14.5	70.3	-2.1	9.6
Q4	0.4	-4.6	.	-2.1	-7.7	71.5	.	9.9
2009 Sep.	-0.3	-7.6	-	-	-12.7	-	-	9.8
Oct.	-0.1	-6.6	-	-	-11.0	71.0	-	9.8
Nov.	0.5	-4.4	-	-	-6.8	-	-	9.9
Dec.	0.9	-2.9	-	-	-4.8	-	-	9.9
2010 Jan.	1.0	-1.0	-	-	.	72.0	-	9.9
Feb.	0.9	.	-	-	.	-	-	.

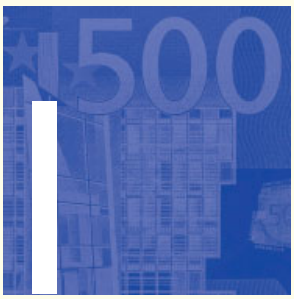
3. Balance of payments, reserve assets and exchange rates

(EUR billions, unless otherwise indicated)

	Balance of payments (net transactions)				Reserve assets (end-of-period positions)	Effective exchange rate of the euro: EER-21 [5] (index: 1999 Q1 = 100)		USD/EUR exchange rate
	Current and capital accounts	Goods	Direct investment	Portfolio investment		Nominal	Real (CPI)	
	1	2	3	4	5	6	7	8
2008	-133.3	-11.4	-189.0	350.5	374.2	110.5	110.1	1.4708
2009	-49.9	36.1	-90.9	342.1	462.4	111.7	110.6	1.3948
2009 Q1	-36.6	-7.7	-58.8	129.9	395.7	109.9	109.2	1.3029
Q2	-19.5	13.1	-4.3	82.8	381.5	111.1	110.2	1.3632
Q3	-1.2	13.3	-24.3	83.4	430.9	112.1	110.9	1.4303
Q4	7.4	17.5	-3.6	46.1	462.4	113.8	112.2	1.4779
2009 Sep.	-5.9	1.4	-29.9	79.8	430.9	112.9	111.6	1.4562
Oct.	-3.6	6.2	-2.0	17.1	437.9	114.3	112.8	1.4816
Nov.	0.5	6.0	0.7	-16.9	464.2	114.0	112.5	1.4914
Dec.	10.5	5.3	-2.4	45.9	462.4	113.0	111.3	1.4614
2010 Jan.	.	.	.	.	468.7	110.8	108.9	1.4272
Feb.	.	.	.	.	.	108.0	106.1	1.3686

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 for monthly data refer to the end of the month, whereas those for quarterly and yearly data refer to the annual change in the period average. 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 Section 4.7.
5) For a 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

	5 February 2010	12 February 2010	19 February 2010	26 February 2010
Gold and gold receivables	266,919	266,919	266,919	266,919
Claims on non-euro area residents in foreign currency	194,525	193,411	195,699	197,574
Claims on euro area residents in foreign currency	29,034	29,196	28,848	28,265
Claims on non-euro area residents in euro	17,761	17,074	17,272	15,379
Lending to euro area credit institutions in euro	718,663	717,097	719,170	726,910
Main refinancing operations	56,433	76,692	82,537	82,023
Longer-term refinancing operations	662,159	636,507	636,543	644,680
Fine-tuning reverse operations	0	0	0	0
Structural reverse operations	0	0	0	0
Marginal lending facility	51	3,876	62	178
Credits related to margin calls	20	22	28	29
Other claims on euro area credit institutions in euro	26,927	27,429	27,601	26,724
Securities of euro area residents in euro	332,625	334,041	333,852	335,796
Securities held for monetary policy purposes	34,804	36,114	37,392	38,744
Other securities	297,821	297,927	296,460	297,052
General government debt in euro	36,121	36,121	36,121	36,121
Other assets	251,925	253,400	255,387	255,328
Total assets	1,874,500	1,874,687	1,880,871	1,889,017

2. Liabilities

	5 February 2010	12 February 2010	19 February 2010	26 February 2010
Banknotes in circulation	785,231	785,154	782,801	784,287
Liabilities to euro area credit institutions in euro	398,616	404,809	394,777	402,497
Current accounts (covering the minimum reserve system)	169,253	254,697	207,798	199,828
Deposit facility	229,363	150,112	186,975	202,669
Fixed-term deposits	0	0	0	0
Fine-tuning reverse operations	0	0	0	0
Deposits related to margin calls	0	0	4	0
Other liabilities to euro area credit institutions in euro	491	458	427	570
Debt certificates issued	0	0	0	0
Liabilities to other euro area residents in euro	121,609	115,701	131,525	134,298
Liabilities to non-euro area residents in euro	40,034	40,097	39,962	40,504
Liabilities to euro area residents in foreign currency	2,902	2,562	2,815	1,861
Liabilities to non-euro area residents in foreign currency	10,439	9,873	11,145	12,055
Counterpart of special drawing rights allocated by the IMF	51,249	51,249	51,249	51,249
Other liabilities	169,680	170,090	171,479	166,519
Revaluation accounts	220,213	220,213	220,213	220,213
Capital and reserves	74,036	74,481	74,477	74,965
Total liabilities	1,874,500	1,874,687	1,880,871	1,889,017

Source: ECB.

1.2 Key ECB interest rates

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

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

Source: ECB.

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

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

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

4) As of 9 October 2008 the ECB reduced the standing facilities corridor from 200 basis points to 100 basis points around the interest rate on the main refinancing operations. The standing facilities corridor was restored to 200 basis points as of 21 January 2009.

5) On 8 October 2008 the ECB announced that, starting from the operation to be settled on 15 October, the weekly main refinancing operations would be carried out through a fixed rate tender procedure with full allotment at the interest rate on the main refinancing operations. This change overrode the previous decision (made on the same day) to cut by 50 basis points the minimum bid rate on the main refinancing operations conducted as variable rate tenders.

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

(EUR millions; interest rates in percentages per annum)

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

Date of settlement	Bids (amount)	Number of participants	Allotment (amount)	Fixed rate tender procedures	Variable rate tender procedures			Running for (...) days
				Fixed rate	Minimum bid rate	Marginal rate [5)]	Weighted average rate	
	1	2	3	4	5	6	7	8
	Main refinancing operations							
2009 4 Nov.	46,201	170	46,201	1.00	-	-	-	7
11	51,250	160	51,250	1.00	-	-	-	7
18	52,580	177	52,580	1.00	-	-	-	7
25	59,066	168	59,066	1.00	-	-	-	7
2 Dec.	58,128	137	58,128	1.00	-	-	-	6
8	55,779	111	55,779	1.00	-	-	-	8
16	52,899	125	52,899	1.00	-	-	-	7
23	58,575	109	58,575	1.00	-	-	-	7
30	78,647	132	78,647	1.00	-	-	-	7
2010 6 Jan.	54,023	100	54,023	1.00	-	-	-	7
13	60,077	102	60,077	1.00	-	-	-	7
20	58,020	101	58,020	1.00	-	-	-	7
27	63,435	83	63,435	1.00	-	-	-	7
3 Feb.	55,824	74	55,824	1.00	-	-	-	7
10	76,083	79	76,083	1.00	-	-	-	7
17	81,935	78	81,935	1.00	-	-	-	7
24	81,421	71	81,421	1.00	-	-	-	7
3 Mar.	80,455	65	80,455	1.00	-	-	-	7
	Longer-term refinancing operations							
2009 12 Nov.	10,794	9	10,794	1.00	-	-	-	91
12	782	21	782	1.00	-	-	-	182
26	2,065	19	2,065	1.00	-	-	-	91
8 Dec.	2,655	8	2,655	1.00	-	-	-	43
10	2,933	9	2,933	1.00	-	-	-	91
10	1,728	21	1,728	1.00	-	-	-	182
17	2,558	21	2,558	1.00	-	-	-	105
17 [6)]	96,937	224	96,937	.	-	-	-	371
2010 20 Jan.	5,739	7	5,739	1.00	-	-	-	21
28	3,268	22	3,268	1.00	-	-	-	91
10 Feb.	2,757	14	2,757	1.00	-	-	-	28
25	10,205	23	10,205	1.00	-	-	-	91

2. Other tender operations

Date of settlement	Type of operation	Bids (amount)	Number of participants	Allotment (amount)	Fixed rate tender procedures	Variable rate tender procedures				Running for (...) days
					Fixed rate	Minimum bid rate	Maximum bid rate	Marginal rate [5)]	Weighted average rate	
	1	2	3	4	5	6	7	8	9	10
2008 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
9 June	Collection of fixed-term deposits	91,551	101	57,912	-	-	1.00	0.80	0.77	1
7 July	Collection of fixed-term deposits	279,477	165	275,986	-	-	1.00	0.80	0.64	1
11 Aug.	Collection of fixed-term deposits	238,847	159	238,345	-	-	1.00	0.80	0.70	1
8 Sep.	Collection of fixed-term deposits	196,299	157	195,099	-	-	1.00	0.80	0.73	1
13 Oct.	Collection of fixed-term deposits	170,131	160	169,680	-	-	1.00	0.80	0.74	1
10 Nov.	Collection of fixed-term deposits	191,883	165	191,379	-	-	1.00	0.80	0.76	1
7 Dec.	Collection of fixed-term deposits	130,896	147	129,709	-	-	1.00	0.80	0.76	1
2010 19 Jan.	Collection of fixed-term deposits	259,013	188	258,907	-	-	1.00	0.80	0.75	1
9 Feb.	Collection of fixed-term deposits	270,783	187	270,566	-	-	1.00	0.80	0.76	1

Source: ECB.

1) The amounts shown may differ slightly from those in Section 1.1 owing to operations that have been allotted but not settled.
2) With effect from April 2002, split tender operations (i.e. operations with a one-week maturity conducted as standard tender procedures in parallel with a main refinancing operation) are classified as main refinancing operations. For split tender operations conducted before this month, see Table 2 in Section 1.3.
3) On 8 June 2000 the ECB announced that, starting from the operation to be settled on 28 June 2000, the main refinancing operations of the Eurosystem would be conducted as variable rate tender procedures. The minimum bid rate refers to the minimum interest rate at which counterparties may place their bids.
4) On 8 October 2008 the ECB announced that, starting from the operation to be settled on 15 October, the weekly main refinancing operations would be carried out through a fixed rate tender procedure with full allotment at the interest rate on the main refinancing operations.
5) In liquidity-providing (absorbing) operations, the marginal rate refers to the lowest (highest) rate at which bids were accepted.
6) In the final one-year longer-term refinancing operation, which was settled on 17 December 2009, the rate at which all bids were satisfied was indexed to the average minimum bid rate in the main refinancing operations over the life of this operation.

1.4 Minimum reserve and liquidity statistics

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

1. Reserve base of credit institutions subject to reserve requirements

Reserve base as at: [1]	Total	Liabilities to which a 2% reserve coefficient is applied		Liabilities to which a 0% reserve coefficient is applied		
		Overnight deposits and deposits with an agreed maturity or notice period of up to 2 years	Debt securities issued with a maturity of up to 2 years	Deposits with an agreed maturity or notice period of over 2 years	Repos	Debt securities issued with a maturity of over 2 years
	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
2009 Aug.	18,319.0	9,817.8	799.7	2,427.1	1,172.3	4,102.1
Sep.	18,280.1	9,752.0	786.1	2,453.9	1,206.6	4,081.5
Oct.	18,260.1	9,766.9	763.3	2,420.9	1,224.8	4,084.2
Nov.	18,285.8	9,743.0	756.6	2,436.5	1,245.0	4,104.6
Dec.	18,318.2	9,808.5	760.4	2,475.7	1,170.1	4,103.5

2. Reserve maintenance

Maintenance period ending on:	Required reserves	Credit institutions' current accounts	Excess reserves	Deficiencies	Interest rate on minimum reserves
	1	2	3	4	5
2007	195.9	196.8	1.0	0.0	4.17
2008	217.2	218.7	1.5	0.0	3.25
2009	210.2	211.4	1.2	0.0	1.00
2009 8 Sep.	215.9	216.9	1.0	0.0	1.00
13 Oct.	213.7	214.7	1.1	0.0	1.00
10 Nov.	211.8	212.8	1.0	0.0	1.00
7 Dec.	210.2	211.4	1.2	0.0	1.00
2010 19 Jan.	210.1	211.2	1.2	0.0	1.00
9 Feb.	209.5	210.9	1.4	0.0	1.00
9 Mar.	210.9	.	.	.	.

3. Liquidity

Maintenance period ending on:	Liquidity-providing factors						Liquidity-absorbing factors				Credit institutions' current accounts	Base money
		Monetary policy operations of the Eurosystem										
	Eurosystem's net assets in gold and foreign currency	Main refinancing operations	Longer-term refinancing operations	Marginal lending facility	Other liquidity-providing operations [2]	Deposit facility	Other liquidity-absorbing operations [3]	Banknotes in circulation	Central government deposits with the Eurosystem	Other factors (net)		
	1	2	3	4	5	6	7	8	9	10	11	12
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	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	407.6	55.8	593.4	0.7	24.6	65.7	9.9	775.2	150.1	-130.2	211.4	1,052.3
2009 8 Sep.	427.6	74.8	645.4	0.3	8.4	136.7	18.5	769.1	125.7	-110.4	216.9	1,122.7
13 Oct.	421.4	79.1	616.9	0.3	14.3	109.6	12.9	768.8	139.0	-113.1	214.7	1,093.1
10 Nov.	413.0	52.3	626.1	0.3	20.1	86.5	12.0	770.7	148.7	-118.9	212.8	1,070.0
7 Dec.	407.6	55.8	593.4	0.7	24.6	65.7	9.9	775.2	150.1	-130.2	211.4	1,052.3
2010 19 Jan.	413.0	60.6	648.4	0.4	28.4	147.0	8.1	796.8	119.8	-132.1	211.2	1,155.0
9 Feb.	425.6	59.7	662.2	0.2	33.5	168.3	13.3	783.6	122.6	-117.5	210.9	1,162.8

Source: ECB.

1) End of period.

2) Includes liquidity provided under the Eurosystem's covered bond purchase programme.

3) Includes liquidity absorbed as a result of the Eurosystem's foreign exchange swap operations.
For more information, please see: http://www.ecb.europa.eu/mopo/liq/html/index.en.html

2 MONEY, BANKING AND INVESTMENT FUNDS

2.1 Aggregated balance sheet of euro area MFIs [1]

(EUR billions; outstanding amounts at end of period)

1. Assets

	Total	Loans to euro area residents				Holdings of securities other than shares issued by euro area residents				Money market fund shares/ units [2]	Holdings of shares/ other equity issued by euro area residents	External assets	Fixed assets	Remaining assets
		Total	General government	Other euro area residents	MFIs	Total	General government	Other euro area residents	MFIs					
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Eurosystem													
2007	2,046.2	1,031.7	17.8	0.6	1,013.3	268.6	225.1	1.9	41.6	-	17.4	395.3	15.2	318.0
2008	2,982.9	1,809.4	18.6	0.6	1,790.1	350.8	308.0	2.4	40.3	-	14.4	476.7	15.7	316.1
2009 Q3	2,746.8	1,465.9	17.6	0.7	1,447.7	408.4	336.0	3.3	69.2	-	16.1	517.5	16.6	322.2
2009 Oct.	2,693.0	1,405.3	17.6	0.7	1,387.1	410.6	333.7	3.6	73.3	-	16.0	529.4	16.6	315.0
Nov.	2,659.4	1,340.1	17.6	0.7	1,321.9	416.1	334.3	3.7	78.2	-	16.1	555.8	16.6	314.7
Dec.	2,830.5	1,483.2	17.6	0.7	1,464.9	416.9	333.6	3.7	79.6	-	16.5	555.7	16.4	341.8
2010 Jan. [p]	2,824.6	1,473.1	17.6	0.7	1,454.8	418.9	331.5	3.8	83.6	-	16.2	563.2	16.5	336.8
	MFIs excluding the Eurosystem													
2007	29,500.2	16,893.0	954.5	10,144.3	5,794.2	3,950.6	1,197.1	1,013.2	1,740.3	93.5	1,293.8	4,878.9	205.7	2,184.7
2008	31,835.8	18,052.0	968.0	10,771.4	6,312.6	4,630.9	1,244.7	1,406.7	1,979.5	98.7	1,199.5	4,754.3	211.4	2,888.9
2009 Q3	31,278.7	17,674.5	994.7	10,768.4	5,911.4	5,115.3	1,504.5	1,492.8	2,117.9	90.6	1,222.1	4,267.4	216.3	2,692.6
2009 Oct.	31,212.0	17,658.7	1,014.3	10,722.5	5,921.9	5,101.9	1,517.6	1,490.2	2,094.1	88.7	1,224.9	4,264.0	217.1	2,656.8
Nov.	31,334.2	17,673.6	1,007.7	10,750.9	5,915.1	5,106.7	1,519.5	1,490.7	2,096.5	88.2	1,239.0	4,243.2	218.1	2,765.3
Dec.	31,146.7	17,708.5	1,001.9	10,750.6	5,956.1	5,060.1	1,482.7	1,497.9	2,079.5	85.0	1,237.2	4,264.4	219.4	2,572.2
2010 Jan. [p]	31,390.4	17,726.7	1,013.4	10,739.6	5,973.7	5,052.0	1,497.9	1,467.4	2,086.7	86.9	1,252.3	4,390.4	218.7	2,663.6

2. Liabilities

	Total	Currency in circulation	Deposits of euro area residents				Money market fund shares/ units [3]	Debt securities issued [4]	Capital and reserves	External liabilities	Remaining liabilities
			Total	Central government	Other general government/ other euro area residents	MFIs					
	1	2	3	4	5	6	7	8	9	10	11
	Eurosystem										
2007	2,046.2	697.0	714.7	23.9	19.1	671.8	-	0.1	238.0	113.9	282.5
2008	2,982.9	784.7	1,217.5	68.8	16.6	1,132.1	-	0.1	273.8	377.8	329.0
2009 Q3	2,746.8	789.7	1,149.0	138.4	23.0	987.6	-	0.1	292.7	154.1	361.1
2009 Oct.	2,693.0	794.1	1,095.2	152.8	26.0	916.4	-	0.1	297.3	144.9	361.4
Nov.	2,659.4	798.7	1,037.0	129.3	27.7	880.0	-	0.1	321.4	143.9	358.4
Dec.	2,830.5	829.2	1,159.0	102.6	22.6	1,033.7	-	0.1	322.1	140.2	380.0
2010 Jan. [p]	2,824.6	806.2	1,189.9	116.3	23.5	1,050.0	-	0.1	330.3	133.5	364.6
	MFIs excluding the Eurosystem										
2007	29,500.2	-	15,141.9	126.9	8,927.5	6,087.5	754.1	4,630.9	1,683.6	4,538.6	2,751.1
2008	31,835.8	-	16,741.8	191.0	9,690.9	6,860.0	824.8	4,848.3	1,767.6	4,402.7	3,250.6
2009 Q3	31,278.7	-	16,348.7	157.0	9,904.2	6,287.5	831.4	4,962.5	1,886.8	4,084.7	3,164.6
2009 Oct.	31,212.0	-	16,346.2	164.9	9,898.7	6,282.7	823.8	4,929.5	1,890.5	4,084.8	3,137.1
Nov.	31,334.2	-	16,356.8	174.8	9,897.0	6,285.0	810.2	4,931.7	1,902.2	4,072.5	3,260.8
Dec.	31,146.7	-	16,468.0	144.3	10,015.8	6,308.0	732.3	4,919.5	1,915.5	4,098.2	3,013.3
2010 Jan. [p]	31,390.4	-	16,440.2	161.1	9,960.4	6,318.8	744.8	4,974.6	1,916.6	4,220.4	3,093.8

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 a maturity of up to two years and held by non-euro area residents are included in external liabilities.

2.2 Consolidated balance sheet of euro area MFIs [1)]

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

1. Assets

	Total	Loans to euro area residents			Holdings of securities other than shares issued by euro area residents			Holdings of shares/ other equity issued by other euro area residents	External assets	Fixed assets	Remaining assets
		Total	General government	Other euro area residents	Total	General government	Other euro area residents				
	1	2	3	4	5	6	7	8	9	10	11
	Outstanding amounts										
2007	22,376.2	11,117.3	972.3	10,144.9	2,437.3	1,422.2	1,015.1	882.2	5,274.2	220.9	2,444.3
2008	24,108.0	11,758.6	986.6	10,772.0	2,961.8	1,552.7	1,409.1	786.1	5,231.0	227.1	3,143.3
2009 Q3	23,898.8	11,781.3	1,012.2	10,769.1	3,336.7	1,840.6	1,496.1	797.4	4,784.9	232.9	2,965.7
2009 Oct.	23,849.5	11,755.0	1,031.8	10,723.2	3,345.1	1,851.3	1,493.8	799.1	4,793.4	233.7	2,923.2
Nov.	24,001.8	11,776.8	1,025.2	10,751.5	3,348.2	1,853.8	1,494.4	811.6	4,799.1	234.7	3,031.4
Dec.	23,810.4	11,770.8	1,019.5	10,751.2	3,317.9	1,816.2	1,501.6	811.1	4,820.1	235.8	2,854.8
2010 Jan. [p]	24,027.1	11,771.3	1,031.0	10,740.3	3,300.6	1,829.4	1,471.2	815.1	4,953.6	235.2	2,951.3
	Transactions										
2008	1,694.0	597.9	12.4	585.5	468.2	58.1	410.2	-56.1	-81.6	-2.2	768.9
2009	-665.9	25.6	34.0	-8.4	341.4	249.2	92.2	10.5	-454.9	7.6	-596.7
2009 Q2	-224.1	68.5	27.0	41.5	144.2	89.3	54.9	6.1	-63.0	0.6	-381.5
Q3	-154.7	-50.9	-3.9	-47.0	33.1	39.1	-6.0	0.4	-91.0	1.9	-47.9
2009 Oct.	-39.0	-18.6	19.6	-38.2	7.4	11.8	-4.4	2.9	12.9	0.8	-44.3
Nov.	153.1	26.2	-4.9	31.1	2.4	1.2	1.2	12.6	4.2	1.0	106.7
Dec.	-264.1	-7.0	-5.9	-1.1	-24.6	-34.2	9.6	-7.0	-46.9	1.2	-179.8
2010 Jan. [p]	118.8	-19.7	11.3	-31.0	-18.1	14.0	-32.1	5.2	66.4	-0.6	85.6

2. Liabilities

	Total	Currency in circulation	Deposits of central government	Deposits of other general government/ other euro area residents	Money market fund shares/ units [2)]	Debt securities issued [3)]	Capital and reserves	External liabilities	Remaining liabilities	Excess of inter-MFI liabilities over inter-MFI assets
	1	2	3	4	5	6	7	8	9	10
	Outstanding amounts									
2007	22,376.2	638.6	150.8	8,946.6	660.4	2,849.1	1,492.7	4,652.5	3,033.6	-48.2
2008	24,108.0	722.9	259.8	9,707.5	725.7	2,828.6	1,613.6	4,780.5	3,579.6	-110.7
2009 Q3	23,898.8	740.6	295.3	9,927.2	740.5	2,775.6	1,738.7	4,238.8	3,525.6	-83.9
2009 Oct.	23,849.5	745.5	317.7	9,924.7	734.9	2,762.2	1,745.9	4,229.7	3,498.5	-109.9
Nov.	24,001.8	750.1	304.1	9,924.6	721.8	2,757.1	1,780.2	4,216.3	3,619.2	-71.9
Dec.	23,810.4	770.0	246.8	10,038.4	647.0	2,760.5	1,795.0	4,238.4	3,393.2	-79.3
2010 Jan. [p]	24,027.1	757.2	277.4	9,983.9	658.0	2,804.4	1,793.6	4,353.8	3,458.4	-59.7
	Transactions									
2008	1,694.0	83.3	106.1	700.7	29.4	-30.1	138.5	93.3	599.5	-26.8
2009	-665.9	45.7	-4.4	289.6	-12.2	-53.8	138.2	-590.4	-504.2	25.5
2009 Q2	-224.1	15.0	0.5	154.1	-19.7	18.1	55.7	-167.7	-242.2	-37.9
Q3	-154.7	5.7	-45.6	-1.7	-2.4	-13.9	27.7	-123.0	-52.7	51.2
2009 Oct.	-39.0	4.8	22.3	-0.5	-4.8	-10.6	1.9	0.6	-26.1	-26.8
Nov.	153.1	4.7	-13.6	2.3	-15.0	1.1	14.5	10.6	111.3	37.2
Dec.	-264.1	19.9	-57.2	102.5	-26.2	-11.3	23.6	-98.1	-206.3	-11.0
2010 Jan. [p]	118.8	-12.8	30.6	-62.7	10.4	28.9	-3.0	54.0	67.8	5.6

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 a maturity of up to two years and held by non-euro area residents are included in external liabilities.

2.3 Monetary statistics [1]

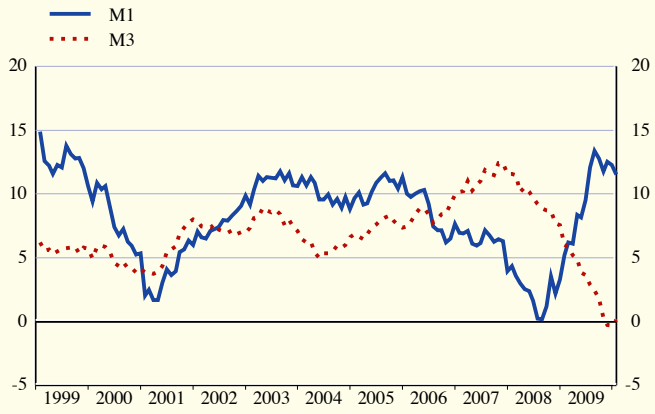
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period; transactions during period)

1. Monetary aggregates [2] and counterparts

	M3					M3 3-month moving average (centred)	Longer-term financial liabilities	Credit to general government	Credit to other euro area residents			Net external assets [3]
	M2			M3-M2						Loans	Memo item: Loans adjusted for sales and securitisation [4]	
	M1	M2-M1										
	1	2	3	4	5	6	7	8	9	10	11	12
	Outstanding amounts											
2007	3,827.9	3,509.8	7,337.8	1,305.6	8,643.4	-	6,028.0	2,416.9	12,069.5	10,161.9	-	596.0
2008	3,972.9	4,036.6	8,009.5	1,376.4	9,386.0	-	6,294.5	2,563.6	12,989.2	10,787.8	-	423.4
2009 Q3	4,398.8	3,783.0	8,181.8	1,226.5	9,408.3	-	6,667.7	2,861.7	13,086.2	10,760.8	-	552.1
2009 Oct.	4,458.6	3,735.9	8,194.5	1,184.6	9,379.2	-	6,666.4	2,889.4	13,040.3	10,736.7	-	546.1
Nov.	4,454.4	3,707.6	8,162.0	1,172.0	9,334.0	-	6,727.2	2,883.0	13,062.9	10,751.7	-	561.0
Dec.	4,478.8	3,688.2	8,167.0	1,155.5	9,322.5	-	6,750.1	2,865.0	13,082.2	10,764.5	-	553.8
2010 Jan. (p)	4,549.6	3,659.9	8,209.6	1,103.0	9,312.6	-	6,795.8	2,863.6	13,057.9	10,756.6	-	583.5
	Transactions											
2008	126.8	486.0	612.8	46.2	658.9	-	260.6	71.0	934.6	584.2	740.1	-176.3
2009	489.8	-368.3	121.4	-149.6	-28.2	-	415.9	288.1	90.5	-11.0	27.7	134.6
2009 Q2	128.7	-72.8	55.9	-17.8	38.1	-	131.4	108.1	65.0	16.8	36.8	106.3
Q3	149.8	-102.0	47.8	-51.2	-3.4	-	115.6	63.3	9.4	-28.6	-26.9	36.5
2009 Oct.	60.1	-46.0	14.1	-41.8	-27.8	-	-2.2	28.9	-39.3	-16.4	-12.2	-11.3
Nov.	-3.4	-27.6	-31.0	-12.9	-43.9	-	46.4	-6.0	26.1	17.7	16.4	-10.5
Dec.	21.5	-24.3	-2.8	36.1	33.2	-	11.5	-14.8	14.3	12.1	8.3	45.0
2010 Jan. (p)	68.8	-32.2	36.6	-52.5	-15.9	-	26.0	-0.8	-44.9	-28.0	-32.6	24.1
	Growth rates											
2007 Dec.	4.0	17.9	10.1	20.2	11.6	11.9	9.3	-2.6	13.2	11.2	12.1	-42.8
2008 Dec.	3.3	13.7	8.3	3.5	7.6	7.1	4.3	2.9	7.7	5.7	7.1	-176.3
2009 Sep.	12.8	-5.3	3.6	-9.0	1.8	1.5	6.6	13.5	1.4	-0.3	0.8	142.1
2009 Oct.	11.8	-7.1	2.3	-11.8	0.3	0.6	7.4	15.1	0.9	-0.8	0.2	74.3
Nov.	12.5	-8.7	1.8	-12.4	-0.3	-0.1	7.1	13.2	0.6	-0.7	0.1	61.6
Dec.	12.3	-9.1	1.5	-11.0	-0.3	-0.1	6.6	11.2	0.7	-0.1	0.2	134.6
2010 Jan. (p)	11.5	-8.0	1.9	-10.8	0.1	.	5.8	9.1	0.1	-0.6	-0.3	233.1

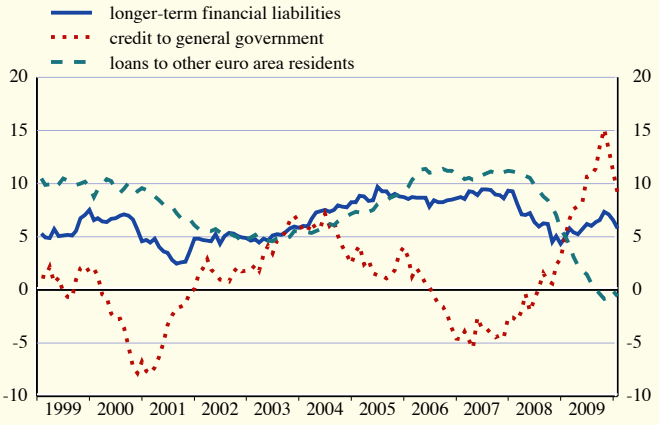
C1 Monetary aggregates [1]

(annual growth rates; seasonally adjusted)



C2 Counterparts [1]

(annual growth rates; seasonally adjusted)



Source: ECB.

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

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

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

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

2.3 Monetary statistics [1]

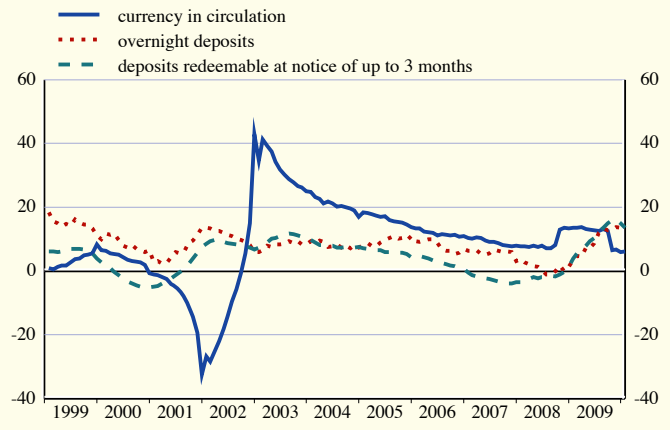
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period; transactions during period)

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

	Currency in circulation	Overnight deposits	Deposits with an agreed maturity of up to 2 years	Deposits redeemable at notice of up to 3 months	Repos	Money market fund shares/units	Debt securities with a maturity of up to 2 years	Debt securities with a maturity of over 2 years	Deposits redeemable at notice of over 3 months	Deposits with an agreed maturity of over 2 years	Capital and reserves
	1	2	3	4	5	6	7	8	9	10	11
	Outstanding amounts										
2007	625.6	3,202.4	1,969.3	1,540.5	307.6	685.9	312.2	2,549.6	119.2	1,872.6	1,486.6
2008	709.9	3,263.0	2,469.6	1,567.0	354.3	755.3	266.8	2,575.5	121.2	1,990.7	1,607.1
2009 Q3	747.4	3,651.5	2,022.9	1,760.1	326.9	750.8	148.8	2,625.8	133.0	2,175.1	1,733.7
2009 Oct.	745.2	3,713.4	1,952.5	1,783.5	300.6	744.7	139.4	2,615.3	134.1	2,174.1	1,743.0
Nov.	753.6	3,700.8	1,916.3	1,791.3	310.2	727.2	134.5	2,623.2	133.1	2,186.2	1,784.7
Dec.	754.3	3,724.5	1,885.4	1,802.8	348.8	673.9	132.7	2,642.0	131.3	2,189.1	1,787.7
2010 Jan. [p]	761.2	3,788.4	1,843.7	1,816.3	307.4	662.9	132.7	2,694.2	131.9	2,181.5	1,788.2
	Transactions										
2008	83.3	43.4	466.0	20.0	48.0	32.9	-34.7	6.3	0.5	115.9	137.9
2009	43.0	446.8	-604.7	236.3	-5.3	-13.1	-131.3	77.5	8.7	192.2	137.5
2009 Q2	6.8	122.0	-128.2	55.4	10.9	-14.7	-14.0	15.3	4.2	45.3	66.5
Q3	13.1	136.7	-165.9	63.9	-24.3	7.4	-34.4	35.6	3.4	59.2	17.5
2009 Oct.	-2.2	62.3	-69.4	23.4	-26.3	-5.3	-10.3	-6.9	1.1	-0.4	4.1
Nov.	8.5	-11.8	-35.5	7.8	9.7	-19.4	-3.2	12.5	-1.0	13.0	21.9
Dec.	0.7	20.8	-35.7	11.4	38.5	-2.7	0.3	2.0	-1.8	-0.4	11.7
2010 Jan. [p]	6.9	61.9	-44.7	12.4	-41.5	-11.6	0.6	36.2	0.6	-9.7	-1.0
	Growth rates										
2007 Dec.	8.1	3.2	41.3	-3.4	15.8	9.2	62.1	6.3	9.5	12.5	10.9
2008 Dec.	13.3	1.4	23.4	1.3	15.5	4.7	-11.6	0.3	0.4	6.2	9.4
2009 Sep.	12.5	12.8	-17.9	14.9	-3.0	3.1	-47.9	0.8	14.9	11.9	9.1
2009 Oct.	6.5	12.9	-21.4	16.1	-11.8	2.7	-50.3	3.4	14.2	12.0	7.6
Nov.	6.8	13.8	-23.9	16.1	-6.3	-0.9	-50.9	3.9	11.3	11.1	7.1
Dec.	6.1	13.6	-24.3	15.1	-1.5	-1.8	-49.4	3.0	7.1	9.6	8.5
2010 Jan. [p]	6.2	12.7	-22.6	13.7	-5.0	-4.9	-38.7	3.8	6.1	7.0	7.3

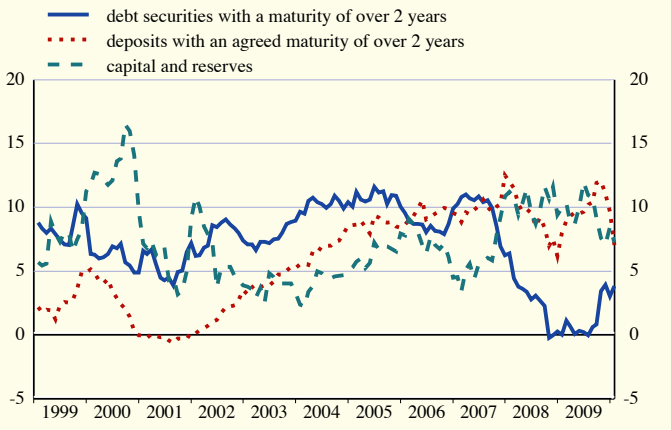
C3 Components of monetary aggregates [1]

(annual growth rates; seasonally adjusted)



C4 Components of longer-term financial liabilities [1]

(annual growth rates; seasonally adjusted)



Source: ECB.

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

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

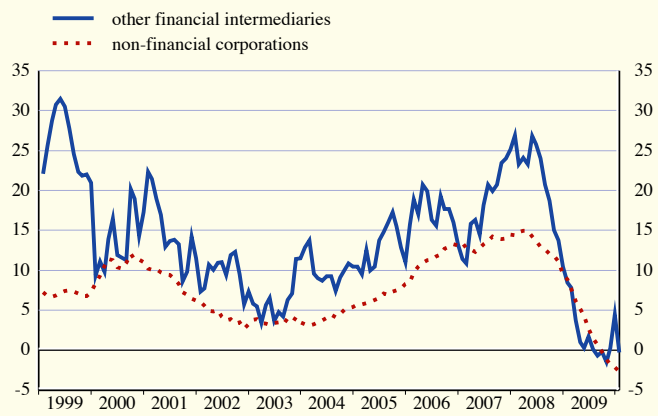
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period; transactions during period)

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

	Insurance corporations and pension funds	Other financial intermediaries [3)]	Non-financial corporations				Households [4)]			
	Total	Total	Total	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Total	Consumer credit	Loans for house purchase	Other loans
	1	2	3	4	5	6	7	8	9	10
	Outstanding amounts									
2007	107.5	880.5	4,385.0	1,282.1	860.2	2,242.7	4,788.9	616.5	3,425.2	747.1
2008	104.3	978.3	4,823.4	1,381.0	961.6	2,480.7	4,881.8	630.8	3,487.6	763.5
2009 Q3	94.3	1,008.5	4,749.5	1,238.0	953.7	2,557.7	4,908.5	630.3	3,509.3	768.9
2009 Oct.	88.6	999.5	4,731.1	1,221.9	946.8	2,562.4	4,917.5	628.0	3,519.7	769.7
Nov.	84.9	1,011.2	4,721.4	1,209.4	938.5	2,573.5	4,934.1	629.6	3,527.7	776.8
Dec.	90.0	1,031.6	4,693.1	1,184.4	941.9	2,566.8	4,949.8	631.3	3,547.9	770.7
2010 Jan. [(p)]	87.2	1,019.9	4,688.9	1,186.8	934.0	2,568.0	4,960.7	627.7	3,557.7	775.3
	Transactions									
2008	-4.4	88.6	419.1	86.9	120.1	212.2	80.9	10.5	53.2	17.2
2009	-12.9	42.2	-103.8	-187.8	-13.0	97.0	63.5	0.0	51.3	12.2
2009 Q2	2.3	52.7	-42.1	-51.7	-1.4	11.1	3.9	-4.7	2.4	6.1
Q3	-5.7	-15.2	-33.8	-44.4	-17.6	28.2	26.1	1.7	20.5	3.8
2009 Oct.	-5.7	-7.6	-13.2	-16.5	-5.2	8.5	10.0	-1.4	10.1	1.3
Nov.	-3.7	12.9	-8.0	-11.8	-7.1	10.8	16.6	0.7	8.0	7.8
Dec.	5.0	11.0	-19.0	-23.7	4.5	0.2	15.0	1.5	18.8	-5.3
2010 Jan. [(p)]	-2.8	-30.5	-5.8	2.0	-7.1	-0.6	11.1	-2.4	9.4	4.1
	Growth rates									
2007 Dec.	18.2	24.9	14.5	12.8	22.0	12.8	6.2	5.4	7.1	2.7
2008 Dec.	-4.1	10.1	9.5	6.8	13.9	9.4	1.7	1.7	1.6	2.3
2009 Sep.	-7.3	-0.1	-0.2	-10.3	2.0	4.6	-0.3	-1.2	-0.6	1.5
2009 Oct.	-12.8	-1.4	-1.2	-11.8	0.7	3.9	-0.1	-1.3	-0.2	1.6
Nov.	-14.4	0.3	-1.9	-12.2	-1.4	3.7	0.5	-1.0	0.3	2.5
Dec.	-12.5	4.3	-2.2	-13.6	-1.4	3.9	1.3	0.0	1.5	1.6
2010 Jan. [(p)]	-9.7	-0.1	-2.7	-13.2	-3.0	3.2	1.6	-0.3	1.8	2.2

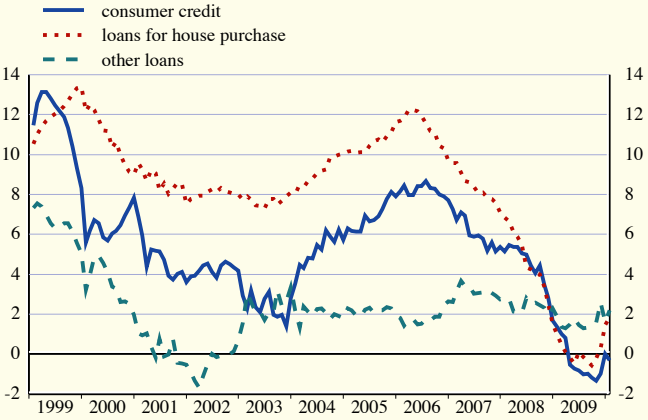
C5 Loans to other financial intermediaries and non-financial corporations [2)]

(annual growth rates; not seasonally adjusted)



C6 Loans to households [2)]

(annual growth rates; not seasonally adjusted)



Source: ECB.

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

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

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

2. Loans to financial intermediaries and non-financial corporations

	Insurance corporations and pension funds				Other financial intermediaries [3)]				Non-financial corporations			
	Total	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9	10	11	12
	Outstanding amounts											
2008	93.0	69.3	5.7	18.0	962.1	555.0	169.0	238.0	4,828.4	1,377.6	961.4	2,489.4
2009 Q3	94.2	71.6	7.8	14.9	1,016.1	585.8	183.6	246.7	4,742.5	1,235.6	953.0	2,553.8
Q4	80.2	57.1	7.2	15.9	1,016.4	592.6	173.3	250.4	4,698.5	1,181.1	941.7	2,575.8
2009 Nov.	85.9	63.0	7.8	15.1	1,005.5	585.0	173.0	247.5	4,720.9	1,213.6	938.7	2,568.6
Dec.	80.2	57.1	7.2	15.9	1,016.4	592.6	173.3	250.4	4,698.5	1,181.1	941.7	2,575.8
2010 Jan. [p]	86.0	62.1	7.5	16.3	1,007.1	584.6	170.5	252.0	4,691.4	1,187.3	932.7	2,571.4
	Transactions											
2009	-11.3	-12.1	1.6	-0.7	43.2	28.6	7.6	7.0	-103.4	-187.8	-12.9	97.3
2009 Q3	-9.7	-9.9	0.4	-0.3	-8.6	-13.1	-1.2	5.8	-54.0	-59.3	-18.4	23.8
Q4	-14.0	-14.5	-0.5	1.0	-6.6	-1.7	-5.2	0.3	-27.7	-52.8	-7.3	32.4
2009 Nov.	-4.4	-3.8	-0.2	-0.4	18.5	21.2	-2.9	0.2	-0.6	-3.4	-7.5	10.4
Dec.	-5.7	-6.0	-0.5	0.8	1.5	3.0	-0.8	-0.7	-13.0	-31.1	4.1	14.0
2010 Jan. [p]	5.7	5.0	0.3	0.4	-28.0	-26.6	-3.5	2.1	-8.7	5.7	-8.2	-6.3
	Growth rates											
2008 Dec.	-4.1	-4.3	-23.7	5.0	10.5	5.4	13.5	22.0	9.5	6.7	13.9	9.4
2009 Sep.	-7.0	-9.3	23.1	-7.0	-0.2	-4.8	7.5	6.5	-0.2	-10.2	2.0	4.6
Dec.	-12.5	-17.5	27.4	-3.8	4.5	5.1	4.4	2.9	-2.1	-13.7	-1.4	3.9
2009 Nov.	-14.6	-19.5	39.7	-9.0	0.3	-3.9	3.8	9.0	-1.9	-12.1	-1.4	3.7
Dec.	-12.5	-17.5	27.4	-3.8	4.5	5.1	4.4	2.9	-2.1	-13.7	-1.4	3.9
2010 Jan. [p]	-9.7	-14.4	16.2	1.8	-0.3	-1.4	-3.3	4.2	-2.7	-13.2	-2.9	3.2

3. Loans to households [4)]

	Total	Consumer credit				Loans for house purchase				Other loans			
		Total	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9	10	11	12	13
	Outstanding amounts												
2008	4,887.9	633.0	138.8	196.2	298.0	3,490.3	17.2	67.5	3,405.7	764.5	155.0	90.5	519.0
2009 Q3	4,915.6	631.8	133.4	195.8	302.6	3,514.6	15.2	62.3	3,437.1	769.2	148.8	87.9	532.5
Q4	4,955.4	633.5	133.7	196.1	303.7	3,550.1	15.1	62.4	3,472.6	771.8	146.2	87.2	538.3
2009 Nov.	4,938.5	628.9	131.7	194.8	302.4	3,530.2	15.1	62.3	3,452.8	779.4	151.5	87.4	540.5
Dec.	4,955.4	633.5	133.7	196.1	303.7	3,550.1	15.1	62.4	3,472.6	771.8	146.2	87.2	538.3
2010 Jan. [p]	4,955.1	625.8	131.8	193.7	300.4	3,555.7	15.1	62.4	3,478.2	773.6	146.8	85.8	541.0
	Transactions												
2009	63.0	0.1	-3.3	-3.3	6.7	50.8	-2.3	-6.7	59.8	12.2	-8.0	-1.9	22.1
2009 Q3	25.2	-0.2	-2.4	-0.2	2.4	26.0	-0.5	-1.8	28.2	-0.5	-5.2	-0.2	4.8
Q4	40.0	1.6	1.0	0.0	0.6	33.8	-0.1	-0.1	34.1	4.6	-2.6	-0.1	7.3
2009 Nov.	17.6	-1.9	-0.2	-0.3	-1.4	7.8	-0.1	0.1	7.8	11.7	5.1	-0.1	6.6
Dec.	16.1	4.4	2.3	0.6	1.5	18.6	0.1	0.1	18.5	-6.9	-5.2	0.0	-1.6
2010 Jan. [p]	0.0	-6.5	-1.4	-2.4	-2.7	5.1	0.0	0.0	5.1	1.4	0.9	-1.4	2.0
	Growth rates												
2008 Dec.	1.7	1.7	0.7	-4.4	6.7	1.5	7.0	-5.2	1.7	2.3	1.7	-5.1	4.0
2009 Sep.	-0.3	-1.2	-3.3	-4.4	2.1	-0.6	-11.1	-12.6	-0.3	1.5	-3.0	-3.8	3.8
Dec.	1.3	0.0	-2.4	-1.6	2.2	1.5	-13.4	-9.8	1.8	1.6	-5.1	-2.0	4.3
2009 Nov.	0.5	-1.0	-2.1	-3.7	1.4	0.3	-12.2	-11.0	0.6	2.6	-2.1	-2.4	4.9
Dec.	1.3	0.0	-2.4	-1.6	2.2	1.5	-13.4	-9.8	1.8	1.6	-5.1	-2.0	4.3
2010 Jan. [p]	1.6	-0.3	-1.8	-2.2	1.7	1.8	-13.7	-7.5	2.1	2.2	-2.7	-2.6	4.4

Source: ECB.

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

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

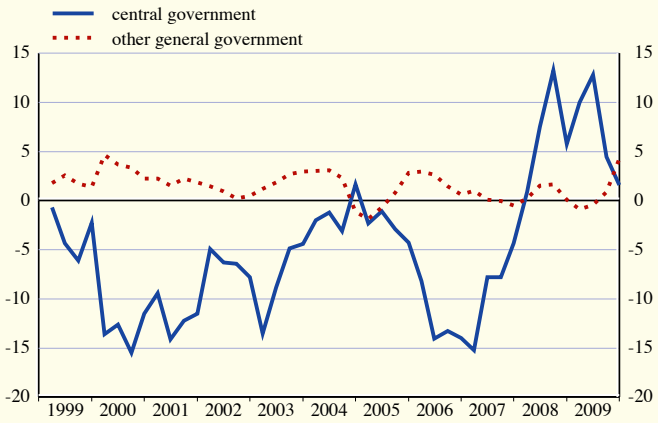
(EUR billions and annual growth rates; not seasonally adjusted; outstanding amounts and growth rates at end of period; transactions during period)

4. Loans to government and non-euro area residents

	General government					Non-euro area residents				
	Total	Central government	Other general government			Total	Banks [3)]	Non-banks		
			State government	Local government	Social security funds			Total	General government	Other
	1	2	3	4	5	6	7	8	9	10
	Outstanding amounts									
2007	954.5	213.4	217.6	494.1	29.4	3,300.2	2,344.5	955.7	59.8	895.9
2008	968.0	227.0	210.1	508.6	22.2	3,247.8	2,282.0	965.8	57.8	908.1
2009 Q1	971.0	232.9	205.6	511.5	21.0	3,057.1	2,101.0	956.1	59.2	896.9
Q2	998.5	249.3	206.5	514.1	28.6	2,949.3	1,999.7	949.6	57.2	892.3
Q3	994.7	235.9	209.7	518.3	30.7	2,808.0	1,894.0	914.0	47.7	866.2
Q4 [p]	1,001.9	230.6	211.0	528.0	32.3	2,829.0	1,913.5	915.5	46.5	869.0
	Transactions									
2007	-8.0	-4.5	-13.0	6.0	3.6	540.7	381.4	159.3	0.3	159.0
2008	13.2	12.3	-8.1	16.2	-7.2	-59.3	-85.8	26.4	0.3	26.1
2009 [p]	35.0	3.6	1.0	20.5	10.1	-383.4	-350.7	-32.7	-1.4	-31.4
2009 Q1	2.0	5.5	-4.4	2.2	-1.2	-234.0	-208.5	-25.7	0.3	-26.0
Q2	28.0	16.9	0.9	2.6	7.6	-72.1	-79.0	7.2	-1.0	8.2
Q3	-3.8	-13.3	3.2	4.2	2.1	-75.3	-69.9	-5.4	0.6	-6.0
Q4 [p]	8.8	-5.5	1.3	11.4	1.6	-2.0	6.7	-8.9	-1.2	-7.6
	Growth rates									
2007 Dec.	-1.0	-4.3	-5.6	1.3	13.8	18.6	18.5	18.8	0.5	20.2
2008 Dec.	1.4	5.8	-3.7	3.3	-24.5	-1.8	-3.6	2.8	0.5	3.0
2009 Mar.	1.5	10.0	-3.6	3.5	-43.5	-14.3	-16.7	-8.7	-3.6	-9.0
June	2.6	12.8	-4.1	3.9	-31.9	-13.8	-16.5	-7.5	-7.6	-7.5
Sep.	1.7	4.5	-0.2	4.4	-32.3	-18.2	-21.9	-9.4	-1.3	-9.8
Dec. [p]	3.6	1.6	0.5	4.0	45.4	-11.8	-15.3	-3.4	-2.8	-3.5

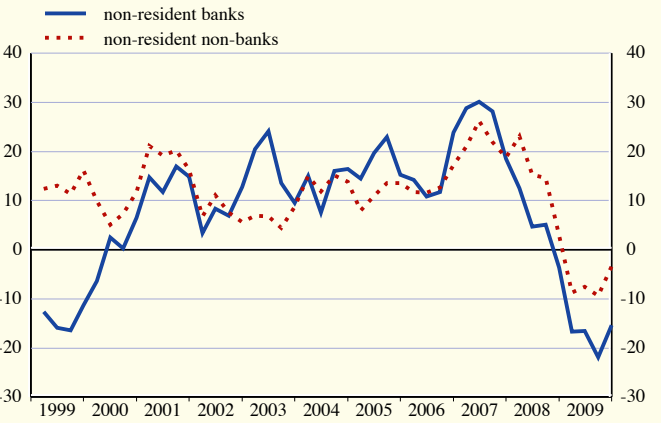
C7 Loans to government [2)]

(annual growth rates; not seasonally adjusted)



C8 Loans to non-euro area residents [2)]

(annual growth rates; not seasonally adjusted)



Source: ECB.

1) MFI sector excluding the Eurosystem; sectoral classification is based on the 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 similar to MFIs which are resident outside the euro area.

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

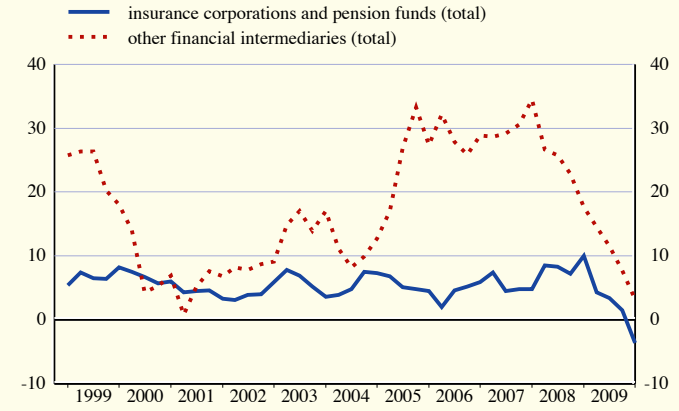
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period; transactions during period)

1. Deposits by financial intermediaries

	Insurance corporations and pension funds							Other financial intermediaries [3)]						
	Total	Overnight	With an agreed maturity of:		Redeemable at notice of:		Repos	Total	Overnight	With an agreed maturity of:		Redeemable at notice of:		Repos
			Up to 2 years	Over 2 years	Up to 3 months	Over 3 months				Up to 2 years	Over 2 years	Up to 3 months	Over 3 months	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Outstanding amounts													
2007	689.5	70.8	69.6	526.4	0.8	1.1	20.8	1,525.0	311.8	345.5	708.1	12.2	0.3	147.1
2008	761.9	84.4	114.3	537.5	1.1	1.5	23.1	1,803.5	320.2	421.0	852.9	12.3	0.1	197.0
2009 Q3	739.9	83.1	83.8	550.5	1.9	1.4	19.2	1,866.9	314.9	335.2	949.0	14.4	0.2	253.3
2009 Oct.	742.3	88.8	83.9	548.0	2.0	1.4	18.3	1,844.7	318.9	337.2	938.8	15.8	0.1	233.9
Nov.	734.5	84.6	79.1	545.7	2.0	1.4	21.6	1,850.3	325.9	332.3	938.0	16.1	0.0	237.9
Dec.	738.1	84.0	86.9	543.3	2.1	1.4	20.2	1,854.9	312.1	332.2	940.6	15.9	0.0	254.1
2010 Jan. [p]	742.8	93.6	82.9	540.2	2.3	1.4	22.3	1,829.3	342.0	322.0	914.6	17.1	0.0	233.6
	Transactions													
2008	69.4	12.4	42.8	12.3	-0.3	0.1	2.2	269.3	4.5	72.2	142.3	-0.3	-0.3	51.0
2009	-27.9	-1.1	-30.5	5.6	1.0	-0.1	-2.8	58.2	5.6	-93.5	85.3	3.7	0.0	57.2
2009 Q2	-12.1	-5.4	-9.4	4.9	0.1	0.0	-2.4	61.0	19.5	-20.0	41.4	-0.2	0.0	20.4
Q3	-6.3	-1.9	-4.5	-0.1	0.1	-0.1	0.1	-21.5	-22.4	-1.5	3.6	0.4	0.1	-1.7
2009 Oct.	2.5	5.7	0.1	-2.6	0.1	0.0	-0.8	-21.2	4.3	2.4	-9.8	1.4	0.0	-19.4
Nov.	-8.1	-4.1	-4.9	-2.3	0.0	0.0	3.2	7.1	7.2	-4.4	0.0	0.3	-0.1	4.0
Dec.	0.8	-1.2	5.7	-2.4	0.1	0.0	-1.3	-1.1	-14.7	-1.7	-0.5	-0.3	0.0	16.1
2010 Jan. [p]	4.4	9.5	-4.2	-3.1	0.2	0.0	2.1	-29.8	28.9	-11.2	-28.0	1.1	0.0	-20.6
	Growth rates													
2007 Dec.	4.8	1.1	17.5	4.9	-25.3	-	-16.4	34.5	12.0	39.7	49.5	16.4	-	19.1
2008 Dec.	10.0	17.3	60.0	2.3	-23.4	-	10.5	17.6	1.4	21.1	20.0	-2.5	-	34.6
2009 Sep.	1.5	9.3	-8.3	2.3	55.8	-	-5.9	7.7	1.9	-25.0	21.8	24.0	-	36.3
2009 Oct.	0.9	6.3	-7.6	1.9	68.2	-	-12.7	5.3	0.4	-23.7	19.5	32.9	-	20.4
Nov.	-0.8	-0.3	-17.5	1.6	89.8	-	9.6	5.0	7.9	-24.6	15.1	37.9	-	23.1
Dec.	-3.7	-1.3	-26.5	1.0	95.8	-	-12.3	3.2	1.6	-22.0	10.0	30.0	-	29.0
2010 Jan. [p]	-3.3	-8.0	-18.0	-0.5	89.2	-	10.8	2.0	4.1	-12.4	4.0	33.7	-	14.1

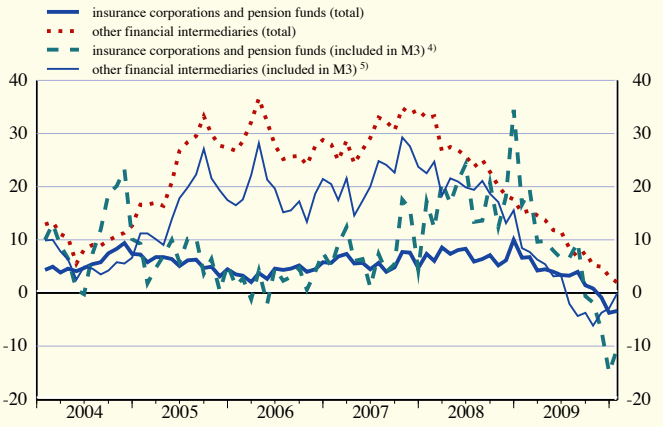
C9 Total deposits by sector [2)]

(annual growth rates)



C10 Total deposits and deposits included in M3 by sector [2)]

(annual growth rates)



Source: ECB.

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

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

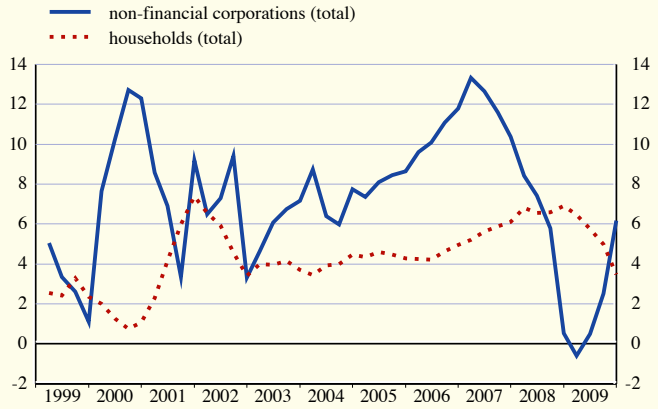
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period; transactions during period)

2. Deposits by non-financial corporations and households

	Non-financial corporations							Households [3)]						
	Total	Overnight	With an agreed maturity of:		Redeemable at notice of:		Repos	Total	Overnight	With an agreed maturity of:		Redeemable at notice of:		Repos
			Up to 2 years	Over 2 years	Up to 3 months	Over 3 months				Up to 2 years	Over 2 years	Up to 3 months	Over 3 months	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Outstanding amounts													
2007	1,477.2	884.0	479.4	59.5	29.3	1.4	23.7	4,989.0	1,777.4	993.3	561.5	1,458.6	111.1	87.1
2008	1,502.9	883.4	502.2	64.4	27.9	1.3	23.7	5,368.6	1,813.3	1,350.0	517.9	1,490.2	113.6	83.7
2009 Q3	1,551.4	951.6	444.6	77.9	58.3	1.5	17.4	5,500.0	2,052.9	1,084.7	561.0	1,636.9	121.4	43.2
2009 Oct.	1,561.3	963.5	442.6	78.5	60.1	1.5	15.1	5,510.8	2,084.9	1,040.3	573.8	1,648.2	123.8	39.9
Nov.	1,564.1	971.3	435.6	79.7	61.2	1.6	14.8	5,507.6	2,098.9	1,010.6	584.2	1,650.7	124.7	38.5
Dec.	1,603.7	1,001.3	434.7	80.8	68.7	1.7	16.3	5,590.2	2,155.4	988.3	605.5	1,679.9	123.7	37.3
2010 Jan. [p]	1,548.4	964.0	418.6	82.1	68.7	1.7	13.2	5,610.2	2,173.6	954.1	615.3	1,707.9	122.2	37.0
	Transactions													
2008	7.8	-5.0	13.3	3.2	-3.4	-0.3	0.0	347.5	28.7	335.5	-43.1	28.1	1.7	-3.4
2009	93.3	114.3	-70.0	15.1	40.8	0.4	-7.4	186.9	320.3	-371.4	85.5	190.3	8.6	-46.3
2009 Q2	44.2	45.8	-16.0	1.3	11.3	0.1	1.7	59.8	110.9	-94.4	11.8	39.3	2.7	-10.6
Q3	34.6	35.7	-13.6	6.1	8.6	0.0	-2.2	-4.6	42.4	-100.0	24.8	32.9	3.1	-7.7
2009 Oct.	10.7	12.3	-1.8	0.6	1.7	0.0	-2.2	11.6	32.1	-44.1	13.1	11.3	2.5	-3.3
Nov.	3.5	8.3	-6.7	1.1	1.1	0.0	-0.3	-3.1	14.0	-29.6	10.5	2.5	0.9	-1.4
Dec.	37.8	28.9	-1.4	1.1	7.6	0.1	1.5	81.6	56.1	-22.9	21.3	29.2	-1.0	-1.1
2010 Jan. [p]	-57.4	-38.5	-17.0	1.3	0.0	0.0	-3.1	18.6	18.5	-35.0	9.8	27.0	-1.5	-0.3
	Growth rates													
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 Dec.	0.5	-0.6	2.8	5.3	-11.0	-16.2	0.0	6.9	1.6	33.2	-7.7	1.9	1.5	-3.9
2009 Sep.	2.5	8.3	-14.0	20.1	127.8	8.4	-30.8	5.0	15.9	-15.4	6.3	13.2	16.3	-60.1
2009 Oct.	3.7	11.9	-15.4	18.5	139.8	13.0	-47.7	4.3	17.3	-22.2	10.6	14.2	15.4	-60.6
Nov.	4.0	11.5	-15.2	20.6	134.4	19.5	-40.7	3.5	16.8	-25.5	13.4	14.0	12.2	-59.5
Dec.	6.2	12.9	-13.8	23.2	146.6	28.3	-31.2	3.5	17.5	-27.3	16.4	12.8	7.5	-55.4
2010 Jan. [p]	5.1	10.5	-12.8	21.1	115.1	32.9	-33.0	3.2	17.0	-28.4	17.8	11.6	6.3	-51.6

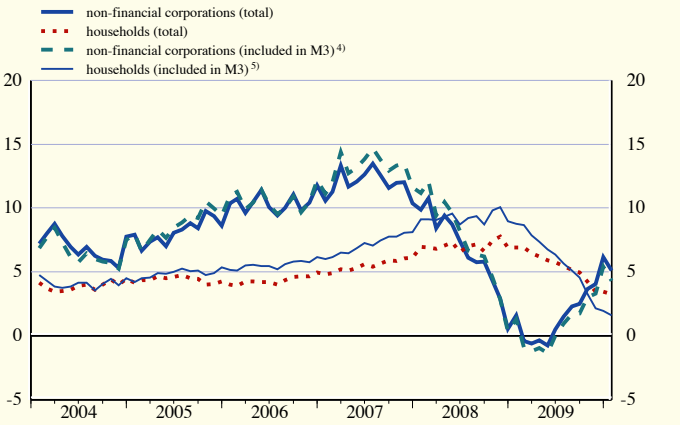
C11 Total deposits by sector [2)]

(annual growth rates)



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

(annual growth rates)



Source: ECB.

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

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

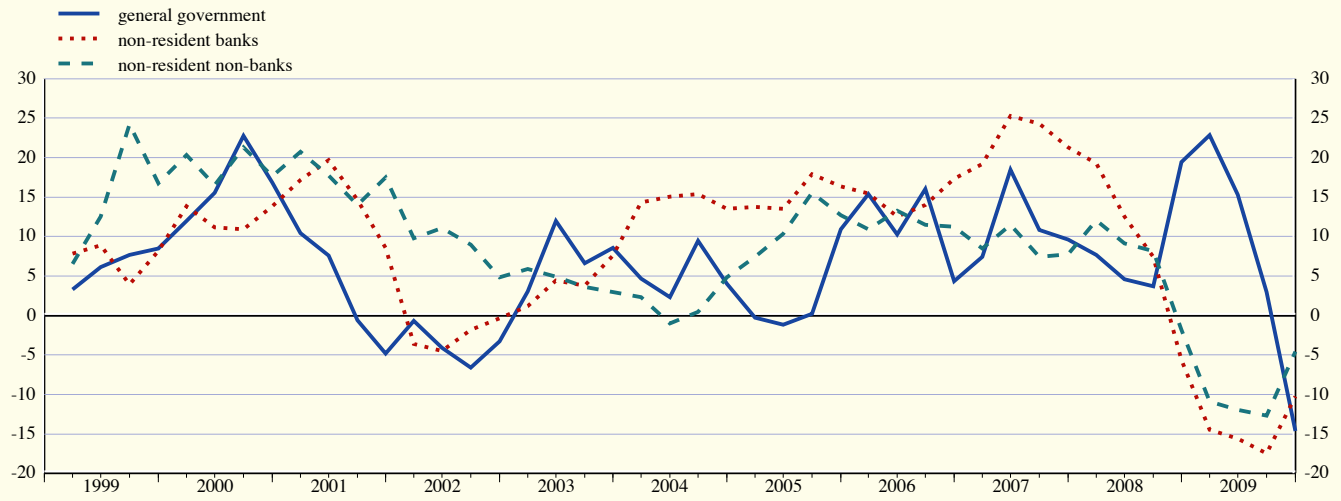
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period; transactions during period)

3. Deposits by government and non-euro area residents

	General government					Non-euro area residents				
	Total	Central government	Other general government			Total	Banks [3)]	Non-banks		
			State government	Local government	Social security funds			Total	General government	Other
	1	2	3	4	5	6	7	8	9	10
	Outstanding amounts									
2007	373.7	126.9	59.0	107.6	80.3	3,862.1	2,953.9	908.2	143.3	764.9
2008	445.0	191.0	52.3	115.9	85.8	3,713.9	2,816.9	897.0	65.8	831.2
2009 Q1	464.4	216.4	50.6	114.5	83.0	3,665.7	2,786.7	879.0	63.6	815.4
Q2	476.6	227.3	48.9	118.9	81.4	3,565.2	2,685.4	879.9	64.3	815.6
Q3	403.0	157.0	51.2	123.0	71.8	3,422.4	2,564.0	858.5	63.5	794.9
Q4 (p)	373.2	144.3	45.1	113.1	70.8	3,368.8	2,517.9	850.9	60.1	790.8
	Transactions									
2007	31.9	-3.1	13.6	9.8	11.6	609.4	542.6	66.8	20.2	46.6
2008	72.8	63.5	-6.5	8.7	7.1	-185.1	-167.0	-18.0	-36.9	18.9
2009 (p)	-64.8	-38.1	-7.2	-3.6	-15.4	-331.0	-289.9	-41.1	-1.3	-39.8
2009 Q1	15.7	22.5	-1.7	-2.3	-2.9	-108.9	-77.7	-31.3	-2.6	-28.7
Q2	11.8	10.9	-1.6	4.5	-2.0	-60.5	-67.6	7.1	0.9	6.1
Q3	-62.1	-58.9	2.3	4.1	-9.6	-80.1	-73.0	-7.1	-0.2	-6.9
Q4 (p)	-30.1	-12.7	-6.1	-9.9	-0.8	-81.5	-71.7	-9.8	0.6	-10.4
	Growth rates									
2007 Dec.	9.7	-2.4	29.9	10.7	16.9	17.9	21.3	7.7	15.8	6.3
2008 Dec.	19.5	49.9	-11.0	8.1	8.8	-4.7	-5.6	-1.8	-25.6	2.6
2009 Mar.	22.8	52.6	2.2	5.7	6.5	-13.6	-14.5	-10.9	-24.1	-8.8
June	15.3	43.7	-13.0	5.3	-4.9	-14.7	-15.6	-11.9	-21.9	-10.4
Sep.	2.9	18.6	-16.6	8.2	-15.4	-16.3	-17.4	-12.7	-27.0	-10.3
Dec. (p)	-14.6	-20.0	-13.7	-3.1	-17.9	-8.9	-10.3	-4.6	-2.0	-4.8

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

(annual growth rates)



Source: ECB.

1) MFI sector excluding the Eurosystem; sectoral classification is based on the 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 similar to MFIs which are resident outside the euro area.

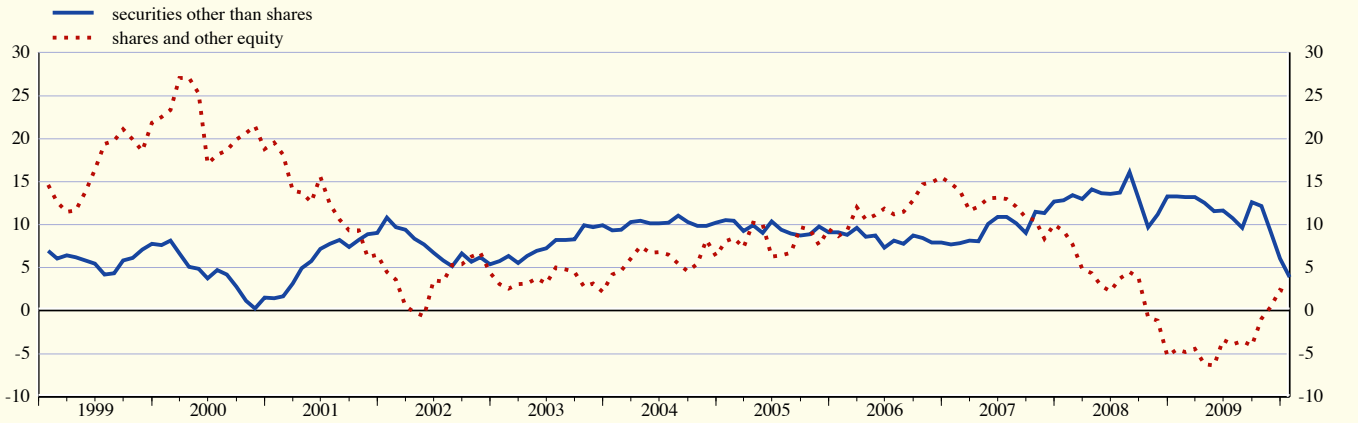
2.6 MFI holdings of securities: breakdown [1), 2)]

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

	Securities other than shares								Shares and other equity			
	Total	MFIs		General government		Other euro area residents		Non-euro area residents	Total	MFIs	Non-MFIs	Non-euro area residents
		Euro	Non-euro	Euro	Non-euro	Euro	Non-euro					
	1	2	3	4	5	6	7	8	9	10	11	12
	Outstanding amounts											
2007	5,185.3	1,656.4	84.0	1,180.5	16.6	979.9	33.3	1,234.7	1,636.5	424.5	869.3	342.7
2008	5,858.4	1,887.1	92.4	1,225.4	19.3	1,355.5	51.2	1,227.5	1,476.9	423.2	776.3	277.4
2009 Q3	6,296.3	2,014.9	102.9	1,486.4	18.1	1,446.7	46.2	1,181.0	1,498.2	435.9	786.1	276.1
2009 Oct.	6,271.2	1,991.3	102.8	1,500.3	17.3	1,447.8	42.4	1,169.3	1,502.0	437.0	787.9	277.1
Nov.	6,256.7	1,993.5	102.9	1,503.8	15.7	1,449.0	41.7	1,149.9	1,514.9	438.6	800.4	275.9
Dec.	6,212.6	1,970.6	108.9	1,466.6	16.0	1,458.4	39.5	1,152.5	1,517.4	437.7	799.5	280.2
2010 Jan. (p)	6,225.1	1,975.0	111.6	1,478.9	19.0	1,426.3	41.0	1,173.1	1,531.7	448.5	803.8	279.4
	Transactions											
2008	692.8	212.4	5.9	36.5	1.9	390.7	19.0	26.4	-84.2	22.9	-56.6	-50.5
2009	356.6	80.1	16.2	233.3	-3.2	102.9	-12.0	-60.8	35.9	23.3	9.8	2.8
2009 Q2	176.8	34.7	4.1	83.7	0.5	56.3	-1.6	-0.8	16.6	7.2	5.8	3.6
Q3	21.2	-4.0	-0.3	34.0	-1.8	-6.1	-0.4	-0.2	7.3	9.0	0.3	-1.9
2009 Oct.	-23.9	-22.4	0.1	14.2	-0.7	-1.4	-3.5	-10.4	6.0	1.9	2.8	1.4
Nov.	-8.5	-0.9	1.4	2.3	-1.6	1.4	-0.3	-10.8	13.9	2.4	12.6	-1.0
Dec.	-62.5	-22.3	2.6	-34.7	0.0	13.1	-3.5	-17.6	-4.5	-0.4	-7.2	3.0
2010 Jan. (p)	-10.3	3.6	-0.3	13.5	2.4	-32.4	0.2	2.7	18.3	12.4	5.3	0.7
	Growth rates											
2007 Dec.	12.7	8.7	25.4	-6.8	10.7	50.2	33.4	17.7	10.0	13.7	6.9	13.9
2008 Dec.	13.3	12.7	8.1	3.1	9.9	40.0	57.2	2.2	-5.3	5.4	-6.7	-15.3
2009 Sep.	12.6	11.4	4.1	24.2	15.5	24.9	-4.9	-5.6	-4.1	2.6	-8.2	-2.3
2009 Oct.	12.2	8.5	5.7	26.8	-0.2	20.5	-9.3	-2.3	-0.9	6.2	-4.3	-1.9
Nov.	9.3	5.8	10.8	23.1	-3.9	14.3	-9.2	-3.3	0.4	7.4	-2.0	-3.0
Dec.	6.0	4.2	17.1	18.9	-16.1	7.6	-23.0	-5.0	2.4	5.5	1.2	1.0
2010 Jan. (p)	3.9	1.3	12.2	15.1	-12.8	5.5	-22.8	-4.7	2.0	7.4	0.5	-2.0

C14 MFI holdings of securities [2)]

(annual growth rates)



Source: ECB.

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

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

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

(EUR billions)

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

	Consumer credit				Lending for house purchase				Other lending			
	Total	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9	10	11	12
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	-4.6	-1.1	-1.5	-1.9	-2.7	0.0	-0.2	-2.5	-6.7	-1.2	-2.3	-3.2
2009	-7.3	-1.7	-2.2	-3.4	-3.9	0.0	-0.2	-3.6	-7.2	-1.5	-1.2	-4.5
2009 Q2	-1.5	-0.3	-0.5	-0.7	-1.0	0.0	0.0	-0.9	-1.2	-0.1	-0.2	-0.9
Q3	-1.7	-0.3	-0.5	-0.9	-0.8	0.0	0.0	-0.7	-1.6	-0.3	-0.2	-1.0
Q4	-2.3	-0.6	-0.7	-0.9	-0.9	0.0	0.0	-0.9	-2.1	-0.3	-0.6	-1.2
2009 Oct.	-0.7	-0.1	-0.3	-0.4	-0.2	0.0	0.0	-0.2	-0.4	0.0	-0.1	-0.2
Nov.	-0.4	-0.1	-0.1	-0.2	-0.2	0.0	0.0	-0.2	-0.5	0.0	-0.1	-0.3
Dec.	-1.1	-0.4	-0.3	-0.4	-0.6	0.0	0.0	-0.5	-1.3	-0.2	-0.3	-0.7
2010 Jan. (p)	-0.6	-0.4	0.0	-0.2	-0.4	0.0	0.0	-0.4	-1.1	-0.4	-0.1	-0.6

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 and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year
	1	2	3	4	5	6	7
2007	-12.5	-2.1	-5.4	-4.9	-5.2	-3.4	-1.8
2008	-17.8	-4.1	-9.1	-4.6	-6.6	-3.4	-3.2
2009	-30.0	-9.7	-10.2	-10.1	-6.3	-2.5	-3.8
2009 Q2	-5.9	-1.7	-2.4	-1.8	-1.1	-0.3	-0.8
Q3	-7.0	-2.2	-2.1	-2.7	-1.0	-0.5	-0.5
Q4	-9.8	-2.3	-4.0	-3.5	-1.5	-0.3	-1.2
2009 Oct.	-3.4	-0.7	-1.3	-1.4	-0.4	-0.1	-0.3
Nov.	-1.7	-0.3	-0.7	-0.6	-0.2	0.0	-0.3
Dec.	-4.8	-1.3	-2.0	-1.5	-0.9	-0.3	-0.6
2010 Jan. (p)	-3.6	-1.2	-1.0	-1.3	-0.5	-0.3	-0.1

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
2007	-14.2	-3.3	0.1	-0.4	-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
2009	2.7	7.5	0.2	-3.4	-0.1	-0.1	0.8	-2.3	6.3	1.6	3.0	1.7
2009 Q2	-2.4	2.0	0.1	-2.0	-0.1	-1.7	0.3	-1.0	8.2	2.3	4.7	1.3
Q3	17.3	4.6	0.1	3.6	0.0	3.4	0.2	5.3	16.0	4.9	9.2	1.9
Q4	1.9	1.3	0.1	-1.7	-0.1	1.0	0.0	1.4	-0.8	-2.2	0.7	0.7
2009 Oct.	2.4	1.6	0.0	-0.3	0.0	0.5	0.0	0.7	-2.5	-0.9	-1.2	-0.4
Nov.	2.4	1.1	0.0	1.2	0.1	-0.1	0.0	0.0	-1.0	-0.7	-0.1	-0.1
Dec.	-2.9	-1.5	0.0	-2.6	-0.1	0.6	0.0	0.6	2.7	-0.6	2.0	1.2
2010 Jan. (p)	-0.9	0.5	0.1	-1.2	0.0	-0.8	0.1	0.4	-4.1	-1.6	-0.9	-1.5

Source: ECB.

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

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

3) Including non-profit institutions serving households.

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

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

1. Deposits

	MFIs [3)]							Non-MFIs						
	All currencies (outstanding amount)	Euro [4)]	Non-euro currencies					All currencies (outstanding amount)	Euro [4)]	Non-euro currencies				
			Total	USD	JPY	CHF	GBP			Total	USD	JPY	CHF	GBP
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	By euro area residents													
2007	6,087.5	92.1	7.9	4.8	0.4	1.1	1.0	9,054.4	95.8	4.2	2.2	0.4	0.1	0.5
2008	6,860.0	89.7	10.3	7.3	0.4	1.2	0.8	9,881.8	96.9	3.1	1.9	0.5	0.1	0.4
2009 Q1	6,607.9	90.9	9.1	6.3	0.3	1.2	0.7	9,989.5	96.9	3.1	1.9	0.4	0.1	0.5
Q2	6,625.7	92.2	7.8	5.1	0.3	1.1	0.8	10,145.9	97.0	3.0	1.9	0.3	0.1	0.5
Q3	6,287.5	92.4	7.6	4.8	0.4	1.1	0.8	10,061.2	97.0	3.0	1.9	0.3	0.1	0.4
Q4 [(p)]	6,308.0	93.0	7.0	4.4	0.3	1.1	0.7	10,160.0	97.0	3.0	1.9	0.2	0.1	0.4
	By non-euro area residents													
2007	2,953.9	47.0	53.0	33.5	2.9	2.4	11.0	908.2	50.1	49.9	32.9	1.6	1.8	9.9
2008	2,816.9	48.2	51.8	33.4	2.8	2.6	10.2	897.0	54.9	45.1	28.7	1.4	1.9	9.4
2009 Q1	2,786.7	47.2	52.8	34.8	2.1	2.6	10.4	879.0	52.7	47.3	31.6	1.2	1.9	8.4
Q2	2,685.4	49.0	51.0	33.2	1.6	2.6	10.7	879.9	51.9	48.1	32.5	1.8	1.8	7.8
Q3	2,564.0	49.1	50.9	34.3	1.5	2.5	9.5	858.5	54.1	45.9	30.6	1.5	1.6	7.7
Q4 [(p)]	2,517.9	49.3	50.7	34.1	1.6	2.2	9.7	850.9	53.1	46.9	31.5	1.3	1.7	7.5

2. Debt securities issued by euro area MFIs

	All currencies (outstanding amount)	Euro [4)]	Non-euro currencies				
			Total	USD	JPY	CHF	GBP
	1	2	3	4	5	6	7
2007	4,933.2	81.5	18.5	9.2	1.7	1.9	3.4
2008	5,111.7	83.3	16.7	8.4	2.0	1.9	2.5
2009 Q1	5,197.9	83.3	16.7	8.7	1.9	1.9	2.5
Q2	5,225.1	83.6	16.4	8.3	1.8	1.8	2.7
Q3	5,203.2	84.0	16.0	8.2	1.8	1.9	2.3
Q4 [(p)]	5,179.6	83.3	16.7	8.7	1.7	1.9	2.5

Source: ECB.

1) MFI sector excluding the Eurosystem; sectoral classification is based on the 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 similar to euro area MFIs.
4) Including items expressed in the national denominations of the euro.

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

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

3. Loans

	MFIs [3)]							Non-MFIs						
	All currencies (outstanding amount)	Euro [4)]	Non-euro currencies					All currencies (outstanding amount)	Euro [4)]	Non-euro currencies				
			Total	USD	JPY	CHF	GBP			Total	USD	JPY	CHF	GBP
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	To euro area residents													
2007	5,794.2	-	-	-	-	-	-	11,098.9	96.2	3.8	1.8	0.2	0.9	0.6
2008	6,312.6	-	-	-	-	-	-	11,739.4	95.9	4.1	2.1	0.3	1.0	0.4
2009 Q1	6,128.0	-	-	-	-	-	-	11,785.6	95.9	4.1	2.1	0.3	1.0	0.5
Q2	6,216.3	-	-	-	-	-	-	11,834.4	96.1	3.9	2.0	0.2	1.0	0.5
Q3	5,911.4	-	-	-	-	-	-	11,763.1	96.2	3.8	1.9	0.2	1.0	0.4
Q4 (p)	5,956.1	-	-	-	-	-	-	11,752.5	96.2	3.8	1.9	0.2	1.0	0.4
	To non-euro area residents													
2007	2,344.5	48.2	51.8	28.8	2.3	2.4	12.7	955.7	40.9	59.1	41.2	1.2	3.7	8.2
2008	2,282.0	45.8	54.2	31.8	3.0	2.6	11.3	965.8	40.5	59.5	41.9	1.4	4.3	7.4
2009 Q1	2,101.0	44.8	55.2	31.2	2.7	3.1	12.7	956.1	38.1	61.9	44.5	1.0	4.2	7.8
Q2	1,999.7	45.2	54.8	29.6	2.8	3.2	13.5	949.6	40.2	59.8	42.6	1.1	3.9	7.6
Q3	1,894.0	45.5	54.5	29.9	2.7	3.1	12.6	914.0	40.4	59.6	41.9	1.5	3.8	7.6
Q4 (p)	1,913.5	45.9	54.1	29.5	2.5	3.0	12.6	915.5	39.9	60.1	42.0	1.5	3.7	8.1

4. Holdings of securities other than shares

	Issued by MFIs [3)]							Issued by non-MFIs						
	All currencies (outstanding amount)	Euro [4)]	Non-euro currencies					All currencies (outstanding amount)	Euro [4)]	Non-euro currencies				
			Total	USD	JPY	CHF	GBP			Total	USD	JPY	CHF	GBP
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Issued by euro area residents													
2007	1,740.3	95.2	4.8	2.4	0.3	0.3	1.5	2,210.3	97.7	2.3	1.4	0.2	0.1	0.5
2008	1,979.5	95.3	4.7	2.6	0.4	0.2	1.2	2,651.4	97.3	2.7	1.7	0.3	0.1	0.4
2009 Q1	2,085.8	95.0	5.0	2.7	0.2	0.4	1.3	2,834.2	97.5	2.5	1.7	0.2	0.1	0.4
Q2	2,123.5	95.0	5.0	2.5	0.5	0.4	1.4	2,962.4	97.7	2.3	1.5	0.2	0.1	0.3
Q3	2,117.9	95.1	4.9	2.9	0.2	0.3	1.3	2,997.4	97.9	2.1	1.4	0.2	0.1	0.4
Q4 (p)	2,079.5	94.8	5.2	3.0	0.2	0.3	1.4	2,980.6	98.1	1.9	1.2	0.2	0.1	0.3
	Issued by non-euro area residents													
2007	582.4	53.9	46.1	27.3	0.7	0.4	14.4	652.3	35.9	64.1	39.3	4.5	0.8	12.6
2008	580.7	54.1	45.9	28.6	0.9	0.5	13.3	646.8	39.0	61.0	37.1	6.4	0.8	11.0
2009 Q1	597.8	52.1	47.9	27.6	0.3	1.6	13.9	617.8	34.1	65.9	40.5	4.3	0.8	15.3
Q2	571.0	55.3	44.7	24.6	1.7	1.4	14.6	633.1	33.5	66.5	41.4	4.0	0.9	15.0
Q3	562.7	56.3	43.7	25.3	0.6	0.5	14.7	618.3	34.8	65.2	39.3	4.2	0.9	15.1
Q4 (p)	547.8	55.6	44.4	26.5	0.4	0.5	14.9	604.6	34.7	65.3	38.6	4.0	0.9	15.5

Source: ECB.

1) MFI sector excluding the Eurosystem; sectoral classification is based on the 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 similar to euro area MFIs.
4) Including items expressed in the national denominations of the euro.

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

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

1. Assets

	Total	Deposits and loan claims	Securities other than shares	Shares and other equity (excl. investment fund/ money market fund shares)	Investment fund/ money market fund shares	Non-financial assets	Other assets (incl. financial derivatives)
	1	2	3	4	5	6	7
	Outstanding amounts						
2009 June	4,709.9	378.1	1,872.8	1,251.5	627.6	200.7	379.2
July	5,011.3	371.0	1,938.4	1,440.5	653.4	206.0	402.0
Aug.	5,103.0	374.7	1,969.6	1,496.2	661.9	206.2	394.4
Sep.	5,159.2	348.9	1,998.9	1,544.1	681.7	201.9	383.8
Oct.	5,167.3	351.1	2,016.6	1,521.6	687.1	203.4	387.5
Nov.	5,231.5	340.2	2,041.8	1,560.1	692.6	203.5	393.3
Dec. (p)	5,361.7	344.0	2,076.5	1,670.5	707.5	207.9	355.3
	Transactions						
2009 Q2	106.8	-0.7	99.8	19.5	2.2	9.7	-23.8
Q3	172.7	-9.0	70.4	112.1	10.3	1.7	-12.7
Q4 (p)	94.1	-10.8	61.6	46.0	14.3	5.6	-22.6

2. Liabilities

	Total	Loans and deposits received	Investment fund shares issued				Other liabilities (incl. financial derivatives)
			Total	Held by euro area residents		Held by non-euro area residents	
					Investment funds		
	1	2	3	4	5	6	7
	Outstanding amounts						
2009 June	4,709.9	98.6	4,276.9	3,494.7	457.2	782.3	334.4
July	5,011.3	102.8	4,550.9	3,726.5	481.3	824.4	357.6
Aug.	5,103.0	105.8	4,646.3	3,801.8	492.9	844.5	350.9
Sep.	5,159.2	96.7	4,736.0	3,873.2	515.3	862.8	326.5
Oct.	5,167.3	95.5	4,738.8	3,863.9	522.3	874.9	333.0
Nov.	5,231.5	96.2	4,799.2	3,898.8	528.1	900.4	336.1
Dec. (p)	5,361.7	99.2	4,955.2	4,005.6	538.6	949.7	307.3
	Transactions						
2009 Q2	106.8	0.3	93.2	74.7	20.9	18.5	13.3
Q3	172.7	0.9	186.6	100.0	18.0	86.6	-14.7
Q4 (p)	94.1	3.0	111.7	68.0	13.5	43.8	-20.8

3. Investment fund shares issued broken down by investment policy and type of fund

	Total	Funds by investment policy						Funds by type		Memo item: Money market funds
		Bond funds	Equity funds	Mixed funds	Real estate funds	Hedge funds	Other funds	Open-end funds	Closed-end funds	
	1	2	3	4	5	6	7	8	9	10
	Outstanding amounts									
2009 May	4,195.3	1,348.1	1,078.5	1,087.7	221.1	79.6	380.3	4,128.6	66.7	1,295.0
June	4,276.9	1,425.5	1,077.2	1,093.3	221.0	79.3	380.6	4,209.3	67.6	1,269.1
July	4,550.9	1,494.5	1,249.7	1,112.6	223.3	78.1	392.8	4,483.0	67.9	1,285.4
Aug.	4,646.3	1,516.3	1,293.0	1,141.0	226.4	78.2	391.3	4,578.1	68.2	1,285.2
Sep.	4,736.0	1,531.8	1,344.9	1,166.1	222.8	77.4	393.1	4,668.1	67.9	1,253.0
Oct.	4,738.8	1,547.3	1,322.2	1,178.3	227.2	78.8	385.0	4,671.2	67.6	1,246.2
Nov.	4,799.2	1,561.0	1,349.0	1,193.9	229.6	78.8	386.9	4,731.8	67.4	1,223.7
Dec. (p)	4,955.2	1,577.5	1,449.4	1,215.2	234.4	84.4	394.2	4,884.4	70.8	1,201.6
	Transactions									
2009 June	69.5	60.7	2.3	-13.8	7.7	7.1	5.5	69.2	0.3	-27.8
July	132.1	41.9	84.4	1.4	0.4	-1.8	5.8	131.9	0.2	16.4
Aug.	28.3	11.6	9.9	7.5	1.6	-0.8	-1.4	28.4	-0.1	3.9
Sep.	26.2	4.4	9.9	12.9	-0.2	-0.1	-0.8	25.6	0.6	-29.2
Oct.	31.7	13.3	4.1	15.1	2.5	1.2	-4.4	32.1	-0.4	-5.8
Nov.	19.5	8.6	5.4	4.0	0.9	-0.5	1.1	19.6	-0.1	-20.4
Dec. (p)	60.6	9.0	24.8	12.9	5.8	4.9	3.1	58.0	2.5	-32.6

Source: ECB.

1) Other than money market funds (which are shown as a memo item in column 10 in Table 3 of this section). For further details, see the General Notes.

2.10 Securities held by investment funds [1] broken down by issuer of securities

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

1. Securities other than shares

	Total	Euro area						Rest of the world			
		Total	MFIs	General government	Other financial intermediaries	Insurance corporations and pension funds	Non-financial corporations		EU Member States outside the euro area	United States	Japan
	1	2	3	4	5	6	7	8	9	10	11
	Outstanding amounts										
2009 Q1	1,710.6	1,233.9	340.9	628.6	151.5	4.0	108.7	476.7	142.4	183.5	22.6
Q2	1,872.8	1,293.7	357.9	635.7	173.2	3.9	122.9	579.1	161.9	234.6	21.8
Q3	1,998.9	1,384.9	388.6	669.0	186.3	4.8	136.2	613.9	180.2	234.4	21.8
Q4 (p)	2,076.5	1,414.1	387.7	689.4	187.5	5.4	144.0	662.5	199.0	251.6	15.9
	Transactions										
2009 Q2	99.8	32.1	3.5	10.2	11.3	-0.8	7.9	67.7	6.7	48.7	-2.6
Q3	70.4	48.1	10.6	20.9	6.6	0.3	9.7	22.2	11.2	3.5	-1.0
Q4 (p)	61.6	23.5	-2.9	18.1	0.7	0.5	7.2	38.1	17.2	15.2	-6.1

2. Shares and other equity (other than investment fund and money market fund shares)

	Total	Euro area						Rest of the world			
		Total	MFIs	General government	Other financial intermediaries	Insurance corporations and pension funds	Non-financial corporations		EU Member States outside the euro area	United States	Japan
	1	2	3	4	5	6	7	8	9	10	11
	Outstanding amounts										
2009 Q1	1,070.5	502.9	48.1	-	26.2	19.8	408.7	567.5	89.3	190.8	47.9
Q2	1,251.5	566.0	69.8	-	28.6	16.8	450.1	685.5	110.8	210.9	59.7
Q3	1,544.1	701.1	97.2	-	35.5	24.8	543.4	843.0	127.0	265.1	61.8
Q4 (p)	1,670.5	721.3	97.2	-	35.7	23.9	564.5	949.2	138.3	295.3	65.8
	Transactions										
2009 Q2	19.5	-4.1	1.3	-	-1.4	-3.5	-1.3	23.6	4.3	1.0	7.1
Q3	112.1	34.0	7.5	-	3.8	2.3	20.9	78.1	2.4	34.0	1.4
Q4 (p)	46.0	2.9	4.4	-	1.0	-0.6	-1.8	43.1	3.8	8.4	3.6

3. Investment fund/money market fund shares

	Total	Euro area						Rest of the world			
		Total	MFIs [2]	General government	Other financial intermediaries [2]	Insurance corporations and pension funds	Non-financial corporations		EU Member States outside the euro area	United States	Japan
	1	2	3	4	5	6	7	8	9	10	11
	Outstanding amounts										
2009 Q1	594.6	492.9	85.1	-	407.8	-	-	101.8	9.5	15.9	0.3
Q2	627.6	540.1	82.9	-	457.2	-	-	87.5	12.9	16.2	0.4
Q3	681.7	593.4	78.1	-	515.3	-	-	88.3	14.5	19.0	0.3
Q4 (p)	707.5	612.7	74.1	-	538.6	-	-	94.8	15.6	19.0	0.3
	Transactions										
2009 Q2	2.2	15.8	-5.1	-	20.9	-	-	-13.6	2.1	0.2	0.0
Q3	10.3	11.8	-6.2	-	18.0	-	-	-1.5	0.9	-0.3	0.0
Q4 (p)	14.3	9.1	-4.5	-	13.5	-	-	5.2	0.9	0.4	0.1

Source: ECB.

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

2) Investment fund shares (other than money market fund shares) are issued by other financial intermediaries. Money market fund shares are issued by MFIs.

EURO AREA ACCOUNTS

3.1 Integrated economic and financial accounts by institutional sector

(EUR billions)

Uses 2009 Q3	Euro area	Households	Non-financial corporations	Financial corporations	General government	Rest of the world
External account						
Exports of goods and services						442.2
Trade balance [1]						-21.9
Generation of income account						
Gross value added (basic prices)						
Taxes less subsidies on products						
Gross domestic product (market prices)						
Compensation of employees	1,067.9	110.4	675.4	52.6	229.5	
Other taxes less subsidies on production	26.2	4.8	14.2	3.5	3.8	
Consumption of fixed capital	354.2	98.2	198.4	11.5	46.1	
Net operating surplus and mixed income [1]	565.1	286.6	246.3	33.8	-1.7	
Allocation of primary income account						
Net operating surplus and mixed income						
Compensation of employees						4.7
Taxes less subsidies on production						
Property income	625.3	33.7	222.3	308.2	61.2	91.2
Interest	382.6	31.4	60.6	229.4	61.1	54.0
Other property income	242.7	2.3	161.6	78.7	0.0	37.2
Net national income [1]	1,874.5	1,533.9	109.7	32.5	198.5	
Secondary distribution of income account						
Net national income						
Current taxes on income, wealth, etc.	238.2	200.9	32.3	4.8	0.3	1.2
Social contributions	410.1	410.1				1.1
Social benefits other than social transfers in kind	446.4	1.4	15.8	31.1	398.0	0.8
Other current transfers	178.2	67.8	24.3	42.8	43.3	7.2
Net non-life insurance premiums	41.4	30.7	9.1	0.9	0.7	1.0
Non-life insurance claims	41.2			41.2		0.5
Other	95.6	37.1	15.2	0.7	42.6	5.6
Net disposable income [1]	1,850.5	1,386.2	62.6	42.2	359.4	
Use of income account						
Net disposable income						
Final consumption expenditure	1,774.9	1,303.9			471.0	
Individual consumption expenditure	1,589.6	1,303.9			285.7	
Collective consumption expenditure	185.3				185.3	
Adjustment for the change in the net equity of households in pension fund reserves	15.0	0.1	0.6	14.3	0.0	0.0
Net saving/current external account [1]	75.6	97.2	62.1	27.9	-111.6	4.2
Capital account						
Net saving/current external account						
Gross capital formation	434.1	139.9	225.4	11.4	57.3	
Gross fixed capital formation	443.2	138.2	236.3	11.3	57.4	
Changes in inventories and acquisitions less disposals of valuables	-9.1	1.7	-10.9	0.1	0.0	
Consumption of fixed capital						
Acquisitions less disposals of non-produced non-financial assets	-0.2	-2.3	0.8	0.1	1.1	0.2
Capital transfers	34.1	7.8	1.0	1.9	23.4	3.5
Capital taxes	6.7	5.5	0.2	1.0		0.0
Other capital transfers	27.4	2.4	0.8	0.9	23.4	3.5
Net lending (+)/net borrowing (-) (from capital account) [1]	-2.6	59.8	50.5	27.1	-139.9	2.6
Statistical discrepancy	0.0	-0.1	0.1	0.0	0.0	0.0

Sources: ECB and Eurostat.
1) For details of 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 2009 Q3	Euro area	Households	Non-financial corporations	Financial corporations	General government	Rest of the world
External account						
Imports of goods and services						420.3
Trade balance						
Generation of income account						
Gross value added (basic prices)	2,013.5	499.9	1,134.3	101.5	277.8	
Taxes less subsidies on products	217.4					
Gross domestic product (market prices)[2]	2,230.9					
Compensation of employees						
Other taxes less subsidies on production						
Consumption of fixed capital						
Net operating surplus and mixed income						
Allocation of primary income account						
Net operating surplus and mixed income	565.1	286.6	246.3	33.8	-1.7	
Compensation of employees	1,069.2	1,069.2				3.4
Taxes less subsidies on production	244.6				244.6	-1.0
Property income	620.9	211.8	85.6	306.8	16.8	95.6
Interest	373.1	56.8	38.6	269.2	8.5	63.5
Other property income	247.9	155.0	47.0	37.6	8.2	32.0
Net national income						
Secondary distribution of income account						
Net national income	1,874.5	1,533.9	109.7	32.5	198.5	
Current taxes on income, wealth, etc.	238.7				238.7	0.7
Social contributions	410.1	1.1	16.5	46.2	346.3	1.1
Social benefits other than social transfers in kind	444.4	444.4				2.7
Other current transfers	155.5	87.0	8.8	42.3	17.4	29.8
Net non-life insurance premiums	41.2			41.2		1.2
Non-life insurance claims	40.5	33.4	6.2	0.6	0.3	1.2
Other	73.8	53.6	2.6	0.5	17.1	27.5
Net disposable income						
Use of income account						
Net disposable income	1,850.5	1,386.2	62.6	42.2	359.4	
Final consumption expenditure						
Individual consumption expenditure						
Collective consumption expenditure						
Adjustment for the change in the net equity of households in pension fund reserves	15.0	15.0				0.0
Net saving/current external account						
Capital account						
Net saving/current external account	75.6	97.2	62.1	27.9	-111.6	4.2
Gross capital formation						
Gross fixed capital formation						
Changes in inventories and acquisitions less disposals of valuables						
Consumption of fixed capital	354.2	98.2	198.4	11.5	46.1	
Acquisitions less disposals of non-produced non-financial assets						
Capital transfers	35.6	9.9	17.2	1.0	7.5	2.0
Capital taxes	6.7				6.7	0.0
Other capital transfers	28.9	9.9	17.2	1.0	0.7	2.0
Net lending (+)/net borrowing (-) (from capital account)						
Statistical discrepancy						

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

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

(EUR billions)

Assets 2009 Q3	Euro area	Households	Non-financial corporations	MFIs	Other financial inter-mediaries	Insurance corporations and pension funds	General govern-ment	Rest of the world
Opening balance sheet, financial assets								
Total financial assets		17,161.2	14,660.5	32,623.9	12,177.6	6,140.3	3,367.8	15,061.3
Monetary gold and special drawing rights (SDRs)				234.0				
Currency and deposits		6,303.3	1,732.6	9,960.4	2,054.5	846.4	751.3	3,888.8
Short-term debt securities		45.1	91.8	640.7	381.3	349.5	25.2	829.3
Long-term debt securities		1,396.9	144.1	6,150.5	1,879.4	2,049.1	353.0	3,168.3
Loans		68.7	2,841.3	12,808.3	2,957.9	425.0	468.5	1,806.8
of which: Long-term		49.8	1,650.0	9,764.5	2,472.9	310.3	358.2	.
Shares and other equity		3,790.9	6,560.0	1,915.9	4,707.6	2,022.1	1,167.3	4,658.1
Quoted shares		643.9	1,090.4	488.6	1,362.5	426.0	265.1	.
Unquoted shares and other equity		1,830.6	5,131.6	1,089.1	2,767.3	434.0	773.8	.
Mutual fund shares		1,316.3	338.0	338.2	577.8	1,162.1	128.3	.
Insurance technical reserves		5,296.1	143.2	1.9	0.0	187.7	3.2	153.7
Other accounts receivable and financial derivatives		260.1	3,147.5	912.2	196.9	260.6	599.4	556.4
Net financial worth								
Financial account, transactions in financial assets								
Total transactions in financial assets		90.9	28.3	-600.0	147.5	59.1	-55.2	9.3
Monetary gold and SDRs				0.1				-0.1
Currency and deposits		-0.8	39.6	-571.6	2.2	-1.9	-70.9	-121.7
Short-term debt securities		-4.0	-8.0	-8.3	0.3	-0.8	-0.8	30.2
Long-term debt securities		8.8	-15.1	38.8	63.9	27.2	8.2	12.6
Loans		1.0	5.8	-52.1	-17.1	0.2	20.2	-23.7
of which: Long-term		0.7	-25.3	36.7	-33.0	2.4	15.8	.
Shares and other equity		22.0	60.0	-14.0	80.5	37.3	-9.7	114.4
Quoted shares		-0.6	42.5	-14.0	86.6	-74.1	2.6	.
Unquoted shares and other equity		12.1	24.6	11.7	-16.8	-0.9	-18.9	.
Mutual fund shares		10.4	-7.0	-11.6	10.6	112.4	6.6	.
Insurance technical reserves		60.5	-0.2	0.0	0.0	0.6	0.0	6.9
Other accounts receivable and financial derivatives		3.5	-53.7	7.1	17.7	-3.5	-2.2	-9.3
Changes in net financial worth due to transactions								
Other changes account, financial assets								
Total other changes in financial assets		457.9	659.0	129.9	363.9	145.6	57.2	285.1
Monetary gold and SDRs				51.9				
Currency and deposits		-1.6	-12.6	-53.9	-4.6	0.6	0.7	-65.5
Short-term debt securities		0.3	6.5	-1.3	-2.3	0.4	0.0	-4.6
Long-term debt securities		28.7	20.3	31.7	38.3	32.2	2.0	-3.6
Loans		0.0	1.8	-50.9	-10.5	-0.2	-0.3	6.1
of which: Long-term		0.0	10.8	-24.2	6.4	0.3	-0.3	.
Shares and other equity		348.8	586.6	156.3	347.8	113.4	54.1	360.5
Quoted shares		90.4	124.4	64.5	246.0	51.7	36.2	.
Unquoted shares and other equity		173.7	448.7	80.2	93.9	22.5	11.1	.
Mutual fund shares		84.6	13.5	11.6	7.9	39.2	6.8	.
Insurance technical reserves		94.2	0.0	0.0	0.0	-0.5	0.0	-0.4
Other accounts receivable and financial derivatives		-12.5	56.3	-4.0	-4.8	-0.2	0.8	-7.3
Other changes in net financial worth								
Closing balance sheet, financial assets								
Total financial assets		17,710.0	15,347.8	32,153.7	12,689.0	6,345.0	3,369.8	15,355.8
Monetary gold and SDRs				285.9				
Currency and deposits		6,300.9	1,759.6	9,334.9	2,052.1	845.1	681.1	3,701.5
Short-term debt securities		41.4	90.4	631.2	379.3	349.1	24.4	854.9
Long-term debt securities		1,434.4	149.3	6,221.0	1,981.6	2,108.4	363.2	3,177.2
Loans		69.7	2,848.9	12,705.3	2,930.3	425.0	488.3	1,789.2
of which: Long-term		50.5	1,635.5	9,777.0	2,446.3	313.0	373.7	.
Shares and other equity		4,161.7	7,206.6	2,058.3	5,135.9	2,172.8	1,211.7	5,133.0
Quoted shares		733.7	1,257.3	539.2	1,695.2	403.6	303.8	.
Unquoted shares and other equity		2,016.5	5,604.9	1,180.9	2,844.4	455.6	766.1	.
Mutual fund shares		1,411.4	344.4	338.2	596.4	1,313.7	141.7	.
Insurance technical reserves		5,450.9	142.9	1.9	0.0	187.7	3.2	160.2
Other accounts receivable and financial derivatives		251.1	3,150.1	915.3	209.7	256.8	598.0	539.8
Net financial worth								

Source: ECB.

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

(EUR billions)

Liabilities 2009 Q3	Euro area	Households	Non-financial corporations	MFIs	Other financial inter-mediaries	Insurance corporations and pension funds	General govern-ment	Rest of the world
Opening balance sheet, liabilities								
Total liabilities		6,407.6	23,202.6	31,800.3	11,966.9	6,295.3	7,955.9	13,330.0
Monetary gold and special drawing rights (SDRs)								
Currency and deposits			25.4	22,696.3	30.1	0.0	253.7	2,531.8
Short-term debt securities			293.2	727.0	75.8	9.7	1,010.9	246.3
Long-term debt securities			512.3	4,523.0	2,343.6	30.5	4,960.4	2,771.4
Loans		5,735.3	8,375.4		2,722.4	267.5	1,307.0	2,968.9
of which: Long-term		5,363.9	5,894.4		1,838.5	84.4	1,094.2	.
Shares and other equity			10,694.2	2,784.5	6,572.5	423.6	4.5	4,336.3
Quoted shares			2,802.8	450.0	113.0	141.4	0.0	.
Unquoted shares and other equity		6.3	7,891.4	1,065.6	2,338.5	281.3	4.5	.
Mutual fund shares				1,268.9	4,121.0			.
Insurance technical reserves		33.8	331.8	65.1	0.8	5,353.9	0.4	
Other accounts payable and financial derivatives		632.2	2,970.3	1,004.3	221.7	210.2	419.0	475.3
Net financial worth [1]	-1,497.3	10,753.6	-8,542.1	823.6	210.7	-155.0	-4,588.1	
Financial account, transactions in liabilities								
Total transactions in liabilities		31.2	-22.2	-645.2	166.5	58.1	84.7	6.7
Monetary gold and SDRs								
Currency and deposits			0.0	-660.7	-3.0	0.0	-5.2	-56.4
Short-term debt securities			8.1	-42.8	-1.9	-1.3	41.7	5.1
Long-term debt securities			12.3	40.2	20.2	2.2	67.9	1.3
Loans		24.3	-72.9		1.4	-7.7	6.4	-17.2
of which: Long-term		32.4	-10.1		-5.0	0.2	6.5	.
Shares and other equity			47.7	-6.6	171.7	0.2	0.8	76.7
Quoted shares			9.7	5.3	1.4	0.1	0.0	.
Unquoted shares and other equity		0.0	38.0	-3.0	-30.9	0.1	0.8	.
Mutual fund shares				-8.9	201.3			.
Insurance technical reserves		0.1	0.7	1.8	0.0	65.2	0.0	
Other accounts payable and financial derivatives		6.8	-18.1	23.0	-21.9	-0.4	-26.9	-2.8
Changes in net financial worth due to transactions [1]	-2.6	59.7	50.6	45.1	-19.1	1.0	-139.9	2.6
Other changes account, liabilities								
Total other changes in liabilities		-3.3	1,150.2	170.2	312.9	144.5	67.0	205.1
Monetary gold and SDRs								
Currency and deposits			0.0	-109.3	0.0	0.0	0.0	-27.5
Short-term debt securities			-1.9	-4.0	-1.1	0.0	-1.0	7.0
Long-term debt securities			10.5	18.8	-0.2	-0.1	75.6	45.0
Loans		-2.9	6.0		-26.6	-0.2	-0.2	-30.1
of which: Long-term		-1.9	2.9		6.3	0.0	-0.2	.
Shares and other equity			1,136.3	230.5	324.7	53.7	0.0	222.1
Quoted shares			456.6	140.2	36.8	34.6	0.0	.
Unquoted shares and other equity		0.1	679.7	97.6	55.2	19.1	0.0	.
Mutual fund shares				-7.3	232.8			.
Insurance technical reserves		0.0	0.0	0.0	0.0	93.3	0.0	
Other accounts payable and financial derivatives		-0.4	-0.8	34.3	16.1	-2.2	-7.4	-11.3
Other changes in net financial worth [1]	-28.1	461.2	-491.2	-40.3	51.0	1.1	-9.8	80.0
Closing balance sheet, liabilities								
Total liabilities		6,435.5	24,330.6	31,325.3	12,446.4	6,498.0	8,107.6	13,541.8
Monetary gold and SDRs								
Currency and deposits			25.4	21,926.3	27.1	0.0	248.5	2,447.9
Short-term debt securities			299.4	680.2	72.8	8.4	1,051.6	258.4
Long-term debt securities			535.2	4,582.0	2,363.7	32.6	5,103.9	2,817.7
Loans		5,756.6	8,308.5		2,697.2	259.6	1,313.2	2,921.5
of which: Long-term		5,394.4	5,887.2		1,839.9	84.5	1,100.5	.
Shares and other equity			11,878.2	3,008.4	7,068.9	477.5	5.3	4,635.2
Quoted shares			3,269.2	595.5	151.1	176.1	0.0	.
Unquoted shares and other equity		6.4	8,609.1	1,160.3	2,362.8	300.5	5.3	.
Mutual fund shares				1,252.7	4,555.0			.
Insurance technical reserves		33.9	332.5	66.9	0.8	5,512.4	0.4	
Other accounts payable and financial derivatives		638.6	2,951.4	1,061.6	215.9	207.5	384.7	461.2
Net financial worth [1]	-1,528.0	11,274.5	-8,982.7	828.4	242.6	-153.0	-4,737.8	

Source: ECB.

3.2 Euro area non-financial accounts

(EUR billions; four-quarter cumulated flows)

Uses	2005	2006	2007	2007 Q4-2008 Q3	2008 Q1-2008 Q4	2008 Q2-2009 Q1	2008 Q3-2009 Q2	2008 Q4-2009 Q3
Generation of income account								
Gross value added (basic prices)								
Taxes less subsidies on products								
Gross domestic product (market prices)								
Compensation of employees	3,906.7	4,069.1	4,255.2	4,398.2	4,432.2	4,439.1	4,438.1	4,431.2
Other taxes less subsidies on production	129.8	128.6	136.7	135.2	131.7	129.7	123.0	119.6
Consumption of fixed capital	1,189.4	1,249.9	1,317.8	1,366.8	1,381.4	1,393.0	1,401.5	1,408.3
Net operating surplus and mixed income [1]	2,068.2	2,185.9	2,329.6	2,376.9	2,355.4	2,289.8	2,206.6	2,158.9
Allocation of primary income account								
Net operating surplus and mixed income								
Compensation of employees								
Taxes less subsidies on production								
Property income	2,585.6	3,012.8	3,584.1	3,859.6	3,861.8	3,749.6	3,516.9	3,254.5
Interest	1,344.5	1,643.2	2,057.2	2,298.0	2,308.2	2,220.5	2,062.8	1,849.9
Other property income	1,241.1	1,369.6	1,526.9	1,561.6	1,553.7	1,529.1	1,454.1	1,404.7
Net national income [1]	6,968.7	7,321.1	7,697.3	7,818.5	7,801.2	7,718.7	7,626.4	7,566.1
Secondary distribution of income account								
Net national income								
Current taxes on income, wealth, etc.	935.9	1,028.2	1,111.8	1,142.3	1,124.2	1,112.9	1,075.1	1,044.8
Social contributions	1,477.8	1,540.5	1,596.3	1,646.3	1,661.6	1,669.6	1,670.5	1,674.3
Social benefits other than social transfers in kind	1,505.5	1,553.2	1,597.4	1,648.4	1,666.2	1,690.0	1,721.3	1,752.8
Other current transfers	712.0	723.6	753.2	782.7	790.5	784.7	775.8	765.7
Net non-life insurance premiums	179.6	179.9	184.2	188.3	189.1	186.4	182.7	178.0
Non-life insurance claims	180.5	180.2	184.1	188.7	190.2	187.4	183.4	178.5
Other	351.9	363.4	384.8	405.7	411.3	410.8	409.8	409.1
Net disposable income [1]	6,882.3	7,228.9	7,602.8	7,716.3	7,696.1	7,614.4	7,522.3	7,460.8
Use of income account								
Net disposable income								
Final consumption expenditure	6,355.0	6,631.4	6,892.3	7,117.3	7,155.1	7,165.3	7,160.8	7,156.4
Individual consumption expenditure	5,690.2	5,946.3	6,181.5	6,376.9	6,405.7	6,405.4	6,393.7	6,382.6
Collective consumption expenditure	664.8	685.1	710.8	740.3	749.4	759.9	767.1	773.8
Adjustment for the change in the net equity of households in pension fund reserves	60.8	62.9	59.8	64.5	65.3	65.3	64.7	63.0
Net saving [1]	527.6	597.7	710.6	599.1	541.0	449.1	361.5	304.4
Capital account								
Net saving								
Gross capital formation	1,716.2	1,876.5	2,021.2	2,073.7	2,065.2	1,998.6	1,900.2	1,819.5
Gross fixed capital formation	1,708.1	1,852.5	1,993.0	2,046.8	2,027.8	1,975.0	1,903.4	1,842.9
Changes in inventories and acquisitions less disposals of valuables	8.1	24.0	28.2	26.9	37.4	23.6	-3.1	-23.4
Consumption of fixed capital								
Acquisitions less disposals of non-produced non-financial assets	-0.4	-0.4	-1.1	0.2	0.7	1.1	0.7	0.4
Capital transfers	183.6	170.0	151.2	163.8	164.6	161.8	169.3	168.1
Capital taxes	24.4	22.5	24.3	24.2	23.8	23.6	28.6	29.0
Other capital transfers	159.2	147.4	126.9	139.6	140.7	138.2	140.7	139.1
Net lending (+)/net borrowing (-) (from capital account) [1]	14.3	-13.9	23.1	-94.9	-132.6	-149.1	-129.4	-98.4

Sources: ECB and Eurostat.

1) For details of 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	2005	2006	2007	2007 Q4-2008 Q3	2008 Q1-2008 Q4	2008 Q2-2009 Q1	2008 Q3-2009 Q2	2008 Q4-2009 Q3
Generation of income account								
Gross value added (basic prices)	7,294.1	7,633.5	8,039.2	8,277.2	8,300.6	8,251.6	8,169.2	8,118.1
Taxes less subsidies on products	845.2	913.8	959.4	953.6	947.2	929.6	912.0	899.6
Gross domestic product (market prices)[2]	8,139.3	8,547.3	8,998.6	9,230.8	9,247.8	9,181.3	9,081.3	9,017.7
Compensation of employees								
Other taxes less subsidies on production								
Consumption of fixed capital								
Net operating surplus and mixed income								
Allocation of primary income account								
Net operating surplus and mixed income	2,068.2	2,185.9	2,329.6	2,376.9	2,355.4	2,289.8	2,206.6	2,158.9
Compensation of employees	3,913.9	4,076.6	4,263.3	4,406.6	4,440.6	4,447.3	4,446.3	4,439.4
Taxes less subsidies on production	988.2	1,054.0	1,103.2	1,094.8	1,084.5	1,064.9	1,042.2	1,028.6
Property income	2,584.0	3,017.4	3,585.4	3,799.8	3,782.5	3,666.3	3,448.3	3,193.7
Interest	1,319.1	1,613.7	2,016.3	2,240.7	2,250.8	2,161.2	2,004.9	1,792.3
Other property income	1,264.9	1,403.7	1,569.0	1,559.1	1,531.7	1,505.1	1,443.4	1,401.4
Net national income								
Secondary distribution of income account								
Net national income	6,968.7	7,321.1	7,697.3	7,818.5	7,801.2	7,718.7	7,626.4	7,566.1
Current taxes on income, wealth, etc.	939.5	1,032.9	1,119.2	1,150.6	1,132.5	1,121.0	1,081.6	1,050.5
Social contributions	1,477.0	1,539.8	1,595.5	1,645.8	1,661.0	1,668.8	1,669.5	1,673.4
Social benefits other than social transfers in kind	1,497.9	1,545.2	1,588.4	1,639.9	1,658.0	1,681.9	1,713.4	1,745.1
Other current transfers	630.4	635.5	661.0	681.1	685.9	681.2	674.0	663.3
Net non-life insurance premiums	180.5	180.2	184.1	188.7	190.2	187.4	183.4	178.5
Non-life insurance claims	178.3	177.1	181.5	185.5	186.5	183.7	179.9	175.2
Other	271.6	278.2	295.4	306.9	309.2	310.0	310.7	309.5
Net disposable income								
Use of income account								
Net disposable income	6,882.3	7,228.9	7,602.8	7,716.3	7,696.1	7,614.4	7,522.3	7,460.8
Final consumption expenditure								
Individual consumption expenditure								
Collective consumption expenditure								
Adjustment for the change in the net equity of households in pension fund reserves	61.0	63.1	60.0	64.6	65.3	65.3	64.7	63.0
Net saving								
Capital account								
Net saving	527.6	597.7	710.6	599.1	541.0	449.1	361.5	304.4
Gross capital formation								
Gross fixed capital formation								
Changes in inventories and acquisitions less disposals of valuables								
Consumption of fixed capital	1,189.4	1,249.9	1,317.8	1,366.8	1,381.4	1,393.0	1,401.5	1,408.3
Acquisitions less disposals of non-produced non-financial assets								
Capital transfers	196.7	184.5	165.9	177.0	175.5	170.2	177.8	176.9
Capital taxes	24.4	22.5	24.3	24.2	23.8	23.6	28.6	29.0
Other capital transfers	172.3	161.9	141.6	152.7	151.6	146.7	149.2	147.9
Net lending (+)/net borrowing (-) (from capital account)								

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

3.3 Households

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

	2005	2006	2007	2007 Q4-2008 Q3	2008 Q1-2008 Q4	2008 Q2-2009 Q1	2008 Q3-2009 Q2	2008 Q4-2009 Q3
Income, saving and changes in net worth								
Compensation of employees (+)	3,913.9	4,076.6	4,263.3	4,406.6	4,440.6	4,447.3	4,446.3	4,439.4
Gross operating surplus and mixed income (+)	1,338.0	1,414.2	1,497.8	1,544.2	1,550.3	1,543.7	1,530.7	1,519.8
Interest receivable (+)	225.5	261.7	305.1	336.3	336.7	324.2	300.7	270.0
Interest payable (-)	130.5	163.4	208.9	233.9	233.0	216.5	190.9	161.1
Other property income receivable (+)	702.8	748.3	792.9	808.4	798.8	793.2	768.7	753.9
Other property income payable (-)	9.5	9.8	9.9	9.9	9.9	10.0	10.1	10.2
Current taxes on income and wealth (-)	741.7	794.3	851.6	889.3	891.8	889.1	875.8	869.3
Net social contributions (-)	1,473.8	1,536.5	1,592.1	1,641.9	1,657.2	1,665.2	1,666.0	1,669.8
Net social benefits (+)	1,492.6	1,539.7	1,582.8	1,634.1	1,652.2	1,676.0	1,707.6	1,739.2
Net current transfers receivable (+)	66.3	66.4	68.9	69.8	71.0	72.8	76.1	79.1
= Gross disposable income	5,383.6	5,602.8	5,848.3	6,024.4	6,057.6	6,076.4	6,087.2	6,091.0
Final consumption expenditure (-)	4,690.7	4,898.2	5,088.6	5,247.2	5,261.6	5,245.2	5,221.5	5,196.7
Changes in net worth in pension funds (+)	60.6	62.7	59.5	64.1	64.9	64.8	64.3	62.6
= Gross saving	753.5	767.4	819.3	841.3	860.8	896.0	929.9	956.8
Consumption of fixed capital (-)	325.6	344.7	365.4	380.2	383.7	386.5	388.7	390.5
Net capital transfers receivable (+)	24.0	18.7	12.4	14.9	15.3	15.1	16.0	18.0
Other changes in net worth [1] (+)	480.3	508.8	72.3	-1,196.8	-1,612.1	-1,222.9	-650.1	105.5
= Changes in net worth [1]	932.2	950.1	538.6	-720.8	-1,119.6	-698.2	-92.8	689.9
Investment, financing and changes in net worth								
Net acquisition of non-financial assets (+)	550.4	603.2	642.4	651.9	642.3	621.7	595.4	571.1
Consumption of fixed capital (-)	325.6	344.7	365.4	380.2	383.7	386.5	388.7	390.5
Main items of financial investment (+)								
Short-term assets	206.5	305.4	424.1	428.9	435.9	381.4	283.6	194.9
Currency and deposits	246.9	284.3	349.8	392.4	437.0	397.6	335.4	257.4
Money market fund shares	-20.2	0.9	40.0	13.5	-9.1	-4.0	-24.9	-22.7
Debt securities [2]	-20.2	20.1	34.2	23.0	8.0	-12.3	-26.9	-39.8
Long-term assets	411.4	329.3	156.5	41.8	41.4	96.2	200.3	323.9
Deposits	-8.7	1.2	-26.1	-34.8	-24.7	-10.7	17.3	57.0
Debt securities	-2.4	36.2	4.5	62.3	49.0	49.6	36.6	48.8
Shares and other equity	129.9	-24.9	-87.6	-196.5	-157.6	-109.4	-30.7	28.1
Quoted and unquoted shares and other equity	63.3	-8.6	-7.9	-49.1	-11.1	7.2	37.9	49.3
Mutual fund shares	66.5	-16.3	-79.7	-147.4	-146.5	-116.5	-68.5	-21.2
Life insurance and pension fund reserves	292.6	316.8	265.7	210.8	174.7	166.7	177.1	190.0
Main items of financing (-)								
Loans	398.0	401.6	350.1	238.7	200.4	149.6	119.9	98.5
of which: From euro area MFIs	358.5	355.3	283.7	184.2	82.6	19.9	10.1	-15.8
Other changes in financial assets (+)								
Shares and other equity	425.9	469.3	53.8	-998.2	-1,352.4	-1,037.2	-601.1	-16.1
Life insurance and pension fund reserves	109.3	46.5	24.5	-183.9	-254.5	-198.1	-102.8	43.9
Remaining net flows (+)	-47.7	-57.1	-47.2	-42.5	-48.3	-26.1	40.4	61.2
= Changes in net worth [1]	932.2	950.1	538.6	-720.8	-1,119.6	-698.2	-92.8	689.9
Financial balance sheet								
Financial assets (+)								
Short-term assets	4,484.4	4,748.2	5,211.0	5,542.9	5,719.6	5,788.6	5,797.8	5,763.3
Currency and deposits	4,174.0	4,454.4	4,843.3	5,104.7	5,312.9	5,374.4	5,430.1	5,397.6
Money market fund shares	296.4	257.6	296.0	348.5	328.0	346.5	312.0	315.6
Debt securities [2]	14.0	36.1	71.6	89.7	78.6	67.7	55.8	50.2
Long-term assets	11,000.4	11,893.9	12,075.5	10,871.4	10,452.5	10,252.1	10,694.9	11,285.2
Deposits	992.7	997.0	931.3	864.6	875.9	855.5	873.3	903.3
Debt securities	1,248.0	1,289.9	1,279.2	1,306.6	1,342.4	1,353.9	1,386.3	1,425.7
Shares and other equity	4,510.5	4,994.5	4,962.3	3,823.9	3,411.3	3,208.6	3,478.9	3,846.1
Quoted and unquoted shares and other equity	3,186.5	3,594.5	3,618.4	2,766.3	2,450.5	2,283.2	2,474.6	2,750.2
Mutual fund shares	1,324.0	1,400.0	1,343.9	1,057.6	960.8	925.5	1,004.3	1,095.8
Life insurance and pension fund reserves	4,249.2	4,612.5	4,902.7	4,876.2	4,822.9	4,834.1	4,956.5	5,110.2
Remaining net assets (+)	33.5	18.2	3.5	18.2	-3.1	-23.9	-3.8	-17.4
Liabilities (-)								
Loans	4,767.9	5,181.2	5,520.2	5,667.3	5,706.7	5,698.2	5,735.3	5,756.6
of which: From euro area MFIs	4,201.0	4,553.1	4,825.5	4,938.7	4,901.1	4,878.7	4,899.0	4,916.2
= Net financial wealth	10,750.3	11,479.0	11,769.7	10,765.2	10,462.3	10,318.6	10,753.6	11,274.5

Sources: ECB and Eurostat.
1) Excluding changes in net worth which are 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 securities issued 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)

	2005	2006	2007	2007 Q4-2008 Q3	2008 Q1-2008 Q4	2008 Q2-2009 Q1	2008 Q3-2009 Q2	2008 Q4-2009 Q3
Income and saving								
Gross value added (basic prices) (+)	4,164.2	4,372.1	4,620.7	4,756.8	4,758.7	4,702.5	4,622.1	4,568.8
Compensation of employees (-)	2,471.4	2,583.9	2,711.6	2,807.3	2,828.1	2,825.5	2,817.2	2,803.0
Other taxes less subsidies on production (-)	72.8	74.7	79.9	79.6	76.6	75.2	70.2	67.2
= Gross operating surplus (+)	1,620.0	1,713.4	1,829.2	1,869.9	1,853.9	1,801.9	1,734.8	1,698.6
Consumption of fixed capital (-)	669.8	701.4	738.4	765.2	773.7	780.5	785.0	788.6
= Net operating surplus (+)	950.3	1,012.0	1,090.8	1,104.7	1,080.2	1,021.4	949.8	910.0
Property income receivable (+)	433.5	500.3	572.4	593.4	591.5	571.3	545.1	521.9
Interest receivable	141.3	169.6	199.0	225.2	227.0	216.6	200.7	181.3
Other property income receivable	292.2	330.7	373.4	368.2	364.6	354.8	344.4	340.5
Interest and rents payable (-)	236.2	284.2	345.7	396.3	402.5	384.1	353.5	313.4
= Net entrepreneurial income (+)	1,147.5	1,228.1	1,317.5	1,301.8	1,269.3	1,208.6	1,141.3	1,118.5
Distributed income (-)	857.6	925.7	986.3	1,027.4	1,023.1	1,016.4	988.4	959.2
Taxes on income and wealth payable (-)	149.1	189.8	212.1	212.8	195.4	188.6	167.9	146.8
Social contributions receivable (+)	72.8	74.9	64.3	64.9	65.5	65.6	66.2	66.7
Social benefits payable (-)	60.7	60.6	61.7	62.7	63.0	63.0	63.2	63.3
Other net transfers (-)	61.4	65.8	55.9	58.9	59.3	59.5	60.5	62.4
= Net saving	91.5	61.1	65.7	4.8	-6.0	-53.3	-72.5	-46.6
Investment, financing and saving								
Net acquisition of non-financial assets (+)	255.1	315.1	367.1	373.7	360.2	305.4	223.3	162.6
Gross fixed capital formation (+)	915.8	990.6	1,078.9	1,114.5	1,098.7	1,063.9	1,013.5	975.8
Consumption of fixed capital (-)	669.8	701.4	738.4	765.2	773.7	780.5	785.0	788.6
Net acquisition of other non-financial assets (+)	9.1	25.9	26.6	24.4	35.3	22.0	-5.2	-24.6
Main items of financial investment (+)								
Short-term assets	128.9	159.0	156.7	86.5	41.7	-17.6	19.4	57.0
Currency and deposits	113.7	146.3	154.4	89.4	15.6	-5.3	9.8	37.2
Money market fund shares	8.3	2.5	-19.1	6.6	30.6	27.7	33.0	43.3
Debt securities [1]	6.9	10.1	21.4	-9.6	-4.5	-40.0	-23.4	-23.5
Long-term assets	400.5	525.9	718.3	677.4	671.3	671.7	555.6	429.3
Deposits	30.8	31.0	11.3	14.7	9.2	19.2	29.5	18.5
Debt securities	-34.9	4.8	-38.5	-50.6	-35.5	8.7	-39.2	-57.4
Shares and other equity	241.3	288.9	428.8	396.3	380.7	385.6	342.4	304.7
Other (mainly intercompany loans)	163.3	201.3	316.7	317.1	316.9	258.2	222.9	163.4
Remaining net assets (+)	103.0	120.8	156.3	20.6	9.1	-119.2	-99.9	-99.5
Main items of financing (-)								
Debt	454.8	741.8	808.0	791.8	729.1	560.9	409.3	220.1
of which: Loans from euro area MFIs	271.7	456.3	557.8	501.6	405.6	278.1	120.5	-26.3
of which: Debt securities	12.4	41.3	42.6	41.7	49.7	63.9	79.9	87.9
Shares and other equity	280.6	245.5	455.7	283.0	281.3	253.5	284.0	298.8
Quoted shares	104.5	41.5	70.3	-2.5	2.6	13.2	45.5	56.8
Unquoted shares and other equity	176.1	204.0	385.4	285.5	278.7	240.4	238.5	242.0
Net capital transfers receivable (-)	60.5	72.3	69.0	78.6	77.9	79.1	77.6	77.1
= Net saving	91.5	61.1	65.7	4.8	-6.0	-53.3	-72.5	-46.6
Financial balance sheet								
Financial assets								
Short-term assets	1,507.3	1,671.5	1,808.0	1,844.4	1,861.1	1,841.9	1,877.6	1,911.7
Currency and deposits	1,229.3	1,367.2	1,507.6	1,536.6	1,540.9	1,510.4	1,550.5	1,579.0
Money market fund shares	176.5	184.8	161.0	182.8	187.8	210.5	213.7	224.4
Debt securities [1]	101.5	119.5	139.4	125.0	132.4	121.0	113.4	108.3
Long-term assets	8,790.3	10,140.7	10,942.8	9,971.7	9,299.4	9,057.0	9,492.3	10,143.2
Deposits	116.5	151.6	184.2	174.9	186.5	183.6	182.1	180.6
Debt securities	283.1	287.7	238.2	168.2	192.5	173.9	122.5	131.4
Shares and other equity	6,426.6	7,562.3	8,082.9	6,951.5	6,168.2	5,880.3	6,346.3	6,982.3
Other (mainly intercompany loans)	1,964.1	2,139.1	2,437.4	2,677.1	2,752.3	2,819.2	2,841.3	2,848.9
Remaining net assets	278.2	326.9	400.4	410.7	389.4	339.3	345.8	367.0
Liabilities								
Debt	7,196.3	7,868.7	8,642.6	9,220.2	9,379.3	9,468.8	9,512.7	9,475.6
of which: Loans from euro area MFIs	3,529.2	3,984.9	4,530.9	4,863.9	4,929.5	4,911.1	4,886.3	4,810.9
of which: Debt securities	684.4	703.6	706.8	736.5	757.2	776.0	805.5	834.5
Shares and other equity	11,177.7	13,131.7	14,219.3	11,697.1	10,606.5	9,947.1	10,694.2	11,878.2
Quoted shares	3,673.4	4,438.5	4,902.6	3,385.1	2,823.8	2,480.6	2,802.8	3,269.2
Unquoted shares and other equity	7,504.3	8,693.2	9,316.7	8,312.0	7,782.7	7,466.5	7,891.4	8,609.1

Sources: ECB and Eurostat.

1) Securities issued by MFIs with a maturity of less than two years and securities issued 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)

	2005	2006	2007	2007 Q4-2008 Q3	2008 Q1-2008 Q4	2008 Q2-2009 Q1	2008 Q3-2009 Q2	2008 Q4-2009 Q3
Financial account, financial transactions								
Main items of financial investment (+)								
Short-term assets	25.5	67.5	92.2	90.7	106.7	54.9	38.6	21.1
Currency and deposits	7.2	10.6	6.4	32.4	57.0	18.2	12.5	0.0
Money market fund shares	-0.5	3.6	3.1	21.7	20.3	16.8	9.4	6.6
Debt securities [1]	18.8	53.3	82.7	36.6	29.5	19.9	16.8	14.6
Long-term assets	282.5	310.8	201.3	133.6	108.9	96.5	133.6	185.2
Deposits	17.5	72.8	49.6	6.2	2.2	9.2	9.3	17.8
Debt securities	132.1	128.9	77.5	81.2	64.1	78.9	42.0	51.8
Loans	-4.7	-2.0	-14.2	16.0	25.1	-1.5	12.1	11.6
Quoted shares	31.1	-2.7	-1.8	-10.8	-15.7	-13.2	-16.5	-85.4
Unquoted shares and other equity	18.8	27.4	27.0	27.3	28.7	22.0	14.7	1.6
Mutual fund shares	87.6	86.5	63.2	13.7	4.4	1.2	72.2	187.7
Remaining net assets (+)	-5.9	4.7	-22.7	13.6	39.0	17.5	33.0	14.2
Main items of financing (-)								
Debt securities	-0.4	5.7	3.9	5.4	9.3	9.9	7.0	7.3
Loans	10.2	43.2	3.9	-12.3	22.4	0.1	13.0	9.9
Shares and other equity	10.4	9.6	1.8	-9.4	-0.6	2.9	2.8	5.3
Insurance technical reserves	335.3	324.4	290.7	238.5	182.1	165.2	177.4	190.4
Net equity of households in life insurance and pension fund reserves	291.6	318.1	286.9	221.1	174.1	160.1	171.9	186.6
Prepayments of insurance premiums and reserves for outstanding claims	43.8	6.2	3.9	17.4	8.0	5.0	5.6	3.8
= Changes in net financial worth due to transactions	-53.5	0.0	-29.5	15.7	41.3	-9.2	5.0	7.5
Other changes account								
Other changes in financial assets (+)								
Shares and other equity	188.8	174.5	8.7	-413.8	-542.3	-427.6	-284.9	-66.2
Other net assets	75.5	-36.3	-54.7	-15.9	23.3	-9.8	52.5	78.5
Other changes in liabilities (-)								
Shares and other equity	122.8	39.6	-36.3	-145.2	-185.6	-190.4	-124.1	-52.6
Insurance technical reserves	141.8	51.2	22.5	-186.8	-247.4	-194.9	-98.5	50.5
Net equity of households in life insurance and pension fund reserves	150.8	47.7	22.6	-179.9	-247.4	-190.7	-95.2	52.1
Prepayments of insurance premiums and reserves for outstanding claims	-9.1	3.5	0.0	-6.9	0.0	-4.2	-3.3	-1.6
= Other changes in net financial worth	-0.4	47.4	-32.2	-97.6	-86.1	-52.1	-9.9	14.4
Financial balance sheet								
Financial assets (+)								
Short-term assets	435.3	511.0	596.3	668.0	707.8	717.3	705.6	692.0
Currency and deposits	146.6	156.6	163.1	188.4	222.9	214.7	198.5	192.7
Money market fund shares	75.6	81.6	82.5	99.0	100.2	113.0	103.7	104.9
Debt securities [1]	213.1	272.7	350.6	380.6	384.6	389.6	403.5	394.4
Long-term assets	4,702.8	5,126.3	5,288.1	5,047.0	4,865.5	4,814.1	4,986.4	5,208.5
Deposits	514.8	589.9	634.3	637.6	637.4	646.3	647.9	652.4
Debt securities	1,784.6	1,855.2	1,885.3	1,965.2	1,956.6	1,992.7	1,995.1	2,063.1
Loans	413.3	407.8	395.9	414.8	421.3	420.5	425.0	425.0
Quoted shares	631.1	713.8	707.4	516.9	405.6	370.4	426.0	403.6
Unquoted shares and other equity	431.5	503.1	539.4	484.1	462.5	435.5	434.0	455.6
Mutual fund shares	927.6	1,056.4	1,125.8	1,028.5	982.1	948.7	1,058.4	1,208.8
Remaining net assets (+)	179.2	206.8	176.7	190.8	226.3	228.5	238.1	237.0
Liabilities (-)								
Debt securities	21.4	35.9	35.2	36.7	43.2	42.2	40.2	41.0
Loans	196.5	236.5	237.2	247.7	263.9	263.6	267.5	259.6
Shares and other equity	627.6	676.8	642.3	524.8	456.1	397.1	423.6	477.5
Insurance technical reserves	4,583.0	4,958.6	5,271.9	5,271.5	5,206.5	5,222.9	5,353.9	5,512.4
Net equity of households in life insurance and pension fund reserves	3,896.9	4,262.7	4,572.2	4,559.9	4,498.9	4,513.6	4,641.3	4,798.7
Prepayments of insurance premiums and reserves for outstanding claims	686.1	695.9	699.7	711.5	707.6	709.3	712.6	713.7
= Net financial wealth	-111.1	-63.7	-125.4	-174.9	-170.2	-165.9	-155.0	-153.0

Source: ECB.

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

4 FINANCIAL MARKETS

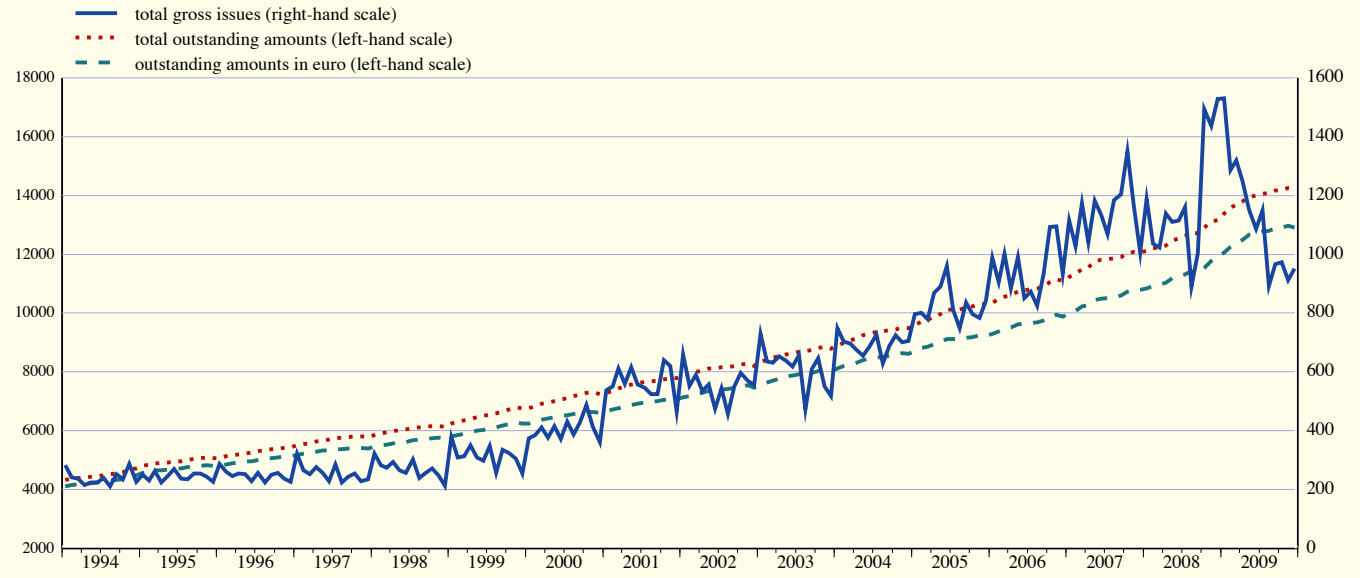
4.1 Securities other than shares by original maturity, residency of the issuer and currency

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

	Total in euro [1]			By euro area residents								
				In euro			In all currencies					
	Outstanding amounts	Gross issues	Net issues	Outstanding amounts	Gross issues	Net issues	Outstanding amounts	Gross issues	Net issues	Annual growth rates	Seasonally adjusted [2]	
											Net issues	6-month growth rates
	1	2	3	4	5	6	7	8	9	10	11	12
	Total											
2008 Dec.	14,144.7	1,538.9	189.7	11,921.8	1,450.3	156.7	13,175.3	1,527.6	143.5	9.5	229.7	13.1
2009 Jan.	14,243.3	1,500.6	94.0	12,061.1	1,451.4	135.7	13,376.1	1,530.1	145.1	10.1	103.1	13.0
Feb.	14,436.5	1,260.2	190.8	12,248.2	1,200.9	184.9	13,580.5	1,286.4	204.4	11.0	157.1	13.1
Mar.	14,608.6	1,318.1	170.6	12,384.4	1,229.9	134.7	13,686.2	1,318.7	150.1	11.9	134.6	15.2
Apr.	14,685.5	1,233.7	79.5	12,484.1	1,167.4	102.4	13,797.6	1,247.9	109.0	12.0	91.1	14.6
May	14,893.7	1,160.0	208.1	12,658.3	1,070.7	174.2	13,940.6	1,151.2	173.1	12.1	113.2	13.1
June	14,983.3	1,088.9	89.1	12,718.2	1,006.8	59.1	14,005.4	1,087.0	68.8	11.9	87.4	10.6
July	15,012.0	1,124.3	31.5	12,771.1	1,069.6	55.7	14,068.9	1,148.8	67.3	11.7	101.1	10.5
Aug.	15,061.4	883.2	48.4	12,801.6	827.4	29.6	14,089.8	893.4	22.9	11.0	61.0	8.9
Sep.	15,168.8	965.5	106.3	12,882.1	882.3	79.3	14,161.7	966.1	83.5	12.0	144.9	9.0
Oct.	15,163.4	950.5	-4.7	12,905.4	900.9	24.0	14,185.2	972.3	26.8	10.9	1.1	7.5
Nov.	15,219.2	888.4	56.1	12,963.5	846.1	58.2	14,247.2	911.9	67.1	9.7	43.2	6.4
Dec.	15,169.6	929.5	-51.2	12,914.8	876.0	-50.3	14,227.0	951.1	-46.6	8.1	32.9	5.6
	Long-term											
2008 Dec.	12,576.8	363.6	180.2	10,500.5	329.1	173.2	11,584.7	340.9	154.2	7.3	165.9	9.7
2009 Jan.	12,653.1	291.6	74.1	10,590.0	276.8	88.3	11,718.9	300.3	88.9	8.1	115.4	10.5
Feb.	12,823.4	301.5	169.2	10,752.3	270.5	161.4	11,892.3	297.6	173.5	9.2	136.3	10.6
Mar.	13,003.8	319.9	150.6	10,922.7	280.3	140.6	12,027.1	301.9	141.8	10.3	139.1	13.2
Apr.	13,079.8	292.3	79.2	10,990.7	257.5	71.3	12,105.0	276.4	74.7	10.3	71.4	14.0
May	13,283.0	339.2	204.3	11,160.9	281.4	171.4	12,256.0	301.8	175.6	10.6	112.9	13.3
June	13,403.6	313.2	119.0	11,269.6	274.6	106.7	12,383.8	308.5	126.9	10.8	99.7	11.9
July	13,427.1	269.3	25.8	11,299.5	247.9	32.4	12,422.1	272.8	41.3	10.8	82.5	11.2
Aug.	13,484.2	131.6	56.9	11,341.5	109.0	41.8	12,462.6	121.9	46.0	10.5	94.2	10.3
Sep.	13,558.6	223.6	72.1	11,418.3	197.0	74.4	12,528.1	222.6	74.7	11.5	120.2	9.9
Oct.	13,620.4	244.4	60.2	11,476.0	215.9	56.2	12,582.3	235.3	58.0	11.7	55.2	9.6
Nov.	13,707.9	199.5	86.5	11,559.4	178.8	82.3	12,662.5	193.9	85.4	10.8	51.7	8.4
Dec.	13,678.6	156.3	-29.4	11,539.1	140.8	-20.4	12,658.1	153.5	-23.9	9.2	-20.2	6.3

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

(EUR billions)



Sources: ECB and BIS (for issues by non-euro area residents).
1) Total euro-denominated securities other than shares issued by euro area residents and non-euro area residents.
2) For details of the calculation of the growth rates, see the Technical Notes. The six-month growth rates have been annualised.

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

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

1. Outstanding amounts and gross issues

	Outstanding amounts						Gross issues [1]					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government
	1	2	3	4	5	6	7	8	9	10	11	12
	Total											
2008	13,175	5,272	1,924	701	4,937	340	1,177	816	75	100	162	24
2009	14,227	5,376	2,185	797	5,496	373	1,122	738	56	85	221	22
2009 Q1	13,686	5,396	2,032	723	5,191	343	1,378	922	78	92	250	35
Q2	14,005	5,437	2,111	757	5,348	351	1,162	749	62	90	241	20
Q3	14,162	5,431	2,136	785	5,452	358	1,003	652	43	84	212	12
Q4	14,227	5,376	2,185	797	5,496	373	945	629	42	72	182	20
2009 Sep.	14,162	5,431	2,136	785	5,452	358	966	610	30	83	230	14
Oct.	14,185	5,382	2,148	793	5,498	363	972	599	44	79	229	21
Nov.	14,247	5,389	2,159	796	5,537	366	912	590	37	69	197	20
Dec.	14,227	5,376	2,185	797	5,496	373	951	700	46	68	119	18
	Short-term											
2008	1,591	822	62	116	566	25	961	722	27	92	101	19
2009	1,569	733	32	70	713	21	873	639	13	68	137	15
2009 Q1	1,659	839	42	98	663	18	1,078	806	17	74	154	27
Q2	1,622	785	37	85	699	16	866	631	14	69	139	13
Q3	1,634	751	31	82	752	19	797	569	10	71	139	8
Q4	1,569	733	32	70	713	21	751	552	10	60	116	13
2009 Sep.	1,634	751	31	82	752	19	744	525	11	63	134	11
Oct.	1,603	710	35	79	760	18	737	513	14	62	134	13
Nov.	1,585	706	34	74	751	19	718	515	9	58	121	15
Dec.	1,569	733	32	70	713	21	798	627	8	59	91	12
	Long-term [2]											
2008	11,585	4,451	1,862	585	4,371	316	216	95	48	8	61	4
2009	12,658	4,643	2,152	726	4,784	353	249	99	43	16	84	6
2009 Q1	12,027	4,558	1,991	625	4,529	325	300	116	61	18	96	8
Q2	12,384	4,652	2,074	673	4,650	335	296	119	48	21	102	7
Q3	12,528	4,680	2,105	703	4,700	339	206	83	33	14	72	4
Q4	12,658	4,643	2,152	726	4,784	353	194	77	32	12	66	6
2009 Sep.	12,528	4,680	2,105	703	4,700	339	223	85	19	20	95	2
Oct.	12,582	4,672	2,113	714	4,739	345	235	85	29	17	95	8
Nov.	12,662	4,683	2,125	721	4,786	348	194	75	28	11	76	5
Dec.	12,658	4,643	2,152	726	4,784	353	154	72	38	9	28	6
	of which: Long-term fixed rate											
2008	7,615	2,327	635	448	3,955	250	120	49	9	6	53	3
2009	8,533	2,549	780	595	4,338	271	172	60	18	16	74	4
2009 Q1	7,934	2,395	701	491	4,094	253	208	72	27	18	86	5
Q2	8,249	2,493	747	539	4,211	260	210	72	23	20	90	5
Q3	8,376	2,528	768	569	4,251	259	139	49	14	13	61	3
Q4	8,533	2,549	780	595	4,338	271	131	45	10	12	59	5
2009 Sep.	8,376	2,528	768	569	4,251	259	174	55	13	20	86	1
Oct.	8,437	2,536	768	581	4,289	264	169	56	8	17	83	5
Nov.	8,508	2,550	774	589	4,329	265	142	47	13	11	68	2
Dec.	8,533	2,549	780	595	4,338	271	82	33	7	8	27	6
	of which: Long-term variable rate											
2008	3,477	1,725	1,198	127	363	64	81	36	38	1	5	1
2009	3,601	1,678	1,347	121	374	81	61	27	24	1	6	2
2009 Q1	3,586	1,758	1,264	124	369	70	75	32	34	0	5	3
Q2	3,615	1,741	1,301	124	374	74	65	30	24	1	7	2
Q3	3,612	1,726	1,312	123	372	79	49	21	18	0	7	1
Q4	3,601	1,678	1,347	121	374	81	54	26	22	1	5	2
2009 Sep.	3,612	1,726	1,312	123	372	79	27	16	5	1	5	1
Oct.	3,602	1,711	1,319	123	369	80	57	24	21	1	8	3
Nov.	3,609	1,708	1,325	122	373	81	42	21	14	0	5	2
Dec.	3,601	1,678	1,347	121	374	81	64	32	30	1	1	0

Source: ECB.

1) Monthly data on gross issues refer to transactions during the month. For the purposes of comparison, quarterly and annual data refer to the respective monthly averages.

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

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

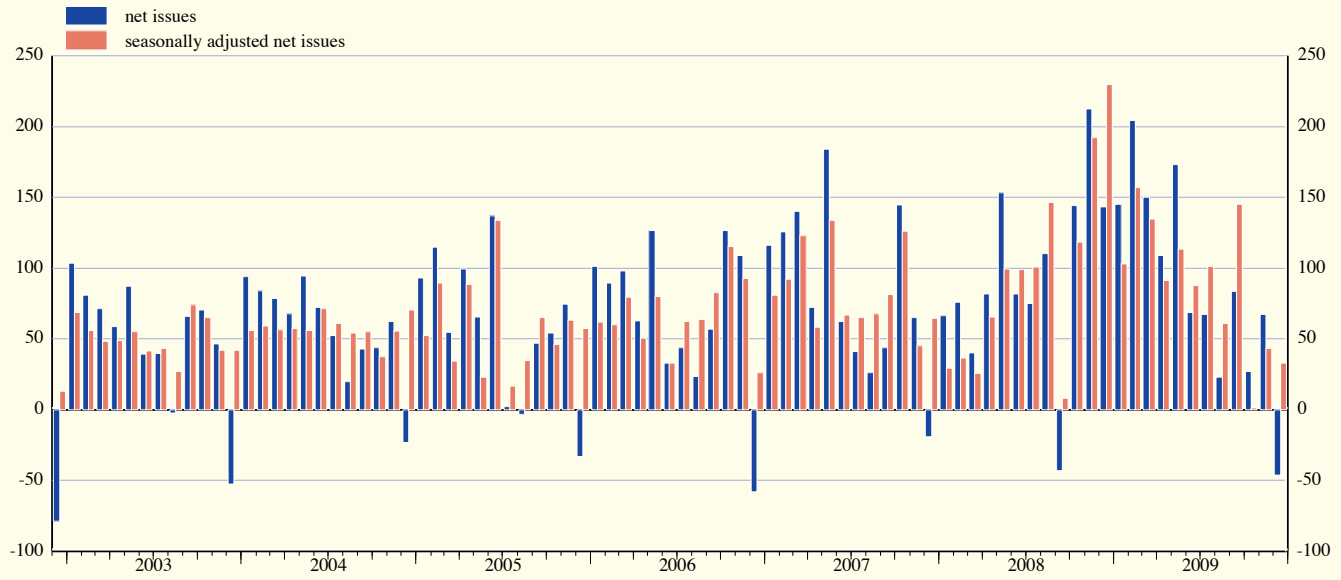
(EUR billions unless otherwise indicated; transactions during the period; nominal values)

2. Net issues

	Non-seasonally adjusted [1]						Seasonally adjusted [1]					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government
	1	2	3	4	5	6	7	8	9	10	11	12
	Total											
2008	95.1	23.1	34.9	4.3	31.7	1.1	95.8	23.3	34.1	4.4	33.1	1.0
2009	89.3	9.9	21.8	8.0	46.8	2.8	89.2	9.7	21.3	7.7	47.7	2.8
2009 Q1	166.5	39.8	35.0	7.0	83.9	0.9	131.6	20.3	45.0	5.2	58.7	2.4
Q2	117.0	21.8	27.1	11.5	53.8	2.8	97.2	21.2	26.8	7.4	39.0	2.8
Q3	57.9	0.4	9.7	10.1	35.4	2.3	102.3	9.9	29.0	12.8	47.1	3.5
Q4	15.8	-22.4	15.5	3.4	14.2	5.1	25.7	-12.7	-15.6	5.4	46.1	2.5
2009 Sep.	83.5	-7.6	-1.7	18.2	71.0	3.7	144.9	16.1	30.8	21.9	70.3	5.7
Oct.	26.8	-47.8	12.9	8.9	47.3	5.5	1.1	-73.0	-8.0	7.0	71.3	3.9
Nov.	67.1	8.8	12.7	3.0	39.7	2.8	43.2	11.5	3.5	2.6	25.2	0.4
Dec.	-46.6	-28.3	20.9	-1.9	-44.4	7.1	32.9	23.5	-42.2	6.6	41.8	3.2
	Long-term											
2008	65.7	16.2	32.8	2.8	13.3	0.6	65.0	16.3	32.0	2.9	13.2	0.5
2009	88.6	14.9	24.3	11.8	34.5	3.1	88.2	14.9	23.8	11.8	34.6	3.1
2009 Q1	134.7	25.0	41.8	12.9	52.0	3.0	130.2	16.3	51.9	14.4	44.7	2.9
Q2	125.7	36.2	28.6	15.9	41.3	3.7	94.7	25.5	27.7	12.3	25.7	3.5
Q3	54.0	12.3	11.8	11.1	17.4	1.4	99.0	22.5	31.3	12.9	29.8	2.5
Q4	39.8	-14.1	15.0	7.2	27.4	4.4	28.9	-4.5	-15.9	7.7	38.2	3.4
2009 Sep.	74.7	-8.1	1.1	19.9	61.0	0.7	120.2	7.1	31.4	21.9	57.2	2.6
Oct.	58.0	-6.1	8.3	11.1	39.2	5.6	55.2	-9.0	-12.9	11.2	61.4	4.4
Nov.	85.4	12.9	13.7	8.3	47.8	2.7	51.7	17.4	4.3	7.7	22.1	0.2
Dec.	-23.9	-49.2	23.0	2.1	-4.8	4.9	-20.2	-22.1	-39.1	4.1	31.1	5.7

C16 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 data on net issues refer to transactions during the month. For the purposes of comparison, quarterly and annual data refer to the respective monthly averages.

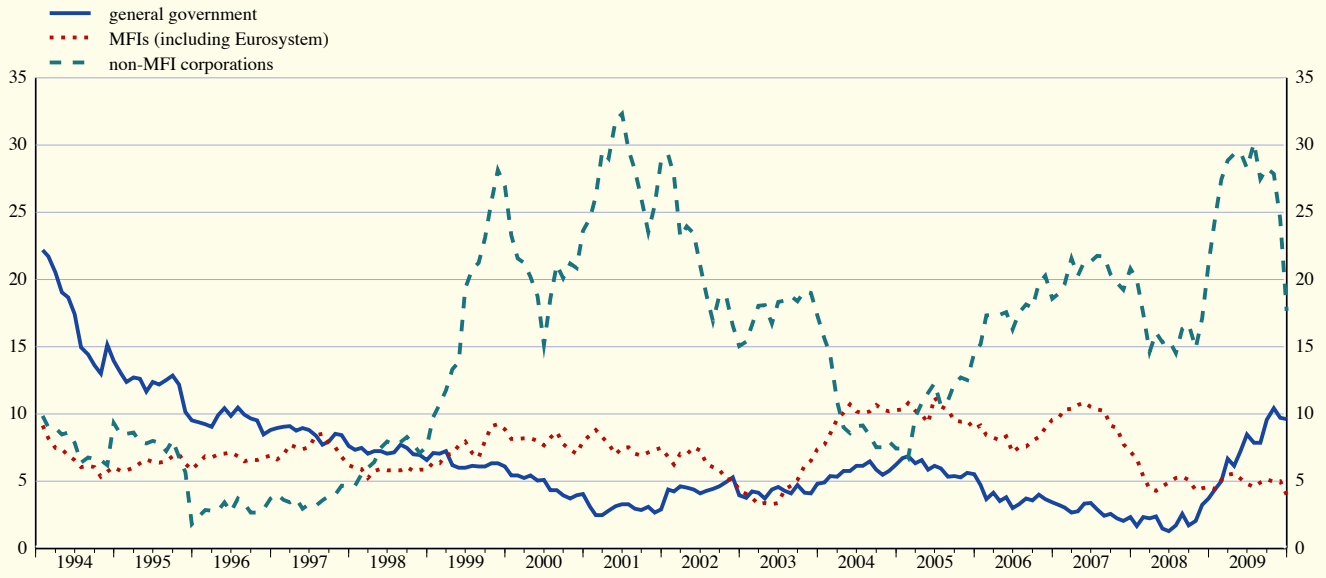
4.3 Growth rates of securities other than shares issued by euro area residents [1)]

(percentage changes)

	Annual growth rates (non-seasonally adjusted)						6-month seasonally adjusted growth rates					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government
	1	2	3	4	5	6	7	8	9	10	11	12
	Total											
2008 Dec.	9.5	5.5	27.8	7.8	8.4	4.1	13.1	4.8	35.4	12.9	15.5	9.8
2009 Jan.	10.1	5.3	30.0	7.2	9.6	5.5	13.0	3.6	37.9	12.4	16.0	8.6
Feb.	11.0	6.3	32.0	8.2	10.1	6.5	13.1	3.8	36.3	13.4	16.0	7.2
Mar.	11.9	6.4	33.2	9.1	11.6	7.9	15.2	4.8	38.0	13.1	19.8	10.0
Apr.	12.0	6.3	33.3	10.2	11.7	10.6	14.6	6.0	41.5	15.4	15.1	11.3
May	12.1	5.5	32.8	10.2	12.8	9.5	13.1	5.8	35.2	15.9	13.0	11.9
June	11.9	4.8	29.7	11.8	13.7	9.6	10.6	4.7	24.1	10.8	12.0	9.6
July	11.7	4.2	30.7	13.3	13.5	9.4	10.5	4.8	24.1	14.3	11.0	10.3
Aug.	11.0	3.5	26.9	12.9	13.4	9.0	8.9	3.2	18.5	12.5	10.7	10.8
Sep.	12.0	4.2	27.1	15.3	14.9	10.6	9.0	3.5	17.3	17.3	10.2	11.3
Oct.	10.9	3.0	26.0	16.2	13.6	10.4	7.5	0.1	12.2	17.2	12.1	9.4
Nov.	9.7	2.5	21.5	15.9	12.1	10.6	6.4	-0.7	9.4	15.9	11.3	9.3
Dec.	8.1	2.2	13.6	13.6	11.4	9.7	5.6	-0.3	3.9	15.1	10.8	10.4
	Long-term											
2008 Dec.	7.3	4.6	26.8	6.2	3.8	2.2	9.7	3.9	35.5	9.8	7.1	4.6
2009 Jan.	8.1	4.4	30.7	8.3	4.4	3.4	10.5	3.0	42.2	16.1	7.1	4.2
Feb.	9.2	5.1	33.9	10.6	5.1	3.9	10.6	3.0	40.9	19.5	7.4	3.0
Mar.	10.3	5.4	34.8	13.1	6.7	5.8	13.2	3.9	42.9	21.1	11.8	7.3
Apr.	10.3	5.6	34.7	14.8	6.0	8.7	14.0	5.2	46.7	26.1	10.0	11.8
May	10.6	5.2	34.3	16.4	7.2	8.5	13.3	5.7	39.5	30.6	9.1	14.2
June	10.8	4.8	31.6	19.1	8.4	8.4	11.9	5.6	27.8	29.1	9.8	12.6
July	10.8	4.6	33.3	21.3	7.8	8.0	11.2	6.1	25.3	26.6	8.6	12.0
Aug.	10.5	4.9	29.8	20.8	7.8	8.0	10.3	6.8	19.7	22.1	8.3	13.2
Sep.	11.5	5.1	30.1	23.3	9.6	9.3	9.9	6.4	18.7	25.4	7.5	11.4
Oct.	11.7	4.9	28.8	25.3	10.4	10.4	9.6	4.7	13.0	24.6	11.0	9.0
Nov.	10.8	5.0	23.9	26.3	9.6	10.8	8.4	4.3	10.1	22.2	10.1	7.6
Dec.	9.2	4.0	15.6	24.1	9.5	11.8	6.3	2.3	4.5	19.4	9.1	10.9

C17 Annual growth rates of long-term debt securities, by sector of the issuer, in all currencies combined

(annual percentage changes)



Source: ECB.

1) For details of the calculation of the growth rates, see the Technical Notes. The six-month growth rates have been annualised.

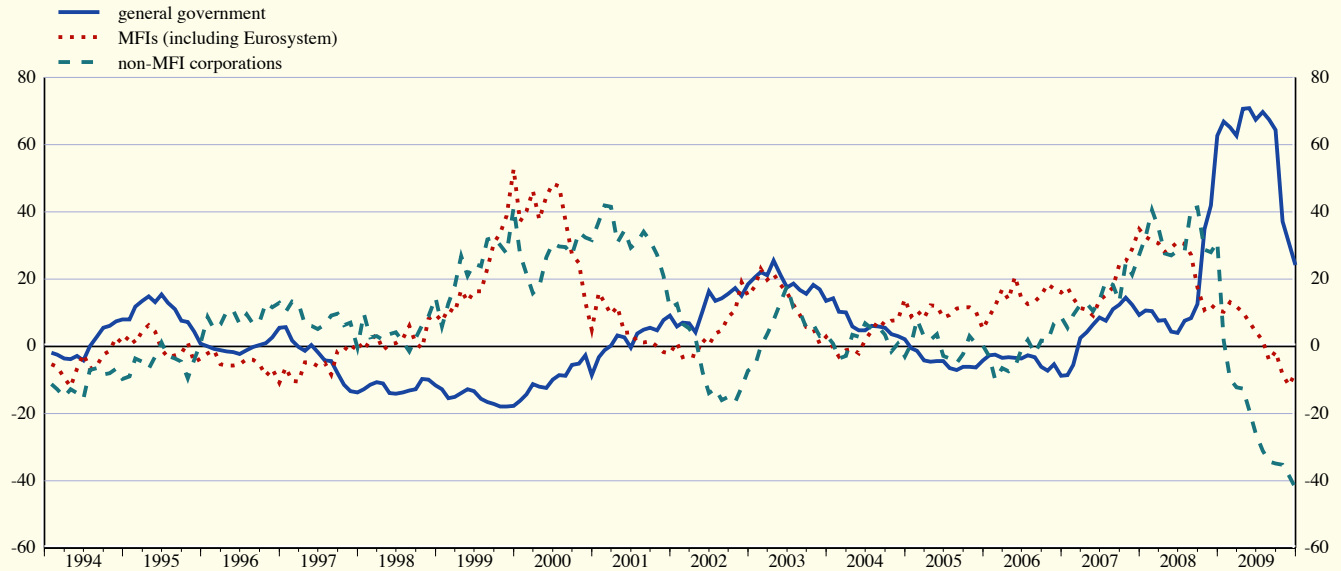
4.3 Growth rates of securities other than shares issued by euro area residents [1] (cont'd)

(percentage changes)

	Long-term fixed rate						Long-term variable rate					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government
	13	14	15	16	17	18	19	20	21	22	23	24
	In all currencies combined											
2008	3.1	4.9	5.7	4.9	1.5	1.4	12.8	5.6	33.4	7.1	7.6	3.2
2009	9.6	7.0	20.8	24.2	8.0	4.2	12.4	2.0	37.1	-2.0	0.1	20.7
2009 Q1	6.1	4.9	12.9	12.5	5.3	1.6	15.8	5.3	44.8	0.8	0.8	11.1
Q2	9.0	6.8	20.3	21.2	7.5	4.8	14.6	3.3	44.0	-1.1	-0.6	19.9
Q3	10.6	7.2	24.6	28.4	9.0	3.9	11.6	1.0	36.5	-3.2	-1.6	25.1
Q4	12.4	9.0	25.2	34.0	10.3	6.6	7.8	-1.6	25.7	-4.4	2.0	26.2
2009 July	10.4	6.7	25.8	28.6	8.6	3.9	12.4	1.5	39.2	-3.0	-2.3	23.7
Aug.	10.5	7.4	24.6	28.2	8.7	3.5	10.6	1.0	34.0	-3.7	-3.8	25.9
Sep.	11.7	8.2	24.5	31.8	10.0	4.4	11.2	0.2	34.5	-4.7	2.9	28.2
Oct.	12.7	8.5	26.0	34.3	11.1	6.4	9.5	-1.1	31.5	-4.3	1.3	26.1
Nov.	12.5	9.4	25.6	35.3	10.1	7.1	7.1	-1.8	23.7	-4.2	1.7	25.8
Dec.	12.1	9.6	23.3	32.8	9.7	8.3	2.8	-4.1	12.3	-4.8	3.0	25.2
	In euro											
2008	2.9	4.7	6.1	3.0	1.7	1.3	14.3	6.6	35.1	7.2	7.9	2.0
2009	10.1	8.9	23.1	22.6	8.2	3.6	14.7	3.9	39.4	-2.5	-0.4	21.8
2009 Q1	6.5	6.1	16.3	9.8	5.6	0.9	18.7	7.9	47.7	0.7	0.9	10.9
Q2	9.6	8.7	23.3	19.5	7.7	4.2	17.3	5.3	47.1	-1.8	-0.7	21.7
Q3	11.3	9.4	26.5	27.4	9.2	3.3	13.8	2.9	38.9	-3.8	-2.4	27.4
Q4	12.9	11.2	25.8	33.5	10.4	6.1	9.4	-0.2	26.9	-5.2	0.7	26.8
2009 July	11.0	8.8	27.8	27.4	8.9	3.3	14.8	3.4	41.8	-3.5	-3.0	25.9
Aug.	11.2	9.6	26.7	27.5	9.0	2.8	12.6	2.7	36.1	-4.2	-4.9	28.3
Sep.	12.3	10.7	25.8	30.6	10.1	3.7	13.3	2.0	36.4	-5.7	1.7	30.5
Oct.	13.3	11.0	27.2	33.6	11.2	5.7	11.4	0.6	32.9	-5.2	0.0	26.9
Nov.	13.0	11.8	26.0	34.8	10.2	6.8	8.5	-0.6	24.8	-4.9	0.4	25.9
Dec.	12.3	11.1	22.9	33.3	9.8	8.0	3.6	-3.3	12.9	-5.3	1.7	25.1

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

(annual percentage changes)



Source: ECB.

1) Annual percentage changes for monthly data refer to the end of the month, whereas those for quarterly and yearly data refer to the annual change in the period average. See the Technical Notes for details.

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

(EUR billions, unless otherwise indicated; market values)

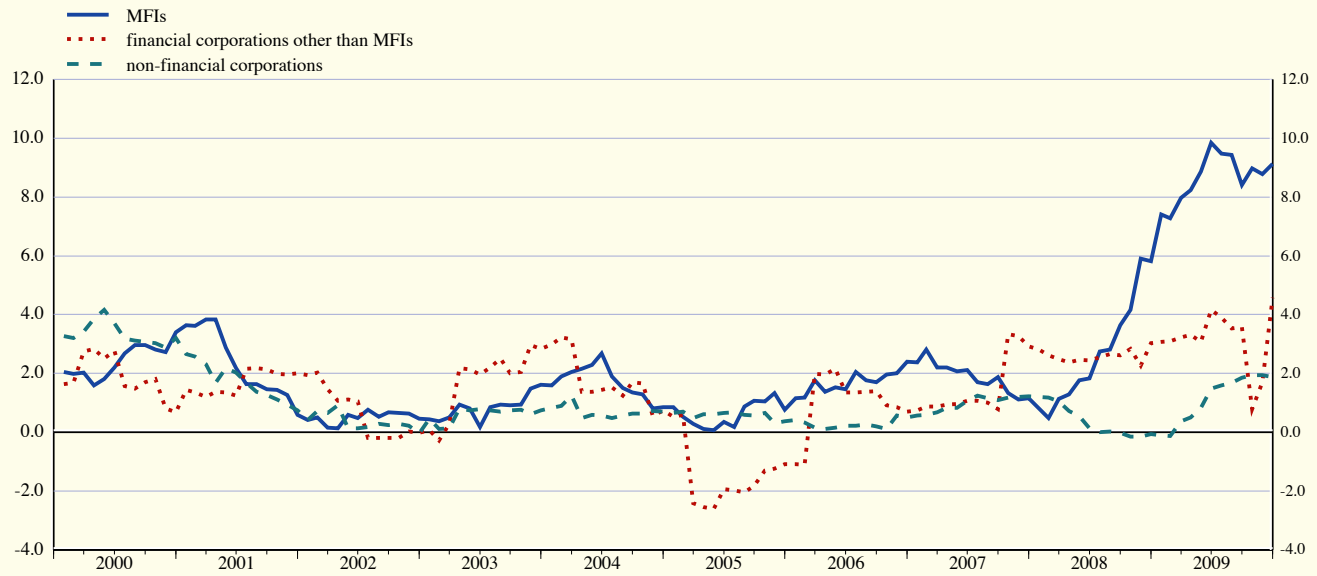
1. Outstanding amounts and annual growth rates

(outstanding amounts as at end of period)

	Total			MFIs		Financial corporations other than MFIs		Non-financial corporations	
	Total	Index: Dec. 2001 = 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 Dec.	6,588.7	104.4	1.4	1,019.0	1.2	578.4	2.9	4,991.3	1.2
2008 Jan.	5,766.2	104.4	1.3	889.8	0.8	497.0	2.8	4,379.4	1.2
Feb.	5,820.8	104.5	1.2	860.1	0.5	492.0	2.6	4,468.7	1.2
Mar.	5,567.1	104.5	1.2	860.5	1.1	501.0	2.5	4,205.6	1.1
Apr.	5,748.0	104.4	1.0	837.2	1.3	519.1	2.4	4,391.7	0.7
May	5,729.4	104.5	0.9	771.0	1.8	496.7	2.5	4,461.7	0.6
June	5,081.0	104.5	0.6	665.3	1.8	435.5	2.4	3,980.3	0.1
July	4,972.7	104.6	0.6	691.6	2.8	427.9	2.5	3,853.2	0.0
Aug.	4,999.3	104.6	0.6	665.5	2.8	438.0	2.7	3,895.7	0.0
Sep.	4,430.0	104.7	0.7	612.2	3.6	381.8	2.6	3,436.1	0.0
Oct.	3,743.8	105.0	0.7	451.9	4.2	280.2	2.8	3,011.8	-0.1
Nov.	3,489.3	105.2	0.9	394.5	5.9	265.1	2.3	2,829.7	-0.2
Dec.	3,482.6	105.4	1.0	377.0	5.8	269.1	3.0	2,836.5	-0.1
2009 Jan.	3,286.9	105.6	1.1	342.8	7.4	243.9	3.1	2,700.3	-0.1
Feb.	2,922.2	105.6	1.1	275.0	7.3	192.4	3.1	2,454.8	-0.1
Mar.	3,010.5	106.1	1.5	314.5	8.0	209.7	3.2	2,486.4	0.4
Apr.	3,435.6	106.2	1.7	412.8	8.2	256.4	3.3	2,766.4	0.5
May	3,580.6	106.5	2.0	453.2	8.9	262.3	3.1	2,865.1	0.8
June	3,530.7	107.3	2.7	448.5	9.8	257.9	4.2	2,824.3	1.5
July	3,815.2	107.5	2.7	509.4	9.5	278.3	3.9	3,027.5	1.6
Aug.	4,015.3	107.5	2.7	572.4	9.4	301.0	3.5	3,141.9	1.7
Sep.	4,181.4	107.6	2.8	593.0	8.4	327.6	3.6	3,260.7	1.9
Oct.	4,058.9	107.8	2.7	568.1	9.0	322.1	0.8	3,168.8	1.9
Nov.	4,072.5	108.1	2.7	567.6	8.8	313.5	1.7	3,191.3	1.9
Dec.	4,297.0	108.5	2.9	570.7	9.1	341.0	4.6	3,385.2	1.9

C19 Annual growth rates for quoted shares issued by euro area residents

(annual percentage changes)



Source: ECB.

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

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

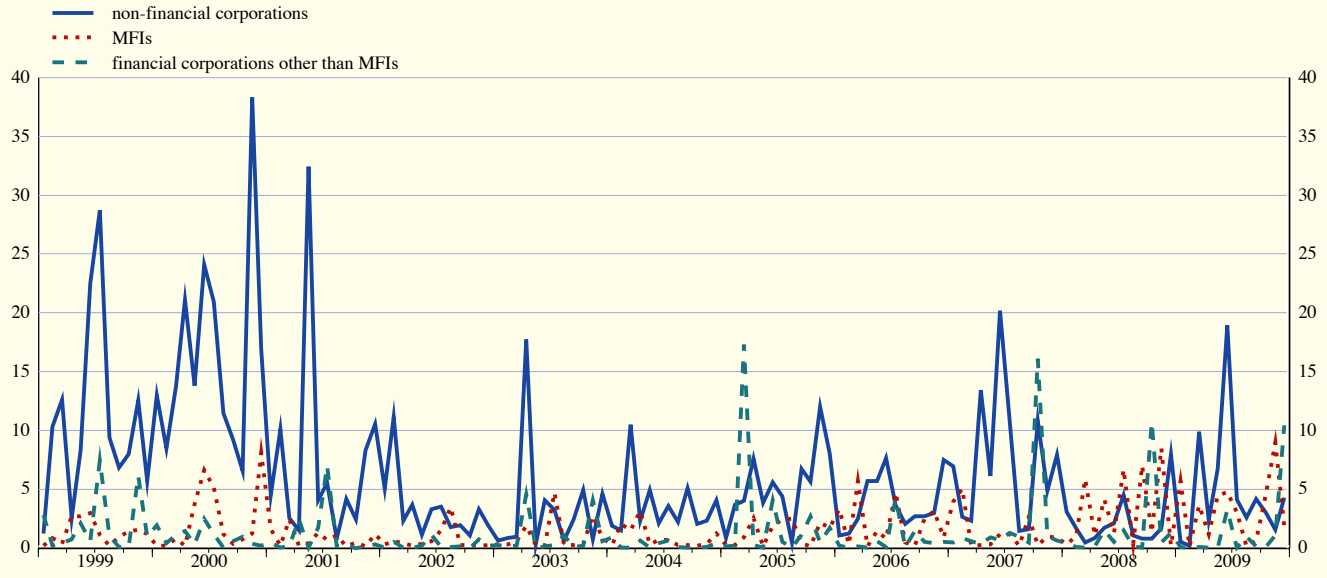
(EUR billions; market values)

2. Transactions during the month

	Total			MFIs			Financial corporations other than MFIs			Non-financial corporations		
	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues
	1	2	3	4	5	6	7	8	9	10	11	12
2007 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	2.9	5.0	7.0	0.0	7.0	0.0	0.1	-0.1	0.8	2.8	-2.0
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.	6.3	0.5	5.8	5.7	0.0	5.7	0.1	0.0	0.0	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	13.4	3.6	0.0	3.6	0.1	0.0	0.1	9.9	0.2	9.7
Apr.	3.7	0.3	3.4	1.2	0.0	1.2	0.1	0.0	0.0	2.4	0.3	2.1
May	11.2	0.3	10.9	4.4	0.0	4.4	0.0	0.0	0.0	6.7	0.3	6.5
June	27.0	2.0	25.0	4.8	0.0	4.8	3.3	0.3	3.0	18.9	1.8	17.2
July	7.2	0.2	7.0	3.0	0.0	3.0	0.0	0.0	0.0	4.1	0.2	3.9
Aug.	3.6	3.3	0.2	0.0	0.0	0.0	1.0	1.9	-0.9	2.6	1.4	1.2
Sep.	5.0	0.3	4.7	0.6	0.0	0.6	0.2	0.0	0.1	4.2	0.2	3.9
Oct.	7.6	0.3	7.4	4.5	0.0	4.5	0.1	0.0	0.1	3.0	0.2	2.8
Nov.	11.6	0.2	11.3	9.0	0.0	9.0	1.0	0.0	1.0	1.6	0.2	1.3
Dec.	16.6	0.2	16.4	1.9	0.0	1.9	10.5	0.1	10.4	4.3	0.1	4.1

C20 Gross issues of quoted shares by sector of the issuer

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



Source: ECB.

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

4.5 MFI interest rates on euro-denominated deposits from and loans to euro area residents [1]

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

1. Interest rates on deposits (new business)

	Deposits from households						Deposits from non-financial corporations				Repos
	Overnight [2]	With an agreed maturity of:			Redeemable at notice of: [2, 3]		Overnight [2]	With an agreed maturity of:			
		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
2009 Feb.	0.90	2.62	3.38	3.23	2.49	3.98	1.10	1.61	3.21	3.89	1.55
Mar.	0.80	2.24	2.94	3.07	2.31	3.87	0.93	1.36	2.96	3.30	1.23
Apr.	0.66	2.01	2.69	2.87	2.22	3.75	0.77	1.15	2.64	3.06	1.12
May	0.61	1.89	2.39	2.71	1.99	3.62	0.73	1.08	2.38	3.11	1.02
June	0.56	1.86	2.38	2.57	1.95	3.52	0.63	1.04	2.17	2.58	0.93
July	0.52	1.86	2.41	2.61	1.86	3.38	0.57	0.82	2.41	2.93	0.68
Aug.	0.50	1.72	2.32	2.64	1.64	3.23	0.55	0.71	2.06	2.93	0.57
Sep.	0.49	1.61	2.27	2.52	1.60	3.12	0.52	0.69	2.10	2.74	0.58
Oct.	0.46	1.68	2.11	2.55	1.55	2.97	0.49	0.66	1.99	2.72	0.56
Nov.	0.46	1.67	2.23	2.56	1.52	2.76	0.48	0.70	2.11	2.92	0.58
Dec.	0.45	1.67	2.31	2.40	1.53	2.45	0.47	0.77	1.99	2.53	0.64
2010 Jan.	0.43	1.74	2.30	2.53	1.47	2.23	0.45	0.72	1.93	2.51	0.53

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

	Bank overdrafts [2]	Consumer credit				Lending for house purchase					Other lending by initial rate fixation		
		By initial rate fixation			Annual percentage rate of charge [4]	By initial rate fixation				Annual percentage rate of charge [4]			
		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 and up to 10 years	Over 10 years		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9	10	11	12	13
2009 Feb.	10.15	8.06	6.65	8.49	8.35	3.97	4.54	4.80	4.89	4.60	4.08	5.03	5.16
Mar.	9.94	7.51	6.51	8.31	8.05	3.65	4.34	4.61	4.72	4.38	3.83	4.72	5.05
Apr.	9.71	7.43	6.50	8.27	8.05	3.38	4.21	4.55	4.68	4.22	3.54	4.69	4.90
May	9.62	7.87	6.44	8.17	8.08	3.22	4.15	4.50	4.58	4.12	3.60	4.71	4.90
June	9.55	7.30	6.36	8.03	7.83	3.12	4.12	4.51	4.58	4.07	3.54	4.76	4.95
July	9.31	7.67	6.49	8.04	8.02	3.03	4.09	4.54	4.54	4.02	3.35	4.77	4.91
Aug.	9.26	7.96	6.54	7.96	8.17	3.00	4.10	4.54	4.45	4.06	3.21	4.74	4.82
Sep.	9.26	7.69	6.45	7.91	8.00	2.81	4.05	4.48	4.45	3.92	3.13	4.66	4.74
Oct.	9.16	7.32	6.38	7.94	7.87	2.77	4.02	4.45	4.40	3.85	3.21	4.73	4.72
Nov.	9.07	7.03	6.29	7.87	7.76	2.71	3.97	4.46	4.32	3.78	3.16	4.57	4.66
Dec.	8.99	6.42	6.26	7.56	7.43	2.71	3.96	4.42	4.26	3.81	3.08	4.40	4.35
2010 Jan.	8.95	6.81	6.43	8.04	7.85	2.70	3.93	4.38	4.26	3.80	3.12	4.45	4.40

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

	Bank overdrafts [2]	Other loans of up to EUR 1 million by initial rate fixation			Other loans of over EUR 1 million by initial rate fixation		
		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years	Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years
	1	2	3	4	5	6	7
2009 Feb.	5.38	4.32	5.24	4.96	3.12	3.51	4.23
Mar.	5.08	4.03	5.06	4.74	2.85	3.22	3.87
Apr.	4.72	3.82	5.00	4.60	2.54	3.34	4.01
May	4.64	3.73	5.00	4.52	2.48	3.21	3.98
June	4.55	3.64	4.85	4.49	2.57	3.08	3.71
July	4.34	3.56	4.78	4.32	2.37	2.89	3.90
Aug.	4.24	3.42	4.67	4.24	2.31	2.80	3.83
Sep.	4.25	3.36	4.54	4.16	2.06	2.89	3.64
Oct.	4.18	3.33	4.49	4.18	2.14	2.73	3.64
Nov.	4.11	3.34	4.49	4.10	2.22	2.74	3.80
Dec.	4.05	3.28	4.22	3.96	2.19	3.15	3.58
2010 Jan.	4.05	3.23	4.20	3.99	2.03	2.88	3.65

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 when all participating Member States are combined.
4) The annual percentage rate of charge covers the total cost of a loan. The total cost comprises both an interest rate component and a component incorporating other (related) charges, such as the cost of inquiries, administration, preparation of documents and guarantees.

4.5 MFI interest rates on euro-denominated deposits from and loans to euro area residents [1)]

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

4. Interest rates on deposits (outstanding amounts)

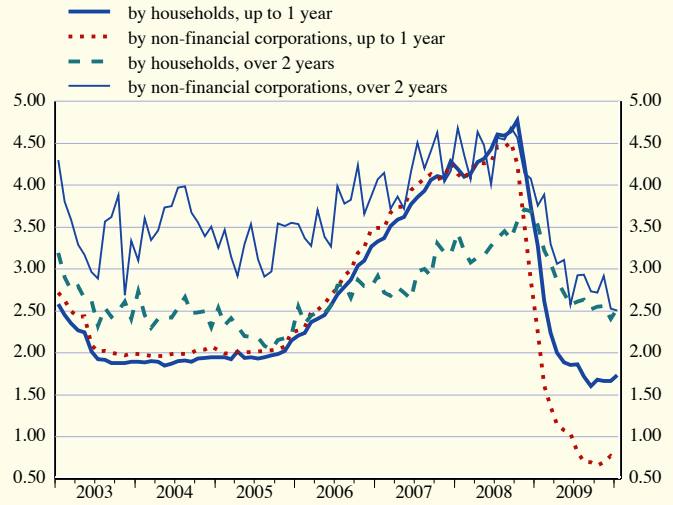
	Deposits from households					Deposits from non-financial corporations			Repos
	Overnight [2)]	With an agreed maturity of:		Redeemable at notice of: [2),3)]		Overnight [2)]	With an agreed maturity of:		
		Up to 2 years	Over 2 years	Up to 3 months	Over 3 months		Up to 2 years	Over 2 years	
	1	2	3	4	5	6	7	8	9
2009 Feb.	0.90	3.98	3.17	2.49	3.98	1.10	3.17	4.00	2.68
Mar.	0.80	3.78	3.06	2.31	3.87	0.93	2.80	3.87	2.29
Apr.	0.66	3.54	3.11	2.22	3.75	0.77	2.50	3.84	1.95
May	0.61	3.38	3.04	1.99	3.62	0.73	2.35	3.70	1.79
June	0.56	3.25	3.07	1.95	3.52	0.63	2.19	3.65	1.63
July	0.52	3.07	3.03	1.86	3.38	0.57	1.97	3.52	1.53
Aug.	0.50	2.94	3.01	1.64	3.23	0.55	1.89	3.39	1.53
Sep.	0.49	2.83	3.01	1.60	3.12	0.52	1.80	3.39	1.45
Oct.	0.46	2.64	2.96	1.55	2.97	0.49	1.70	3.34	1.35
Nov.	0.46	2.50	2.95	1.52	2.76	0.48	1.62	3.37	1.28
Dec.	0.45	2.36	2.91	1.53	2.45	0.47	1.56	3.30	1.21
2010 Jan.	0.43	2.21	2.81	1.47	2.23	0.45	1.46	3.27	1.20

5. Interest rates on loans (outstanding amounts)

	Loans to households						Loans to non-financial corporations		
	Lending for house purchase with a maturity of:			Consumer credit and other loans with a maturity of:			With a maturity of:		
	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
2009 Feb.	5.14	4.75	4.91	8.61	7.27	6.21	4.75	4.59	4.74
Mar.	4.92	4.63	4.78	8.43	7.08	6.07	4.40	4.28	4.48
Apr.	4.70	4.49	4.65	8.19	7.00	5.92	4.10	3.97	4.25
May	4.59	4.45	4.56	8.09	6.92	5.84	4.00	3.84	4.12
June	4.50	4.40	4.46	7.97	6.91	5.79	3.91	3.72	4.00
July	4.31	4.31	4.36	7.82	6.79	5.70	3.72	3.59	3.81
Aug.	4.23	4.25	4.28	7.81	6.74	5.65	3.65	3.50	3.73
Sep.	4.18	4.26	4.25	7.80	6.72	5.64	3.62	3.43	3.68
Oct.	4.05	4.19	4.18	7.69	6.66	5.54	3.56	3.37	3.60
Nov.	4.01	4.15	4.12	7.56	6.66	5.51	3.53	3.36	3.57
Dec.	4.08	4.11	4.07	7.55	6.58	5.43	3.47	3.35	3.50
2010 Jan.	4.00	4.05	4.00	7.50	6.52	5.36	3.48	3.33	3.45

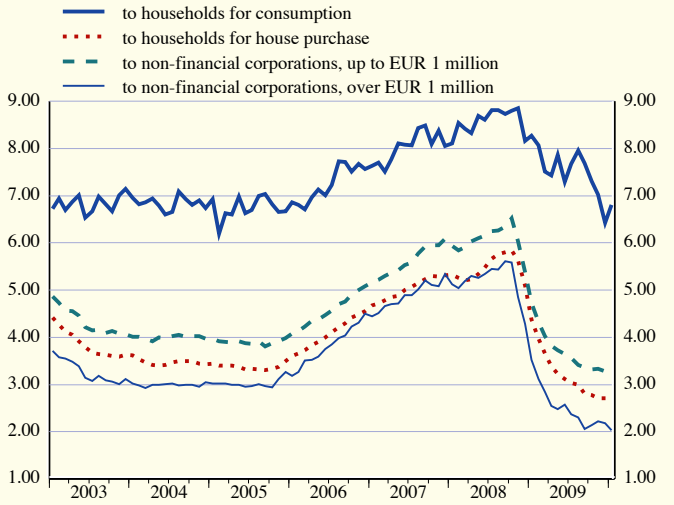
C21 New deposits with an agreed maturity

(percentages per annum excluding charges; period averages)



C22 New loans with a floating rate and up to 1 year's initial rate fixation

(percentages per annum excluding charges; period averages)



Source: ECB.

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

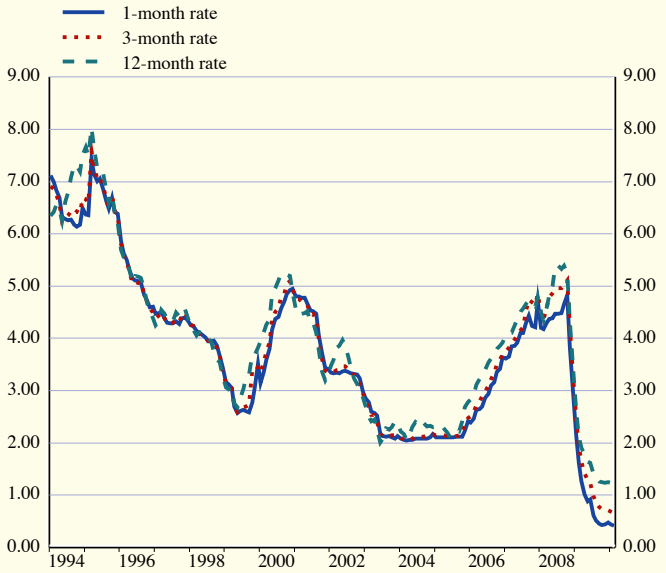
4.6 Money market interest rates

(percentages per annum; period averages)

	Euro area [1), 2)]					United States	Japan
	Overnight deposits (EONIA)	1-month deposits (EURIBOR)	3-month deposits (EURIBOR)	6-month deposits (EURIBOR)	12-month deposits (EURIBOR)	3-month deposits (LIBOR)	3-month deposits (LIBOR)
	1	2	3	4	5	6	7
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
2009	0.71	0.89	1.22	1.43	1.61	0.69	0.47
2008 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
Q2	0.77	0.94	1.31	1.51	1.67	0.84	0.53
Q3	0.36	0.53	0.87	1.13	1.34	0.41	0.40
Q4	0.36	0.45	0.72	1.00	1.24	0.27	0.31
2009 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
June	0.70	0.91	1.23	1.44	1.61	0.62	0.49
July	0.36	0.61	0.97	1.21	1.41	0.52	0.43
Aug.	0.35	0.51	0.86	1.12	1.33	0.42	0.40
Sep.	0.36	0.46	0.77	1.04	1.26	0.30	0.36
Oct.	0.36	0.43	0.74	1.02	1.24	0.28	0.33
Nov.	0.36	0.44	0.72	0.99	1.23	0.27	0.31
Dec.	0.35	0.48	0.71	1.00	1.24	0.25	0.28
2010 Jan.	0.34	0.44	0.68	0.98	1.23	0.25	0.26
Feb.	0.34	0.42	0.66	0.96	1.23	0.25	0.25

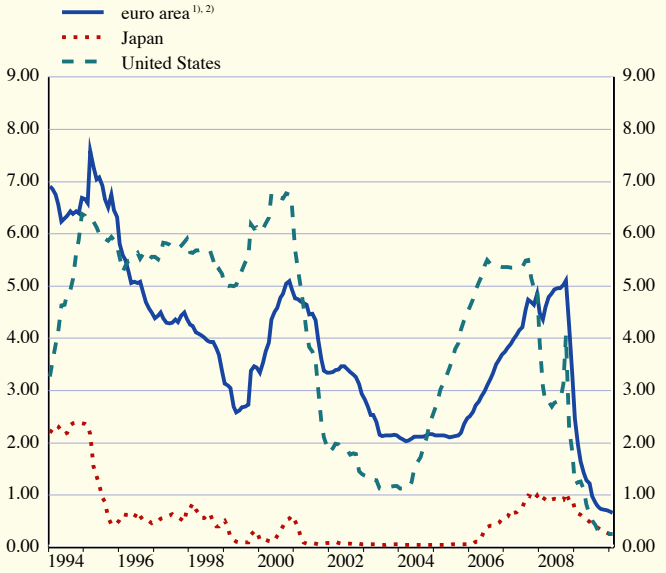
C23 Euro area money market rates [1), 2)]

(monthly averages; percentages per annum)



C24 3-month money market rates

(monthly averages; percentages per annum)



Source: ECB.

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

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

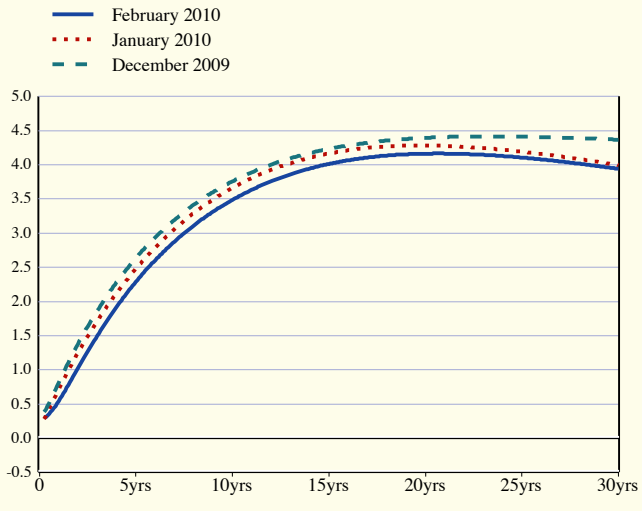
4.7 Euro area yield curves [1)]

(AAA-rated euro area central government bonds; end of period; rates in percentages per annum; spreads in percentage points)

	Spot rates								Instantaneous forward rates			
	3 months	1 year	2 years	5 years	7 years	10 years	10 years - 3 months (spread)	10 years - 2 years (spread)	1 year	2 years	5 years	10 years
	1	2	3	4	5	6	7	8	9	10	11	12
2007	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	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	0.38	0.81	1.38	2.64	3.20	3.76	3.38	2.38	1.41	2.44	4.27	5.20
2008 Q4	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 Q1	0.78	0.88	1.46	2.70	3.23	3.77	3.00	2.31	1.41	2.58	4.24	5.19
Q2	0.62	0.90	1.50	2.85	3.42	3.99	3.37	2.49	1.47	2.67	4.54	5.42
Q3	0.41	0.70	1.33	2.59	3.12	3.64	3.23	2.31	1.34	2.47	4.14	4.96
Q4	0.38	0.81	1.38	2.64	3.20	3.76	3.38	2.38	1.41	2.44	4.27	5.20
2009 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
June	0.62	0.90	1.50	2.85	3.42	3.99	3.37	2.49	1.47	2.67	4.54	5.42
July	0.49	0.74	1.43	2.68	3.21	3.74	3.26	2.31	1.49	2.62	4.21	5.13
Aug.	0.44	0.74	1.46	2.69	3.19	3.68	3.24	2.22	1.55	2.66	4.16	4.95
Sep.	0.41	0.70	1.33	2.59	3.12	3.64	3.23	2.31	1.34	2.47	4.14	4.96
Oct.	0.50	0.81	1.43	2.61	3.13	3.68	3.18	2.25	1.49	2.50	4.12	5.11
Nov.	0.44	0.80	1.34	2.49	3.01	3.57	3.13	2.23	1.38	2.32	4.00	5.04
Dec.	0.38	0.81	1.38	2.64	3.20	3.76	3.38	2.38	1.41	2.44	4.27	5.20
2010 Jan.	0.28	0.71	1.25	2.48	3.06	3.66	3.38	2.42	1.28	2.25	4.15	5.23
Feb.	0.30	0.54	1.02	2.29	2.88	3.49	3.19	2.46	0.98	2.01	3.99	5.08

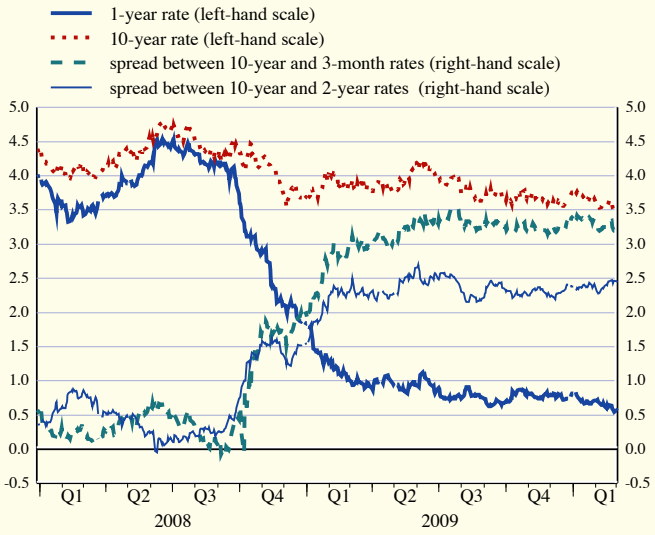
C25 Euro area spot yield curves

(percentages per annum; end of period)



C26 Euro area spot rates and spreads

(daily data; rates in percentages per annum; spreads in percentage points)



Sources: ECB calculations based on underlying data provided by EuroMTS and ratings provided by Fitch Ratings.
1) Data refer to the changing composition of the euro area. For further information, see the General Notes.

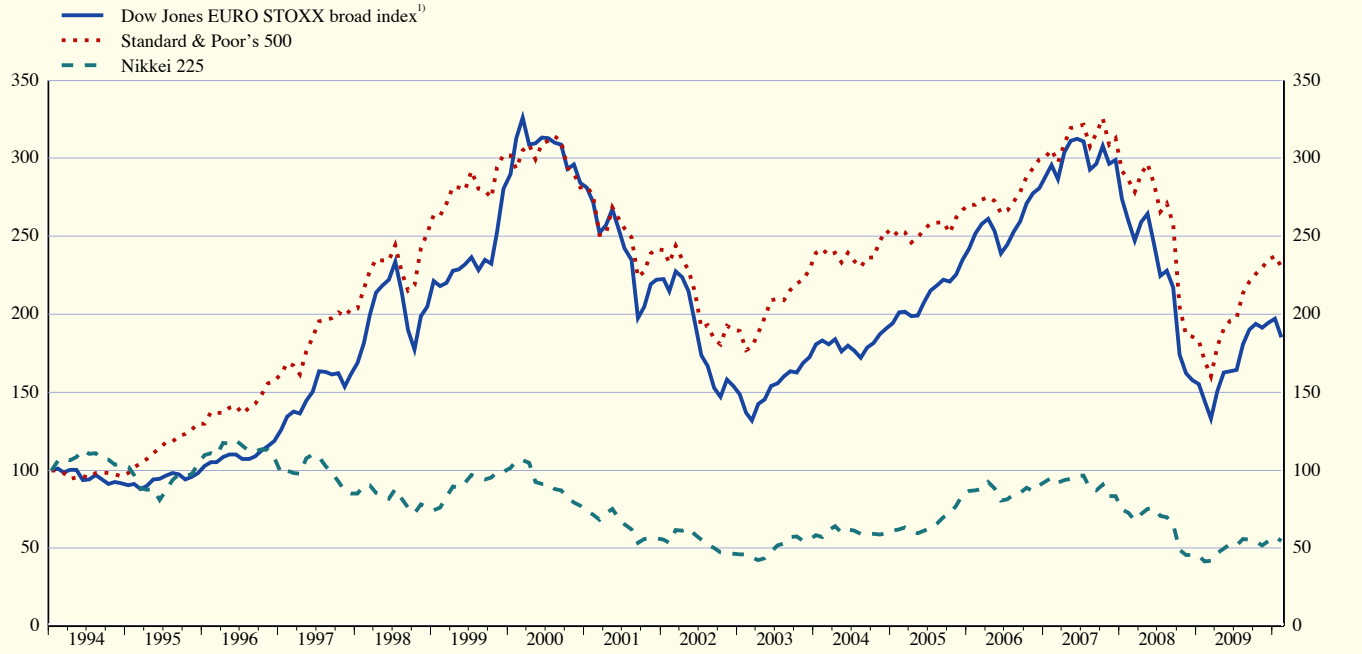
4.8 Stock market indices

(index levels in points; period averages)

	Dow Jones EURO STOXX indices [1]												United States	Japan
	Benchmark		Main industry indices											
	Broad index	50	Basic materials	Consumer services	Consumer goods	Oil and gas	Financials	Industrials	Technology	Utilities	Telecoms	Health care	Standard & Poor's 500	Nikkei 225
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
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
2009	234.2	2,521.0	353.2	140.5	244.5	293.5	172.1	269.7	200.7	353.7	380.4	363.5	946.2	9,321.6
2008 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
Q2	220.5	2,376.6	326.9	136.6	229.5	287.3	158.6	251.0	201.1	337.7	351.5	343.8	892.0	9,274.8
Q3	247.2	2,660.6	369.0	142.0	257.1	296.8	192.7	286.0	211.3	361.1	386.0	365.1	994.2	10,117.3
Q4	268.1	2,872.7	422.1	151.5	282.8	316.9	209.7	317.7	214.1	375.3	416.5	399.3	1,088.7	9,969.2
2009 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
June	226.7	2,449.0	341.0	135.3	235.9	298.3	166.8	255.5	204.3	343.8	349.6	357.0	926.1	9,810.3
July	228.0	2,462.1	337.9	134.8	243.7	288.6	170.6	256.8	198.8	334.7	364.8	352.9	934.1	9,678.3
Aug.	250.7	2,702.7	377.6	142.1	261.8	293.2	198.6	290.3	208.5	365.7	387.2	364.1	1,009.7	10,430.4
Sep.	264.0	2,827.9	393.3	149.5	266.5	308.7	210.2	312.5	227.2	384.4	407.0	378.8	1,044.6	10,302.9
Oct.	268.7	2,865.5	403.7	150.1	277.5	314.2	216.0	318.4	221.3	375.4	415.0	393.6	1,067.7	10,066.2
Nov.	265.4	2,843.8	415.4	149.5	280.0	315.3	208.7	313.6	209.9	369.8	414.5	391.5	1,088.1	9,641.0
Dec.	270.1	2,907.6	447.0	155.0	290.9	321.1	204.3	321.0	211.0	380.5	419.8	412.4	1,110.4	10,169.0
2010 Jan.	273.5	2,922.7	449.4	158.9	295.7	329.8	204.6	331.6	223.1	384.1	407.4	425.5	1,123.6	10,661.6
Feb.	257.0	2,727.5	427.9	154.3	285.3	309.8	183.9	312.3	222.7	360.9	386.8	415.0	1,089.2	10,175.1

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

(January 1994 = 100; monthly averages)



Source: ECB.

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

PRICES, OUTPUT, DEMAND AND LABOUR MARKETS

5.1 HICP, other prices and costs

(annual percentage changes, unless otherwise indicated)

1. Harmonised Index of Consumer Prices [1]

	Total					Total (s.a.; percentage change vis-à-vis previous period)						Memo item: Administered prices [2]	
	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 [3]	100.0	100.0	83.1	58.0	42.0	100.0	11.9	7.3	29.3	9.6	42.0	88.6	11.4
	1	2	3	4	5	6	7	8	9	10	11	12	13
2006	102.2	2.2	1.5	2.3	2.0	-	-	-	-	-	-	2.1	2.5
2007	104.4	2.1	2.0	1.9	2.5	-	-	-	-	-	-	2.1	2.3
2008	107.8	3.3	2.4	3.8	2.6	-	-	-	-	-	-	3.4	2.7
2009	108.1	0.3	1.3	-0.9	2.0	-	-	-	-	-	-	0.1	1.8
2008 Q4	108.2	2.3	2.2	2.1	2.6	-0.6	0.3	0.3	0.3	-8.7	0.5	2.2	3.0
2009 Q1	107.4	1.0	1.6	0.1	2.2	-0.3	-0.1	0.3	0.1	-4.9	0.4	0.7	3.0
Q2	108.3	0.2	1.5	-1.2	2.2	0.2	0.1	-0.9	0.1	0.7	0.4	-0.1	1.9
Q3	108.0	-0.4	1.2	-1.9	1.8	0.2	0.4	-0.9	0.0	0.8	0.4	-0.6	1.3
Q4	108.6	0.4	1.0	-0.4	1.7	0.2	0.1	0.0	0.0	0.3	0.4	0.4	1.0
2009 Sep.	108.2	-0.3	1.1	-1.8	1.8	-0.1	0.0	0.1	0.0	-1.2	0.1	-0.5	1.2
Oct.	108.4	-0.1	1.0	-1.4	1.8	0.0	0.0	0.0	0.0	-0.2	0.2	-0.3	1.0
Nov.	108.5	0.5	1.0	-0.3	1.6	0.2	0.2	0.2	0.0	1.4	0.1	0.4	1.0
Dec.	108.9	0.9	1.0	0.5	1.6	0.0	0.1	-0.1	0.1	-0.5	0.1	0.9	0.9
2010 Jan.	108.1	1.0	0.9	0.7	1.4	0.2	-0.1	0.3	-0.1	2.1	0.0	1.1	0.4
Feb. [4]	.	0.9	.	.	.	.	.	.	.	.	.	.	.

	Goods						Services					
	Food (incl. alcoholic beverages and tobacco)			Industrial goods			Housing		Transport	Communication	Recreation and personal	Miscellaneous
	Total	Processed food	Unprocessed food	Total	Non-energy industrial goods	Energy		Rents				
% of total [3]	19.2	11.9	7.3	38.9	29.3	9.6	10.2	6.0	6.6	3.3	14.8	7.1
	14	15	16	17	18	19	20	21	22	23	24	25
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
2009	0.7	1.1	0.2	-1.7	0.6	-8.1	2.0	1.8	2.9	-1.0	2.1	2.1
2008 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
Q2	1.0	1.1	0.8	-2.3	0.7	-10.7	2.1	1.8	3.1	-1.2	2.7	2.0
Q3	-0.1	0.6	-1.2	-2.8	0.5	-11.9	2.0	1.8	2.5	-0.6	1.8	2.1
Q4	-0.2	0.5	-1.5	-0.5	0.3	-3.2	1.9	1.7	2.5	-0.6	1.4	2.2
2009 Aug.	-0.1	0.6	-1.2	-2.3	0.6	-10.2	2.0	1.8	2.5	-0.7	1.8	2.0
Sep.	-0.2	0.5	-1.3	-2.6	0.5	-11.0	2.0	1.8	2.3	-0.3	1.7	2.1
Oct.	-0.4	0.3	-1.6	-2.0	0.3	-8.5	1.9	1.6	2.6	-0.3	1.6	2.1
Nov.	-0.1	0.5	-1.3	-0.4	0.2	-2.4	1.9	1.7	2.4	-0.7	1.3	2.2
Dec.	-0.2	0.7	-1.6	0.8	0.4	1.8	1.9	1.7	2.5	-0.8	1.2	2.2
2010 Jan.	-0.1	0.6	-1.3	1.1	0.1	4.0	1.9	1.7	2.6	-0.9	1.0	1.6

Sources: Eurostat and ECB calculations.

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

2) 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 Eurostat's website (http://epp.eurostat.ec.europa.eu/portal/page/portal/hicp/introduction) for a note explaining the methodology used in the compilation of this indicator.

3) Weighting used in 2010.

4) Estimate based on provisional national releases, which usually cover 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

	Industrial producer prices excluding construction										Construction [1]	Residential property prices [2]
	Total (index: 2005 = 100)	Total		Industry excluding construction and energy						Energy		
			Manufacturing	Total	Intermediate goods	Capital goods	Consumer goods					
							Total	Durable	Non-durable			
% of total [3]	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
2006	105.1	5.1	3.5	2.7	4.6	1.6	1.5	1.5	1.4	13.5	4.6	6.5
2007	107.9	2.7	3.0	3.2	4.6	2.2	2.2	2.4	2.2	1.2	4.1	4.4
2008	114.4	6.1	4.8	3.4	3.9	2.1	3.9	2.8	4.1	14.1	3.8	1.8
2009	108.6	-5.1	-5.4	-2.8	-5.3	0.4	-2.0	1.2	-2.4	-11.5	.	.
2008 Q4	113.7	3.4	0.7	2.4	2.5	2.5	2.0	2.6	1.9	6.4	3.4	0.8 [4]
2009 Q1	109.8	-2.0	-4.3	-1.1	-2.7	1.8	-1.0	1.9	-1.4	-4.4	2.6	-
Q2	108.3	-5.7	-6.8	-3.0	-5.8	0.7	-2.0	1.5	-2.5	-13.4	-0.2	-2.5 [4]
Q3	108.0	-7.8	-7.3	-4.1	-7.5	-0.1	-2.6	1.0	-3.1	-18.0	-1.6	-
Q4	108.4	-4.6	-3.0	-3.1	-5.0	-0.6	-2.4	0.5	-2.8	-9.5	.	.
2009 Aug.	108.3	-7.5	-7.0	-4.1	-7.5	-0.1	-2.5	1.1	-3.1	-16.8	-	-
Sep.	108.0	-7.6	-6.9	-4.2	-7.4	-0.4	-2.7	0.8	-3.2	-17.4	-	-
Oct.	108.3	-6.6	-5.2	-3.9	-6.5	-0.6	-2.8	0.5	-3.3	-14.3	-	-
Nov.	108.4	-4.4	-2.8	-3.0	-4.9	-0.6	-2.4	0.5	-2.8	-8.7	-	-
Dec.	108.5	-2.9	-0.9	-2.3	-3.4	-0.6	-1.9	0.5	-2.3	-5.1	-	-
2010 Jan.	109.2	-1.0	0.9	-1.0	-1.5	-0.6	-0.7	0.4	-0.8	-1.7	-	-

3. Commodity prices and gross domestic product deflators [1]

	Oil prices [5] (EUR per barrel)	Non-energy commodity prices						GDP deflators							
		Import-weighted [6]			Use-weighted [7]			Total (s.a.; index: 2000 = 100)	Total	Domestic demand				Exports [8]	Imports [8]
		Total	Food	Non-food	Total	Food	Non-food			Total	Private consumption	Government consumption	Gross fixed capital formation		
% of total		100.0	35.0	65.0	100.0	45.0	55.0								
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2006	52.9	27.5	5.8	37.6	24.4	5.9	38.1	113.8	1.9	2.4	2.2	2.0	2.9	2.6	3.8
2007	52.8	7.5	14.3	5.0	5.1	9.4	2.7	116.4	2.4	2.3	2.3	1.7	2.6	1.6	1.4
2008	65.9	2.1	18.5	-4.3	-1.7	9.7	-8.5	119.0	2.2	2.7	2.9	2.8	2.4	2.5	3.7
2009	44.6	-18.5	-8.9	-23.2	-18.1	-11.5	-22.8	120.3	1.1	-0.1	-0.1	1.9	-0.6	-2.8	-5.6
2008 Q4	43.5	-9.9	-7.2	-11.2	-14.5	-12.9	-15.8	120.1	2.4	1.6	2.0	2.2	1.8	2.2	0.2
2009 Q1	35.1	-29.2	-15.0	-36.0	-28.7	-17.7	-36.8	120.2	1.9	0.9	0.4	2.6	0.7	-1.7	-4.3
Q2	43.8	-24.5	-11.2	-31.0	-22.5	-10.0	-31.4	120.2	1.1	-0.3	-0.2	1.4	-0.7	-3.2	-6.7
Q3	48.1	-18.8	-12.7	-21.8	-18.9	-15.3	-21.5	120.4	1.0	-0.7	-0.7	2.2	-1.4	-3.9	-7.9
Q4	51.2	2.8	5.8	1.4	2.4	-0.9	4.9	120.5	0.4	-0.1	0.3	1.3	-1.0	-2.4	-3.4
2009 Sep.	46.9	-17.1	-11.6	-19.6	-17.5	-15.4	-18.9	-	-	-	-	-	-	-	-
Oct.	49.8	-7.3	-1.2	-10.1	-9.3	-10.3	-8.6	-	-	-	-	-	-	-	-
Nov.	52.1	-0.9	3.0	-2.8	-1.0	-2.9	0.5	-	-	-	-	-	-	-	-
Dec.	51.6	19.0	16.2	20.5	19.7	11.0	27.1	-	-	-	-	-	-	-	-
2010 Jan.	54.0	27.0	8.5	38.7	25.6	7.7	42.9	-	-	-	-	-	-	-	-
Feb.	54.5	28.8	14.6	38.0	27.5	12.3	42.1	-	-	-	-	-	-	-	-

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) Input prices for residential buildings.
2) Experimental data based on non-harmonised national sources (see http://www.ecb.europa.eu/stats/intro/html/experiment.en.html for further details).
3) In 2005.
4) The quarterly data for the second and fourth quarters refer to biannual averages for the first and second halves of the year respectively. Since some national data are only available annually, the biannual estimate is partially derived from annual results; consequently, the accuracy of biannual data is lower than the accuracy of annual data.
5) Brent Blend (for one-month forward delivery).
6) Refers to prices expressed in euro. Weighted according to the structure of euro area imports in the period 2004-06.
7) 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 http://www.ecb.europa.eu/stats/intro/html/experiment.en.html for details).
8) 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

(seasonally adjusted)

	Total (index: 2000 = 100)	Total	By economic activity					
			Agriculture, hunting, forestry and fishing	Mining, manufacturing and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business services	Public administration, education, health and other services
	1	2	3	4	5	6	7	8
	Unit labour costs [1]							
2005	109.0	1.2	8.6	-0.6	3.2	0.7	2.1	2.1
2006	110.0	1.0	1.4	-0.5	3.4	0.7	2.2	2.0
2007	111.7	1.5	2.5	0.8	4.2	0.6	2.3	1.7
2008	115.4	3.3	-0.1	3.6	2.8	3.3	3.1	3.1
2008 Q3	115.8	3.6	-1.0	4.1	3.1	4.5	3.6	2.5
Q4	118.2	4.8	-0.7	9.9	2.7	5.4	2.4	3.2
2009 Q1	120.3	6.0	0.6	16.6	2.4	7.0	0.5	3.6
Q2	120.4	4.9	1.4	15.0	0.8	5.8	1.2	2.2
Q3	119.9	3.6	0.0	9.3	-0.4	3.7	0.3	3.6
	Compensation per employee							
2005	112.3	2.0	2.6	1.9	2.2	1.9	2.3	1.9
2006	114.9	2.3	3.2	3.4	3.5	1.7	2.3	1.7
2007	117.8	2.5	4.1	2.8	2.7	2.1	2.5	2.5
2008	121.6	3.2	3.3	3.1	4.5	2.7	2.5	3.7
2008 Q3	122.1	3.6	3.5	3.2	5.0	3.9	3.0	3.5
Q4	122.8	3.0	3.0	2.9	4.4	2.9	2.0	3.5
2009 Q1	122.7	1.9	3.2	0.3	3.4	2.2	0.7	3.2
Q2	123.2	1.6	3.6	0.0	3.8	1.9	1.9	1.9
Q3	123.9	1.4	2.8	0.3	3.1	0.6	1.4	2.9
	Labour productivity [2]							
2005	103.1	0.7	-5.5	2.5	-1.0	1.2	0.2	-0.2
2006	104.5	1.3	1.8	4.0	0.1	1.0	0.1	-0.4
2007	105.5	1.0	1.5	2.0	-1.5	1.5	0.3	0.7
2008	105.4	-0.1	3.3	-0.5	1.6	-0.5	-0.6	0.6
2008 Q3	105.5	-0.1	4.6	-0.9	1.9	-0.6	-0.6	1.0
Q4	103.9	-1.7	3.7	-6.4	1.6	-2.4	-0.4	0.3
2009 Q1	102.0	-3.8	2.5	-14.0	1.0	-4.4	0.3	-0.4
Q2	102.4	-3.1	2.2	-13.0	2.9	-3.6	0.8	-0.3
Q3	103.3	-2.1	2.8	-8.2	3.4	-3.0	1.0	-0.7

5. Hourly labour costs [3]

	Total (s.a.; index: 2008 = 100)	Total	By component		For selected economic activities			Memo item: Indicator of negotiated wages [4]
			Wages and salaries	Employers' social contributions	Mining, manufacturing and energy	Construction	Services	
% of total [5]	100.0	100.0	75.2	24.8	32.4	9.0	58.6	
	1	2	3	4	5	6	7	8
2006	94.3	2.3	2.3	2.2	3.4	1.4	1.8	2.3
2007	96.6	2.5	2.8	1.5	2.2	2.7	2.6	2.1
2008	99.9	3.4	3.5	3.3	3.8	4.2	3.1	3.2
2009	.	.	.	.	.	.	.	2.6
2008 Q4	101.7	4.4	4.3	4.9	6.2	5.1	3.3	3.6
2009 Q1	102.3	3.8	3.7	4.5	6.2	3.4	2.6	3.2
Q2	103.3	4.3	4.2	4.6	6.1	3.8	3.5	2.8
Q3	103.8	3.2	3.1	3.6	5.4	2.9	2.0	2.3
Q4	.	.	.	.	.	.	.	2.1

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) Compensation (at current prices) per employee divided by value added (volumes) per person employed.
2) Value added (volumes) per person employed.
3) Hourly labour costs for the whole economy, excluding agriculture, public administration, education, health and services not classified elsewhere. Owing to differences in coverage, the estimates for the components may not be consistent with the total.
4) Experimental data (see http://www.ecb.europa.eu/stats/intro/html/experiment.en.html for further details).
5) In 2008.

5.2 Output and demand

1. GDP and expenditure components

	GDP								
	Total	Domestic demand					External balance [1]		
		Total	Private consumption	Government consumption	Gross fixed capital formation	Changes in inventories [2]	Total	Exports [1]	Imports [1]
	1	2	3	4	5	6	7	8	9
	Current prices (EUR billions; seasonally adjusted)								
2006	8,557.5	8,460.3	4,869.8	1,733.4	1,832.3	24.8	97.2	3,451.5	3,354.3
2007	9,005.5	8,864.3	5,062.1	1,803.6	1,970.4	28.2	141.2	3,732.9	3,591.7
2008	9,259.0	9,161.6	5,228.6	1,892.4	2,003.7	36.9	97.4	3,859.5	3,762.1
2009	8,985.1	8,860.3	5,173.2	1,971.5	1,773.8	-58.3	124.8	3,257.8	3,133.1
2008 Q4	2,295.3	2,275.2	1,304.4	480.3	481.9	8.6	20.1	905.4	885.3
2009 Q1	2,239.9	2,222.8	1,287.2	486.9	453.9	-5.1	17.1	808.8	791.7
Q2	2,238.0	2,207.0	1,291.8	491.7	444.6	-21.1	31.0	793.1	762.1
Q3	2,251.6	2,216.9	1,293.3	497.6	439.5	-13.5	34.7	818.1	783.4
Q4	2,255.6	2,213.6	1,301.0	495.4	435.8	-18.5	42.0	837.9	795.9
	percentage of GDP								
2009	100.0	98.6	57.6	21.9	19.7	-0.6	1.4	-	-
	Chain-linked volumes (prices for the previous year; seasonally adjusted [3])								
	quarter-on-quarter percentage changes								
2008 Q4	-1.9	-0.9	-0.6	0.6	-4.1	-	-	-7.3	-4.9
2009 Q1	-2.5	-2.2	-0.5	0.6	-5.4	-	-	-8.3	-7.6
Q2	-0.1	-0.8	0.1	0.6	-1.7	-	-	-1.1	-2.9
Q3	0.4	0.4	-0.2	0.8	-0.9	-	-	2.9	2.8
Q4	0.1	-0.2	0.0	-0.1	-0.8	-	-	1.7	0.9
	annual percentage changes								
2006	3.0	2.9	2.0	2.1	5.4	-	-	8.5	8.5
2007	2.8	2.4	1.6	2.3	4.8	-	-	6.3	5.5
2008	0.6	0.7	0.4	2.1	-0.4	-	-	1.0	1.0
2009	-4.1	-3.4	-1.1	2.2	-11.1	-	-	-13.4	-12.0
2008 Q4	-1.8	-0.5	-0.7	2.3	-5.9	-	-	-7.0	-4.0
2009 Q1	-5.1	-3.5	-1.4	2.4	-11.6	-	-	-16.4	-13.1
Q2	-4.9	-3.7	-1.0	2.2	-11.9	-	-	-17.0	-14.7
Q3	-4.1	-3.5	-1.1	2.5	-11.6	-	-	-13.5	-12.3
Q4	-2.1	-2.8	-0.6	1.8	-8.7	-	-	-5.2	-6.9
	contributions to quarter-on-quarter percentage changes in GDP; percentage points								
2008 Q4	-1.9	-0.8	-0.3	0.1	-0.9	0.2	-1.1	-	-
2009 Q1	-2.5	-2.2	-0.3	0.1	-1.1	-0.9	-0.3	-	-
Q2	-0.1	-0.8	0.0	0.1	-0.4	-0.6	0.7	-	-
Q3	0.4	0.4	-0.1	0.2	-0.2	0.5	0.0	-	-
Q4	0.1	-0.2	0.0	0.0	-0.2	0.0	0.3	-	-
	contributions to annual percentage changes in GDP; percentage points								
2006	3.0	2.8	1.2	0.4	1.1	0.1	0.1	-	-
2007	2.8	2.4	0.9	0.5	1.0	0.0	0.4	-	-
2008	0.6	0.7	0.2	0.4	-0.1	0.1	0.0	-	-
2009	-4.1	-3.3	-0.6	0.4	-2.4	-0.8	-0.7	-	-
2008 Q4	-1.8	-0.5	-0.4	0.5	-1.3	0.7	-1.3	-	-
2009 Q1	-5.1	-3.5	-0.8	0.5	-2.5	-0.6	-1.6	-	-
Q2	-4.9	-3.6	-0.6	0.5	-2.6	-1.0	-1.2	-	-
Q3	-4.1	-3.4	-0.6	0.5	-2.5	-0.8	-0.7	-	-
Q4	-2.1	-2.8	-0.3	0.4	-1.8	-1.0	0.7	-	-

Sources: Eurostat and ECB calculations.

1) Exports and imports cover goods and services and include cross-border intra-euro area trade. They are not fully consistent with: Section 3.1; Table 1 of Section 7.1; Table 3 of Section 7.2; or Tables 1 or 3 of Section 7.5.
2) Including acquisitions less disposals of valuables.
3) Annual data are not working day-adjusted.

5.2 Output and demand

2. Value added by economic activity

	Gross value added (basic prices)							Taxes less subsidies on products
	Total	Agriculture, hunting, forestry and fishing activities	Mining, manufacturing and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business activities	Public administration, education, health and other services	
	1	2	3	4	5	6	7	8
	Current prices (EUR billions; seasonally adjusted)							
2006	7,643.6	140.7	1,564.5	477.3	1,594.0	2,136.0	1,731.1	913.9
2007	8,046.5	150.9	1,640.2	510.2	1,669.1	2,273.1	1,803.0	959.0
2008	8,313.0	146.0	1,660.5	534.0	1,723.3	2,367.0	1,882.2	946.0
2009	8,089.2	132.0	1,438.2	514.7	1,671.9	2,372.2	1,960.2	895.9
2008 Q4	2,064.6	34.8	396.3	132.1	427.8	595.3	478.3	230.7
2009 Q1	2,015.7	34.3	359.8	130.2	416.7	590.0	484.6	224.2
Q2	2,014.9	33.2	353.9	128.9	417.2	592.5	489.2	223.1
Q3	2,027.6	32.1	361.0	128.2	419.3	594.2	492.8	224.0
Q4	2,031.0	32.5	363.4	127.3	418.7	595.6	493.6	224.6
	percentage of value added							
2009	100.0	1.6	17.8	6.4	20.7	29.3	24.2	-
	Chain-linked volumes (prices for the previous year; seasonally adjusted [1])							
	quarter-on-quarter percentage changes							
2008 Q4	-1.9	0.5	-6.4	-1.9	-2.0	-0.6	0.3	-1.9
2009 Q1	-2.5	-0.6	-8.4	-1.0	-2.9	-0.7	-0.2	-2.3
Q2	-0.2	-0.3	-1.5	-0.7	-0.2	0.0	0.7	0.4
Q3	0.4	0.5	2.3	-1.0	0.2	-0.2	0.2	0.9
Q4	0.1	1.2	0.3	-1.1	-0.1	0.0	0.4	0.6
	annual percentage changes							
2006	2.9	0.0	3.6	2.8	2.7	4.1	1.4	3.3
2007	3.0	0.0	2.3	2.2	3.5	4.3	2.0	0.9
2008	0.9	1.9	-0.6	-0.6	0.8	1.7	1.6	-1.2
2009	-4.2	-0.3	-13.9	-4.8	-4.7	-1.3	1.1	-3.1
2008 Q4	-1.8	2.5	-7.6	-3.6	-2.1	0.2	1.5	-2.4
2009 Q1	-5.0	0.1	-16.7	-6.1	-5.7	-1.1	1.1	-5.2
Q2	-5.0	0.0	-17.1	-4.8	-5.4	-1.4	1.3	-3.8
Q3	-4.2	0.1	-13.6	-4.4	-4.8	-1.6	1.0	-2.9
Q4	-2.3	0.8	-7.5	-3.7	-3.0	-1.0	1.1	-0.5
	contributions to quarter-on-quarter percentage changes in value added; percentage points							
2008 Q4	-1.9	0.0	-1.3	-0.1	-0.4	-0.2	0.1	-
2009 Q1	-2.5	0.0	-1.6	-0.1	-0.6	-0.2	0.0	-
Q2	-0.2	0.0	-0.3	0.0	0.0	0.0	0.2	-
Q3	0.4	0.0	0.4	-0.1	0.0	-0.1	0.0	-
Q4	0.1	0.0	0.0	-0.1	0.0	0.0	0.1	-
	contributions to annual percentage changes in value added; percentage points							
2006	2.9	0.0	0.7	0.2	0.6	1.1	0.3	-
2007	3.0	0.0	0.5	0.1	0.7	1.2	0.4	-
2008	0.9	0.0	-0.1	0.0	0.2	0.5	0.4	-
2009	-4.2	0.0	-2.8	-0.3	-1.0	-0.4	0.3	-
2008 Q4	-1.8	0.0	-1.6	-0.2	-0.4	0.1	0.3	-
2009 Q1	-5.0	0.0	-3.4	-0.4	-1.2	-0.3	0.2	-
Q2	-5.0	0.0	-3.5	-0.3	-1.1	-0.4	0.3	-
Q3	-4.2	0.0	-2.7	-0.3	-1.0	-0.4	0.2	-
Q4	-2.3	0.0	-1.4	-0.2	-0.6	-0.3	0.3	-

Sources: Eurostat and ECB calculations.

1) Annual data are not working day-adjusted.

5.2 Output and demand

(annual percentage changes, unless otherwise indicated)

3. Industrial production

	Total	Industry excluding construction										Construction
		Total (s.a.; index: 2005 = 100)	Total		Industry excluding construction and energy						Energy	
				Manu-facturing	Total	Intermediate goods	Capital goods	Consumer goods				
								Total	Durable	Non-durable		
% of total [1]	100.0	78.0	78.0	69.4	68.8	28.2	22.1	18.5	2.6	15.9	9.1	22.0
	1	2	3	4	5	6	7	8	9	10	11	12
2007	3.2	108.2	3.7	4.2	4.3	3.7	6.7	2.3	1.4	2.5	-0.9	1.2
2008	-2.3	106.3	-1.7	-1.8	-1.9	-3.3	-0.1	-2.0	-5.7	-1.4	0.3	-4.4
2009	-13.8	90.5	-15.0	-15.9	-16.4	-19.3	-21.0	-4.9	-17.4	-3.0	-5.9	-8.3
2009 Q1	-16.9	90.5	-18.4	-20.2	-20.6	-25.3	-23.9	-7.4	-19.8	-5.5	-4.3	-9.9
Q2	-16.7	89.2	-18.6	-19.4	-19.9	-24.3	-24.2	-5.9	-21.2	-3.3	-8.9	-7.4
Q3	-13.8	91.0	-14.5	-15.3	-15.8	-18.4	-21.1	-4.0	-18.3	-1.9	-6.3	-9.2
Q4	-7.7	91.2	-7.7	-8.1	-8.6	-6.9	-14.5	-2.3	-9.7	-1.2	-4.7	-6.6
2009 July	-15.0	90.2	-15.8	-16.8	-17.7	-20.3	-23.4	-4.0	-20.4	-1.4	-5.5	-9.8
Aug.	-14.6	91.2	-15.1	-16.1	-16.1	-19.4	-22.0	-5.4	-19.6	-3.8	-6.1	-10.5
Sep.	-11.9	91.5	-12.7	-13.1	-13.7	-15.8	-18.2	-2.8	-15.5	-0.8	-7.3	-7.7
Oct.	-10.5	90.8	-11.0	-11.7	-12.3	-12.3	-17.2	-4.5	-14.1	-2.8	-5.3	-7.2
Nov.	-7.3	92.1	-6.8	-7.0	-7.4	-5.9	-12.9	-1.8	-8.0	-0.8	-5.7	-7.8
Dec.	-4.8	90.6	-4.8	-5.1	-5.5	-0.6	-13.2	-0.4	-6.1	0.4	-3.3	-4.5
	month-on-month percentage changes (s.a.)											
2009 July	-0.2	-	0.1	0.2	-0.2	0.7	-1.2	0.4	1.1	0.3	0.7	-1.5
Aug.	0.6	-	1.1	1.3	1.1	0.5	1.5	-0.3	6.1	-1.0	0.1	0.0
Sep.	0.5	-	0.3	0.5	0.0	0.5	1.6	0.3	-4.9	0.9	-1.6	-0.7
Oct.	-0.6	-	-0.7	-0.8	-0.4	0.7	-0.7	-1.3	-0.7	-1.3	1.2	-0.5
Nov.	1.0	-	1.4	1.7	1.2	1.7	1.5	1.1	2.4	0.8	-2.6	-0.8
Dec.	-1.6	-	-1.6	-2.3	-0.8	-2.6	-1.4	0.7	0.9	0.7	2.1	0.3

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

	Industrial new orders		Industrial turnover		Retail sales (excluding automotive fuel)							New passenger car registrations	
	Manufacturing [2] (current prices)		Manufacturing (current prices)		Current prices	Constant prices							
	Total (s.a.; index: 2005 = 100)	Total	Total (s.a.; index: 2005 = 100)	Total	Total	Total (s.a.; index: 2005 = 100)	Total	Food, beverages, tobacco	Non-food			Total (s.a.; thousands) [3]	Total
										Textiles, clothing, footwear	Household equipment		
% of total [1]	100.0	100.0	100.0	100.0	100.0	100.0	100.0	42.9	57.1	9.9	13.9		
	1	2	3	4	5	6	7	8	9	10	11	12	13
2007	120.0	8.7	115.0	6.5	2.6	104.3	1.8	0.0	3.1	4.0	3.1	968	-0.6
2008	113.4	-5.2	116.9	1.9	1.7	103.4	-0.8	-1.8	-0.1	-1.7	-1.9	896	-7.0
2009	87.7	-22.9	95.6	-18.4	-2.6	101.7	-1.8	-1.8	-1.7	-1.2	-3.6	923	2.8
2009 Q1	83.1	-31.8	95.0	-21.6	-2.9	101.9	-2.8	-3.6	-2.2	-0.7	-6.3	831	-12.6
Q2	84.6	-30.6	94.1	-23.2	-2.9	101.7	-2.0	-1.5	-2.2	-2.1	-5.3	932	-0.3
Q3	91.0	-21.5	96.1	-18.8	-3.2	101.5	-1.8	-1.4	-2.2	-2.8	-2.9	958	9.6
Q4	92.0	-2.9	97.4	-9.1	-1.5	101.6	-0.7	-0.8	-0.6	0.5	-0.4	969	20.5
2009 Aug.	90.4	-23.4	97.0	-18.8	-3.2	101.6	-1.7	-0.9	-2.4	-4.0	-2.7	929	14.5
Sep.	92.4	-16.4	96.3	-17.0	-3.8	101.2	-2.5	-1.8	-3.0	-4.9	-2.8	970	9.6
Oct.	90.2	-14.5	96.7	-16.4	-1.6	101.7	-0.4	-1.1	-0.1	2.5	-0.4	979	10.8
Nov.	92.8	-0.5	98.1	-6.5	-2.5	101.3	-1.6	-1.5	-1.5	-3.5	-1.3	972	34.0
Dec.	93.0	9.2	97.5	-3.0	-0.7	101.8	-0.1	0.1	-0.2	1.9	0.3	957	19.5
2010 Jan.	.	.	.	.	-0.3	101.3	-1.0	0.2	-1.5	.	.	875	8.3
	month-on-month percentage changes (s.a.)												
2009 Sep.	-	2.2	-	-0.8	-0.4	-	-0.4	-0.6	-0.2	0.3	0.0	-	4.4
Oct.	-	-2.3	-	0.4	0.5	-	0.5	0.0	0.7	2.2	0.7	-	1.0
Nov.	-	2.8	-	1.5	-0.4	-	-0.4	0.0	-0.6	-2.6	-0.4	-	-0.8
Dec.	-	0.2	-	-0.6	0.7	-	0.5	0.4	0.5	2.0	0.9	-	-1.6
2010 Jan.	-	.	-	.	0.1	-	-0.5	-0.1	-0.6	.	.	-	-8.5

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

1) In 2005.

2) Includes manufacturing industries working mainly on the basis of orders, which represented 61.2% of total manufacturing in 2005.

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

5.2 Output and demand

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

5. Business and Consumer Surveys

	Economic sentiment indicator [2] (long-term average = 100)	Manufacturing industry					Consumer confidence indicator				
		Industrial confidence indicator				Capacity utilisation [3] (percentages)	Total [4]	Financial situation over next 12 months	Economic situation over next 12 months	Unemployment situation over next 12 months	Savings over next 12 months
		Total [4]	Order books	Stocks of finished products	Production expectations						
	1	2	3	4	5	6	7	8	9	10	11
2006	107.2	2	0	6	13	83.2	-9	-3	-9	15	-9
2007	109.2	5	5	5	13	84.2	-5	-2	-4	5	-8
2008	93.5	-9	-15	11	-2	81.8	-18	-10	-25	24	-14
2009	80.8	-28	-56	14	-15	71.0	-25	-7	-26	56	-10
2008 Q4	80.0	-25	-36	18	-22	78.0	-27	-11	-34	49	-14
2009 Q1	71.5	-36	-56	20	-31	72.4	-33	-11	-41	64	-14
Q2	75.6	-33	-62	18	-20	69.9	-28	-9	-34	59	-11
Q3	84.1	-26	-58	12	-9	70.3	-21	-5	-20	51	-9
Q4	91.9	-19	-50	7	1	71.5	-17	-3	-11	48	-7
2009 Sep.	86.7	-24	-56	10	-7	-	-19	-4	-15	48	-10
Oct.	89.6	-21	-53	8	-2	71.0	-18	-3	-12	48	-8
Nov.	91.9	-19	-51	7	2	-	-17	-3	-10	50	-7
Dec.	94.1	-16	-47	5	3	-	-16	-3	-10	46	-5
2010 Jan.	96.0	-14	-44	3	5	72.0	-16	-3	-9	46	-6
Feb.	95.9	-13	-42	4	7	-	-17	-4	-12	47	-7

	Construction confidence indicator			Retail trade confidence indicator				Services confidence indicator			
	Total [4]	Order books	Employment expectations	Total [4]	Present business situation	Volume of stocks	Expected business situation	Total [4]	Business climate	Demand in recent months	Demand in the months ahead
	12	13	14	15	16	17	18	19	20	21	22
2006	1	-4	6	1	3	14	13	18	13	18	24
2007	0	-7	7	1	5	15	13	20	16	19	24
2008	-13	-20	-6	-7	-6	17	2	2	-5	4	7
2009	-31	-40	-22	-15	-21	11	-15	-16	-22	-16	-9
2008 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
Q2	-33	-42	-24	-17	-23	9	-19	-22	-29	-23	-15
Q3	-31	-41	-22	-14	-19	10	-13	-12	-18	-13	-5
Q4	-28	-40	-16	-12	-19	10	-7	-4	-8	-8	3
2009 Sep.	-30	-42	-19	-15	-21	11	-14	-9	-15	-10	-2
Oct.	-29	-42	-16	-15	-24	10	-12	-7	-10	-10	0
Nov.	-26	-39	-14	-11	-19	10	-4	-4	-7	-8	4
Dec.	-28	-40	-17	-10	-15	9	-6	-3	-7	-6	5
2010 Jan.	-29	-38	-20	-5	-6	8	-2	-1	-6	-2	5
Feb.	-29	-39	-19	-9	-12	9	-5	1	-2	-2	7

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 for the economic sentiment indicator of above (below) 100 indicate above-average (below-average) economic sentiment, calculated for the period 1990 to 2008.

3) Data are collected in January, April, July and October each year. The quarterly figures shown are averages of two successive surveys. Annual data are derived from quarterly averages.

4) The confidence indicators are calculated as simple averages of the components shown; the assessments of stocks (columns 4 and 17) and unemployment (column 10) are used with inverted signs for the calculation of confidence indicators.

5.3 Labour markets [1]

1. Employment

(annual percentage changes, unless otherwise indicated)

	Whole economy		By employment status		By economic activity					
	Total (s.a.; millions)	Total	Employees	Self-employed	Agriculture, hunting, forestry and fishing	Mining, manufacturing and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business services	Public administration, education, health and other services
% of total [2]	100.0	100.0	85.2	14.8	3.9	17.1	7.5	25.6	16.0	29.9
	1	2	3	4	5	6	7	8	9	10
2005	141.875	1.0	1.0	0.4	-0.7	-1.1	2.7	0.7	2.5	1.5
2006	144.168	1.6	1.8	0.8	-1.8	-0.3	2.7	1.6	4.0	1.8
2007	146.728	1.8	1.9	0.8	-1.5	0.3	3.8	2.0	4.0	1.2
2008	147.816	0.7	0.9	-0.3	-1.4	-0.1	-2.2	1.3	2.3	1.0
2008 Q3	147.796	0.5	0.8	-0.9	-1.7	-0.1	-2.7	0.9	2.0	0.8
Q4	147.261	0.0	0.1	-0.8	-1.1	-1.2	-5.0	0.4	0.7	1.3
2009 Q1	146.200	-1.2	-1.0	-2.3	-2.3	-3.0	-7.2	-1.2	-1.2	1.6
Q2	145.496	-1.8	-1.7	-2.2	-2.3	-4.7	-7.5	-1.8	-2.1	1.7
Q3	144.759	-2.1	-2.0	-2.4	-2.7	-6.1	-7.8	-1.8	-2.5	1.7
	quarter-on-quarter percentage changes (s.a.)									
2008 Q3	-0.348	-0.2	-0.2	-0.6	-0.6	-0.5	-1.9	-0.1	0.0	0.2
Q4	-0.535	-0.4	-0.3	-0.5	0.1	-1.1	-2.2	-0.4	-0.5	0.6
2009 Q1	-1.061	-0.7	-0.7	-0.9	-0.8	-1.5	-2.3	-0.8	-0.9	0.2
Q2	-0.704	-0.5	-0.5	-0.5	-0.9	-1.8	-1.4	-0.4	-0.7	0.6
Q3	-0.737	-0.5	-0.5	-0.7	-1.1	-1.7	-2.0	-0.2	-0.5	0.3

2. Unemployment

(seasonally adjusted)

	Total		By age [3]				By gender [4]			
	Millions	% of labour force	Adult		Youth		Male		Female	
			Millions	% of labour force	Millions	% of labour force	Millions	% of labour force	Millions	% of labour force
% of total [2]	100.0		78.2		21.8		53.7		46.3	
	1	2	3	4	5	6	7	8	9	10
2006	12.877	8.3	10.053	7.3	2.824	16.4	6.388	7.5	6.489	9.4
2007	11.672	7.5	9.123	6.6	2.549	14.9	5.736	6.7	5.936	8.5
2008	11.889	7.6	9.264	6.6	2.625	15.4	5.996	6.9	5.893	8.3
2009	14.853	9.4	11.621	8.2	3.232	19.4	7.986	9.2	6.868	9.6
2008 Q4	12.668	8.0	9.856	7.0	2.812	16.6	6.549	7.6	6.119	8.6
2009 Q1	13.901	8.8	10.803	7.7	3.098	18.4	7.374	8.5	6.528	9.2
Q2	14.723	9.3	11.491	8.1	3.232	19.3	7.917	9.1	6.806	9.5
Q3	15.210	9.6	11.937	8.4	3.273	19.8	8.208	9.5	7.001	9.8
Q4	15.579	9.9	12.252	8.7	3.326	20.2	8.443	9.8	7.135	10.0
2009 Aug.	15.181	9.6	11.915	8.4	3.267	19.8	8.178	9.5	7.003	9.8
Sep.	15.400	9.8	12.094	8.6	3.306	20.0	8.341	9.7	7.059	9.9
Oct.	15.515	9.8	12.183	8.6	3.332	20.2	8.394	9.7	7.121	9.9
Nov.	15.575	9.9	12.251	8.7	3.324	20.2	8.453	9.8	7.122	10.0
Dec.	15.645	9.9	12.323	8.7	3.322	20.2	8.482	9.8	7.163	10.0
2010 Jan.	15.683	9.9	12.372	8.7	3.310	20.2	8.527	9.9	7.155	10.0

Source: Eurostat.

1) Data for employment refer to persons and are based on the ESA 95. Data for unemployment refer to persons and follow ILO recommendations.
2) In 2009.
3) Adult: 25 years of age and over; youth: below 25 years of age; rates are expressed as a percentage of the labour force for the relevant age group.
4) Rates are expressed as a percentage of the labour force for the relevant gender.

GOVERNMENT FINANCE

6.1 Revenue, expenditure and deficit/surplus [1]

(as a percentage of GDP)

1. Euro area – revenue

	Total	Current revenue										Capital revenue		Memo item: Fiscal burden [2]
			Direct taxes			Indirect taxes		Social contributions			Sales			
				Households	Corporations		Received by EU institutions		Employers	Employees			Capital taxes	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2000	46.5	46.2	12.6	9.6	3.0	13.9	0.6	15.8	8.2	4.8	2.2	0.3	0.3	42.6
2001	45.7	45.4	12.2	9.4	2.7	13.5	0.5	15.6	8.2	4.7	2.1	0.2	0.3	41.6
2002	45.1	44.8	11.8	9.2	2.5	13.5	0.4	15.6	8.2	4.6	2.1	0.3	0.3	41.2
2003	45.0	44.4	11.4	9.0	2.3	13.5	0.4	15.7	8.3	4.6	2.1	0.6	0.5	41.1
2004	44.5	44.0	11.3	8.7	2.5	13.5	0.3	15.5	8.2	4.5	2.1	0.5	0.4	40.7
2005	44.8	44.4	11.5	8.8	2.6	13.7	0.3	15.4	8.1	4.5	2.2	0.5	0.3	40.9
2006	45.3	45.0	12.1	8.9	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	41.6
2008	44.9	44.7	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 item: Primary expenditure [3]
		Total	Compensation of employees	Intermediate consumption	Interest	Current transfers	Social payments	Subsidies	Paid by EU institutions		Investment	Capital transfers	Paid by EU institutions	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2000	46.6	43.8	10.4	4.8	3.9	24.7	21.6	2.0	0.5	2.8	2.5	1.3	0.0	42.7
2001	47.6	43.7	10.3	4.8	3.8	24.8	21.7	1.9	0.5	3.9	2.5	1.4	0.0	43.8
2002	47.7	43.9	10.4	4.9	3.5	25.1	22.2	1.9	0.5	3.8	2.4	1.4	0.0	44.2
2003	48.1	44.1	10.5	5.0	3.3	25.4	22.5	1.9	0.5	3.9	2.5	1.4	0.1	44.8
2004	47.5	43.6	10.4	5.0	3.1	25.1	22.3	1.8	0.5	3.9	2.5	1.5	0.1	44.4
2005	47.4	43.5	10.4	5.0	3.0	25.0	22.3	1.7	0.5	3.9	2.5	1.4	0.0	44.4
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	3.8	2.6	1.2	0.0	43.1
2008	46.9	43.0	10.1	5.1	3.0	24.8	22.0	1.6	0.4	3.9	2.5	1.3	0.0	43.9

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

	Deficit (-)/surplus (+)					Primary deficit (-)/ surplus (+)	Government consumption [4]							
	Total	Central gov.	State gov.	Local gov.	Social security funds		Total	Compensation of employees	Intermediate consumption	Transfers in kind via market producers	Consumption of fixed capital	Sales (minus)	Collective consumption	Individual consumption
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2000	-0.1	-0.5	-0.1	0.1	0.5	3.8	19.7	10.4	4.8	4.9	1.8	2.2	8.2	11.6
2001	-1.9	-1.7	-0.4	-0.1	0.3	1.9	19.8	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	1.8	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	-2.6	-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	-0.6	-1.2	0.0	0.0	0.5	2.4	20.0	10.0	5.0	5.2	1.9	2.1	7.9	12.1
2008	-2.0	-2.0	-0.2	-0.2	0.4	1.0	20.4	10.1	5.1	5.3	1.9	2.1	8.1	12.3

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

	BE	DE	IE	GR	ES	FR	IT	CY	LU	MT	NL	AT	PT	SI	SK	FI
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
2005	-2.7	-3.3	1.7	-5.2	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	-1.6	3.0	-2.9	2.0	-2.3	-3.3	-1.2	1.3	-2.6	0.5	-1.6	-3.9	-1.3	-3.5	4.0
2007	-0.2	0.2	0.3	-3.7	1.9	-2.7	-1.5	3.4	3.7	-2.2	0.2	-0.6	-2.6	0.0	-1.9	5.2
2008	-1.2	0.0	-7.2	-7.7	-4.1	-3.4	-2.7	0.9	2.5	-4.7	0.7	-0.4	-2.7	-1.8	-2.3	4.5

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

1) Data refer to the Euro 16. The concepts "revenue", "expenditure" and "deficit/surplus" are based on the ESA 95. Transactions involving the EU budget are included and consolidated. Transactions among Member States' governments are not consolidated.
2) The fiscal burden comprises taxes and social contributions.
3) Comprises total expenditure minus interest expenditure.
4) Corresponds to final consumption expenditure (P.3) of general government in the ESA 95.
5) Includes proceeds from the sale of UMTS licences and settlements under swaps and forward rate agreements.

6.2 Debt [1]

(as a percentage of GDP)

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

	Total	Financial instruments				Holders				
		Currency and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors [2]				Other creditors [3]
						Total	MFIs	Other financial corporations	Other sectors	
	1	2	3	4	5	6	7	8	9	10
1999	72.0	2.9	14.5	4.3	50.4	48.7	25.4	13.7	9.7	23.3
2000	69.2	2.7	13.2	3.7	49.6	44.0	22.1	12.3	9.6	25.2
2001	68.2	2.8	12.4	4.0	49.0	41.8	20.6	11.0	10.2	26.4
2002	68.0	2.7	11.8	4.6	48.9	40.0	19.4	10.6	10.0	28.0
2003	69.1	2.1	12.4	5.0	49.6	39.3	19.6	11.0	8.6	29.8
2004	69.5	2.2	12.0	5.0	50.3	37.5	18.5	10.7	8.3	31.9
2005	70.0	2.4	11.8	4.7	51.2	35.5	17.2	11.1	7.1	34.6
2006	68.2	2.4	11.4	4.1	50.2	33.8	17.4	9.4	7.0	34.4
2007	65.9	2.2	10.8	4.2	48.8	32.1	16.8	8.6	6.7	33.9
2008	69.3	2.3	10.9	6.7	49.4	32.5	17.2	8.2	7.1	36.8

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

	Total	Issued by: [4]				Original maturity			Residual maturity			Currencies	
		Central gov.	State gov.	Local gov.	Social security funds	Up to 1 year	Over 1 year	Variable interest rate	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Euro or participating currencies	Other currencies
	1	2	3	4	5	6	7	8	9	10	11	12	13
1999	72.0	60.5	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	6.2	13.4	27.8	28.1	67.4	1.8
2001	68.2	57.0	6.0	4.7	0.4	7.0	61.2	5.3	13.7	26.6	27.9	66.7	1.5
2002	68.0	56.7	6.2	4.7	0.4	7.6	60.4	5.2	15.5	25.3	27.2	66.7	1.3
2003	69.1	57.0	6.5	5.0	0.6	7.8	61.3	5.0	14.9	26.0	28.2	68.1	0.9
2004	69.5	57.4	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	62.2	4.6	14.8	25.6	29.7	69.1	1.0
2006	68.2	55.9	6.5	5.3	0.5	7.4	60.8	4.3	14.4	24.0	29.8	67.7	0.6
2007	65.9	54.0	6.2	5.2	0.5	7.4	58.5	4.3	14.2	22.7	29.1	65.4	0.5
2008	69.3	57.1	6.6	5.2	0.4	10.2	59.1	4.5	17.8	22.2	29.3	68.6	0.7

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	92.1	68.0	27.6	100.0	43.0	66.4	105.8	69.1	6.1	70.2	51.8	63.9	63.6	27.0	34.2	41.8
2006	88.1	67.6	25.0	97.1	39.6	63.7	106.5	64.6	6.6	63.6	47.4	62.2	64.7	26.7	30.5	39.3
2007	84.2	65.0	25.1	95.6	36.1	63.8	103.5	58.3	6.6	62.0	45.5	59.5	63.6	23.3	29.3	35.2
2008	89.8	65.9	44.1	99.2	39.7	67.4	105.8	48.4	13.5	63.8	58.2	62.6	66.3	22.5	27.7	34.1

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

1) 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.

6.3 Change in debt [1]
(as a percentage of GDP)

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

	Total	Source of change			Financial instruments				Holders			
		Borrowing requirement [2]	Valuation effects [3]	Other changes in volume [4]	Currency and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors [5]	MFIs	Other financial corporations	Other creditors [6]
	1	2	3	4	5	6	7	8	9	10	11	12
2000	1.1	1.2	0.0	-0.1	0.0	-0.5	-0.3	1.9	-2.1	-2.0	-0.6	3.2
2001	1.9	1.9	-0.1	0.1	0.2	-0.2	0.5	1.5	-0.3	-0.5	-0.8	2.2
2002	2.1	2.7	-0.5	-0.1	0.0	-0.2	0.7	1.6	-0.4	-0.5	-0.1	2.5
2003	3.1	3.3	-0.2	0.0	-0.6	0.9	0.6	2.1	0.5	0.8	0.8	2.6
2004	3.1	3.2	-0.1	0.0	0.2	0.1	0.1	2.7	-0.2	-0.3	0.1	3.3
2005	3.1	3.0	0.0	0.0	0.3	0.3	-0.1	2.6	-0.7	-0.6	0.8	3.8
2006	1.5	1.4	0.1	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	-0.1	-0.1	0.3	1.0	0.0	0.2	-0.3	1.1
2008	5.2	5.1	0.1	0.0	0.1	0.4	2.6	2.0	1.3	0.9	-0.2	3.8

2. Euro area – deficit-debt adjustment

	Change in debt	Deficit (-) / surplus (+) [7]	Deficit-debt adjustment [8]											
			Total	Transactions in main financial assets held by general government							Valuation effects	Exchange rate effects	Other changes in volume	Other [9]
				Total	Currency and deposits	Loans	Securities [10]	Shares and other equity	Privatisations	Equity injections				
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2000	1.1	-0.1	1.0	1.0	0.7	0.1	0.2	0.0	-0.3	0.2	0.0	0.1	-0.1	0.1
2001	1.9	-1.9	0.0	-0.5	-0.6	0.1	0.1	-0.1	-0.3	0.1	-0.1	0.0	0.1	0.6
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	-0.1	0.0
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	0.2	0.2	0.2	0.0	0.1	0.0	-0.5	0.2	-0.1	0.0	0.0	0.1
2005	3.1	-2.6	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	-0.4	0.1	0.1	0.0	0.0	-0.2
2007	1.1	-0.6	0.5	0.6	0.3	0.0	0.3	0.1	-0.2	0.2	0.0	0.0	0.0	-0.1
2008	5.2	-2.0	3.2	3.1	0.8	0.7	0.7	0.8	-0.1	0.7	0.1	0.0	0.0	0.0

Source: ECB.
1) Data refer to the Euro 16 and are partially estimated. Annual change in gross nominal consolidated debt is expressed as a percentage of GDP, i.e. [debt(t) - debt(t-1)] ÷ GDP(t).
2) The borrowing requirement is by definition equal to transactions in debt.
3) Includes, in addition to the impact of foreign exchange movements, effects arising from measurement at nominal value (e.g. premia or discounts on securities issued).
4) Includes, in particular, the impact of the reclassification of units and certain types of debt assumption.
5) Holders resident in the country whose government has issued the debt.
6) Includes residents of euro area countries other than the country whose government has issued the debt.
7) Including proceeds from sales of UMTS licences.
8) The difference between the annual change in gross nominal consolidated debt and the deficit as a percentage of GDP.
9) Mainly composed of transactions in other assets and liabilities (trade credits, other receivables/payables and financial derivatives).
10) Excluding financial derivatives.

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

(as a percentage of GDP)

1. Euro area – quarterly revenue

	Total	Current revenue						Capital revenue		Memo item: Fiscal burden [2]
			Direct taxes	Indirect taxes	Social contributions	Sales	Property income		Capital taxes	
	1	2	3	4	5	6	7	8	9	10
2003 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	43.7
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	40.7
Q3	42.8	42.3	10.6	12.8	15.4	1.9	0.7	0.5	0.3	39.1
Q4	49.0	48.0	12.9	14.2	16.2	2.9	0.7	1.0	0.4	43.7
2005 Q1	42.0	41.5	9.9	13.0	15.3	1.7	0.6	0.5	0.3	38.5
Q2	44.4	43.8	11.7	13.2	15.1	2.0	1.1	0.6	0.3	40.2
Q3	43.4	42.7	11.0	13.0	15.2	1.9	0.7	0.7	0.3	39.5
Q4	49.0	48.3	13.4	14.2	16.1	2.9	0.8	0.7	0.3	43.9
2006 Q1	42.4	42.0	10.2	13.4	15.1	1.6	0.8	0.4	0.3	38.9
Q2	45.5	45.0	12.4	13.5	15.1	1.9	1.3	0.5	0.3	41.2
Q3	43.7	43.2	11.5	13.0	15.2	2.0	0.8	0.5	0.3	39.9
Q4	49.3	48.7	14.0	14.2	15.8	2.9	0.9	0.6	0.3	44.4
2007 Q1	42.2	41.8	10.3	13.5	14.8	1.7	0.8	0.4	0.3	38.8
Q2	45.8	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	40.0
Q4	49.7	49.2	14.4	14.2	15.8	3.0	0.9	0.5	0.3	44.6
2008 Q1	42.2	41.9	10.7	12.9	14.8	1.7	1.0	0.3	0.2	38.7
Q2	45.1	44.7	12.8	12.8	15.0	1.9	1.5	0.4	0.3	40.9
Q3	43.1	42.7	11.8	12.4	15.1	1.9	0.8	0.4	0.3	39.5
Q4	48.8	48.3	13.6	13.6	16.2	3.0	1.0	0.5	0.3	43.6
2009 Q1	42.3	42.1	10.5	12.5	15.5	1.8	1.0	0.2	0.2	38.7
Q2	44.6	44.0	11.7	12.5	15.6	2.0	1.5	0.6	0.5	40.2
Q3	42.5	42.2	10.7	12.4	15.6	2.0	0.8	0.3	0.3	39.0

2. Euro area – quarterly expenditure and deficit/surplus

	Total	Current expenditure							Capital expenditure			Deficit (-)/ surplus (+)	Primary deficit (-)/ surplus (+)
		Total	Compensation of employees	Intermediate consumption	Interest	Current transfers	Social benefits	Subsidies		Investment	Capital transfers		
	1	2	3	4	5	6	7	8	9	10	11	12	13
2003 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	51.0	46.2	11.1	5.7	3.1	26.4	22.8	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	46.1	42.7	9.9	4.7	3.1	24.9	21.5	1.3	3.4	2.4	1.0	-3.3	-0.1
Q4	50.8	45.6	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	10.3	4.6	3.1	25.1	21.4	1.2	3.7	1.9	1.8	-4.9	-1.7
Q2	46.1	42.7	10.2	4.9	3.2	24.4	21.3	1.1	3.4	2.3	1.1	-1.7	1.5
Q3	45.8	42.3	9.9	4.8	3.0	24.7	21.3	1.2	3.4	2.5	1.0	-2.4	0.6
Q4	50.5	45.7	11.1	5.8	2.7	26.0	22.5	1.3	4.8	3.1	1.7	-1.5	1.3
2006 Q1	45.3	42.2	10.0	4.6	2.9	24.7	21.1	1.2	3.1	1.9	1.2	-2.9	0.0
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	2.4	1.0	-1.6	1.3
Q4	50.3	45.0	10.7	5.7	2.7	25.8	22.2	1.4	5.3	3.2	2.2	-1.0	1.7
2007 Q1	44.3	41.2	9.8	4.5	2.9	23.9	20.5	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	0.8	1.2	4.3
Q3	44.6	41.2	9.6	4.7	3.0	23.9	20.7	1.2	3.4	2.5	0.9	-0.9	2.0
Q4	50.3	45.2	10.7	5.8	2.8	26.0	22.2	1.5	5.1	3.4	1.8	-0.6	2.2
2008 Q1	44.7	41.5	9.8	4.6	2.9	24.2	20.5	1.2	3.2	2.0	1.2	-2.5	0.5
Q2	45.3	41.9	10.1	4.9	3.1	23.7	20.6	1.1	3.4	2.3	1.1	-0.2	3.0
Q3	45.4	41.9	9.7	4.8	3.0	24.4	21.2	1.2	3.5	2.5	1.1	-2.3	0.7
Q4	51.7	46.7	11.0	6.0	2.8	26.9	23.0	1.4	5.1	3.4	1.7	-3.0	-0.2
2009 Q1	48.3	44.9	10.5	5.2	2.9	26.2	22.4	1.3	3.4	2.1	1.2	-6.0	-3.1
Q2	49.8	46.0	10.9	5.5	3.1	26.5	23.0	1.3	3.9	2.7	1.2	-5.3	-2.1
Q3	48.8	45.1	10.3	5.2	2.7	26.9	23.3	1.4	3.7	2.6	1.1	-6.3	-3.5

Sources: ECB calculations based on Eurostat and national data.

1) The concepts "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, except for different data transmission deadlines, the quarterly data are consistent with the annual data. The data are not seasonally adjusted.

2) The fiscal burden comprises taxes and social contributions.

6.5 Quarterly debt and change in debt
(as a percentage of GDP)

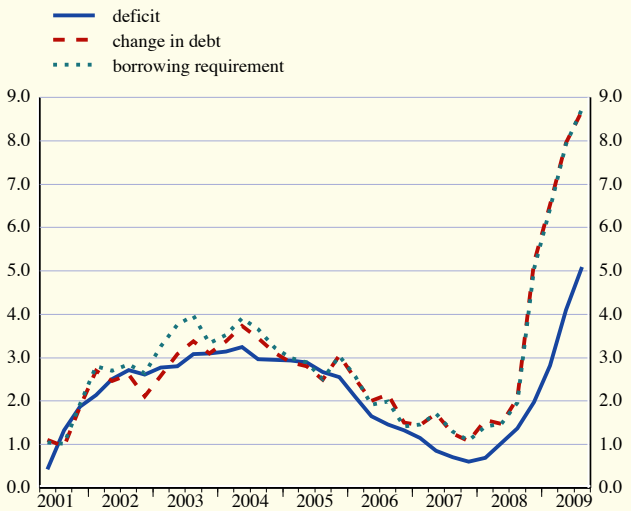
1. Euro area – Maastricht debt by financial instrument [1)]

	Total	Financial instruments			
		Currency and deposits	Loans	Short-term securities	Long-term securities
	1	2	3	4	5
2006 Q4	68.2	2.4	11.4	4.1	50.2
2007 Q1	68.4	2.4	11.5	4.7	49.9
Q2	68.6	2.2	11.2	5.1	50.2
Q3	67.6	2.1	11.0	5.1	49.4
Q4	65.9	2.2	10.8	4.2	48.8
2008 Q1	66.9	2.1	11.1	5.0	48.7
Q2	67.2	2.1	11.0	4.9	49.1
Q3	67.1	2.1	10.8	5.5	48.6
Q4	69.3	2.3	10.9	6.7	49.4
2009 Q1	72.7	2.3	11.0	7.9	51.6
Q2	75.9	2.4	11.5	8.4	53.6
Q3	77.6	2.3	11.6	9.2	54.5

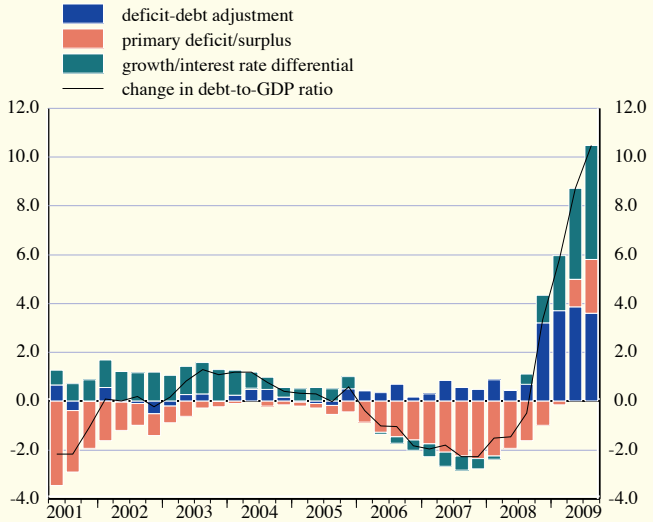
2. Euro area – deficit-debt adjustment

	Change in debt	Deficit (-)/ surplus (+)	Deficit-debt adjustment								Memo item: Borrowing requirement
			Total	Transactions in main financial assets held by general government					Valuation effects and other changes in volume	Other	
				Total	Currency and deposits	Loans	Securities	Shares and other equity			
	1	2	3	4	5	6	7	8	9	10	11
2006 Q4	-2.9	-1.0	-3.9	-2.4	-1.5	-0.5	-0.2	-0.2	-0.2	-1.3	-2.8
2007 Q1	4.5	-2.1	2.3	2.0	1.0	0.0	0.6	0.2	-0.7	1.1	5.2
Q2	4.2	1.2	5.3	5.0	4.1	0.0	0.6	0.4	0.6	-0.3	3.5
Q3	-0.6	-0.9	-1.5	-1.5	-2.1	0.1	0.4	0.0	0.1	-0.1	-0.7
Q4	-3.4	-0.6	-4.0	-2.9	-1.9	-0.2	-0.6	-0.2	0.0	-1.1	-3.4
2008 Q1	6.3	-2.5	3.8	3.1	1.9	0.0	0.9	0.3	-0.1	0.7	6.3
Q2	3.7	-0.2	3.5	3.4	1.8	0.3	1.1	0.1	0.0	0.0	3.7
Q3	1.9	-2.3	-0.4	-0.9	-1.6	0.0	0.1	0.6	0.5	0.0	1.4
Q4	8.8	-3.0	5.9	6.5	1.1	2.6	0.8	2.0	0.1	-0.7	8.7
2009 Q1	11.9	-6.0	5.9	5.4	4.9	-0.1	-0.2	0.9	-0.3	0.7	12.2
Q2	9.4	-5.3	4.1	3.5	1.9	-0.7	1.0	1.3	-0.2	0.8	9.6
Q3	4.7	-6.3	-1.6	-2.9	-3.2	0.8	-0.1	-0.4	0.2	1.1	4.5

C28 Deficit, borrowing requirement and change in debt
(four-quarter moving sum as a percentage of GDP)



C29 Maastricht debt
(annual change in the debt-to-GDP ratio and underlying factors)



Sources: ECB calculations based on Eurostat and national data.
1) The stock data in quarter t are expressed as a percentage of the sum of GDP in t and the previous three quarters.

7 EXTERNAL TRANSACTIONS AND POSITIONS

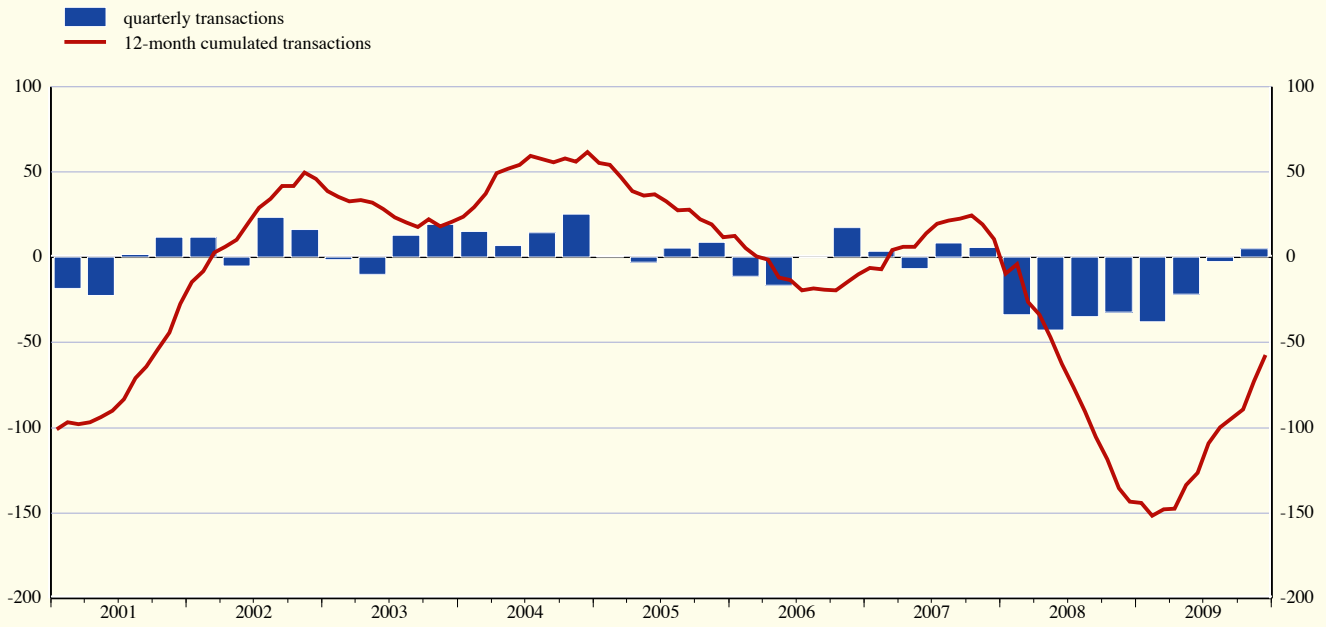
7.1 Summary balance of payments [1]

(EUR billions; net transactions)

	Current account					Capital account	Net lending/ borrowing to/from rest of the world (columns 1+6)	Financial account						Errors and omissions
	Total	Goods	Services	Income	Current transfers			Total	Direct investment	Portfolio investment	Financial derivatives	Other investment	Reserve assets	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2007	10.6	46.0	48.3	2.8	-86.4	5.0	15.7	-1.2	-72.9	151.3	-64.6	-9.9	-5.1	-14.4
2008	-143.3	-11.4	40.6	-74.4	-98.1	10.0	-133.3	163.9	-189.0	350.5	-65.7	72.1	-3.9	-30.7
2009	-57.5	36.1	30.7	-32.8	-91.5	7.6	-49.9	81.8	-90.9	342.1	13.0	-185.0	2.7	-32.0
2008 Q4	-32.2	-1.9	7.1	-11.7	-25.7	1.7	-30.5	41.5	-61.1	152.7	-13.3	-36.1	-0.5	-11.0
2009 Q1	-38.0	-7.7	0.5	-2.3	-28.4	1.4	-36.6	55.8	-58.8	129.9	-5.3	-15.7	5.7	-19.1
Q2	-21.7	13.1	7.3	-25.1	-16.9	2.2	-19.5	13.9	-4.3	82.8	18.8	-81.0	-2.4	5.5
Q3	-2.7	13.3	12.8	-5.8	-22.9	1.5	-1.2	14.0	-24.3	83.4	-4.2	-41.3	0.3	-12.8
Q4	4.8	17.5	10.2	0.4	-23.3	2.5	7.4	-1.8	-3.6	46.1	3.6	-47.1	-0.9	-5.6
2008 Dec.	-5.7	-0.2	3.8	-3.8	-5.5	-0.1	-5.7	16.1	-2.8	1.4	-3.7	13.4	7.9	-10.3
2009 Jan.	-24.0	-10.6	0.2	-3.2	-10.4	0.2	-23.8	31.8	-22.8	-6.4	3.4	52.4	5.3	-8.0
Feb.	-5.4	-0.1	0.4	0.0	-5.6	0.5	-4.9	11.2	-11.7	67.3	-1.3	-44.3	1.2	-6.3
Mar.	-8.6	3.0	-0.2	0.9	-12.3	0.7	-7.9	12.7	-24.3	69.0	-7.3	-23.8	-0.8	-4.9
Apr.	-10.8	4.1	1.7	-7.9	-8.7	1.7	-9.1	12.4	6.6	-0.6	9.1	-2.9	0.1	-3.3
May	-13.7	2.2	3.0	-12.2	-6.7	0.3	-13.5	13.0	10.9	37.9	9.2	-42.8	-2.2	0.5
June	2.9	6.9	2.6	-5.0	-1.6	0.3	3.2	-11.5	-21.8	45.5	0.6	-35.3	-0.4	8.4
July	9.1	13.6	5.1	-2.6	-7.0	0.9	10.1	-13.0	0.9	-22.9	6.5	6.2	-3.7	3.0
Aug.	-6.0	-1.8	3.9	0.2	-8.3	0.6	-5.4	-6.0	4.8	26.5	-9.3	-28.7	0.8	11.3
Sep.	-5.9	1.4	3.8	-3.4	-7.7	0.0	-5.9	33.0	-29.9	79.8	-1.4	-18.9	3.3	-27.1
Oct.	-3.9	6.2	4.0	0.5	-14.6	0.3	-3.6	4.5	-2.0	17.1	0.9	-11.0	-0.6	-0.8
Nov.	-0.6	6.0	2.0	-1.4	-7.2	1.2	0.5	-0.6	0.7	-16.9	-0.2	15.3	0.3	0.1
Dec.	9.4	5.3	4.3	1.3	-1.5	1.1	10.5	-5.7	-2.4	45.9	2.8	-51.4	-0.6	-4.8
	12-month cumulated transactions													
2009 Dec.	-57.5	36.1	30.7	-32.8	-91.5	7.6	-49.9	81.8	-90.9	342.1	13.0	-185.0	2.7	-32.0

C30 B.o.p. current account balance

(EUR billions)



Source: ECB.

1) The sign convention is explained in the General Notes.

7.2 Current and capital accounts

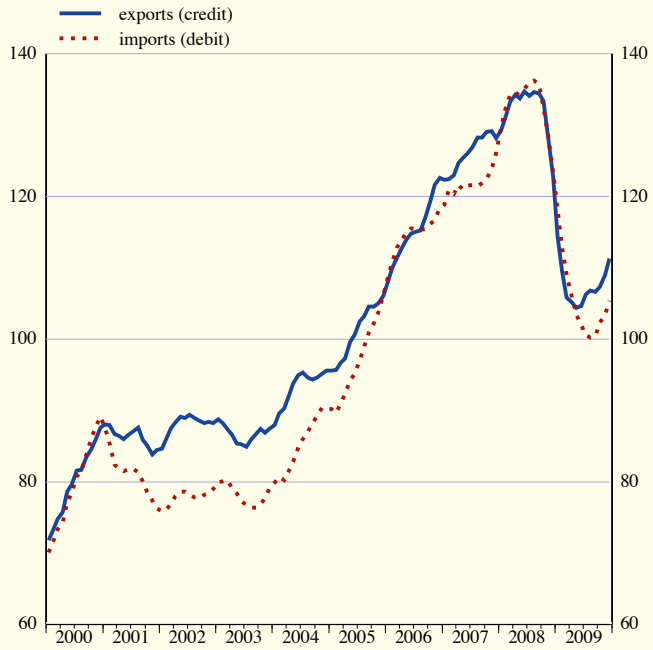
(EUR billions; transactions)

1. Summary current and capital accounts

	Current account													Capital account	
	Total			Goods		Services		Income		Current transfers					
	Credit	Debit	Net	Credit	Debit	Credit	Debit	Credit	Debit	Credit		Debit		Credit	Debit
											Workers' remittances		Workers' remittances		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2007	2,697.0	2,686.3	10.6	1,516.5	1,470.5	491.8	443.5	597.4	594.7	91.3	6.4	177.7	20.6	25.7	20.7
2008	2,744.9	2,888.1	-143.3	1,581.0	1,592.4	509.9	469.2	565.1	639.6	88.8	6.7	186.9	21.4	24.2	14.2
2009	2,275.6	2,333.1	-57.5	1,288.8	1,252.7	466.1	435.4	434.0	466.8	86.7	.	178.3	.	18.4	10.7
2008 Q4	674.0	706.2	-32.2	379.5	381.3	128.0	120.9	139.6	151.3	27.0	1.8	52.7	5.6	5.3	3.7
2009 Q1	561.1	599.1	-38.0	307.8	315.6	108.8	108.3	118.8	121.1	25.7	1.4	54.1	5.0	4.1	2.7
Q2	559.5	581.1	-21.7	312.1	299.0	113.2	106.0	113.1	138.2	21.1	1.5	38.0	5.4	5.0	2.8
Q3	559.8	562.5	-2.7	322.9	309.7	124.0	111.2	98.3	104.1	14.6	1.6	37.6	5.5	3.8	2.3
Q4	595.3	590.4	4.8	346.0	328.5	120.2	109.9	103.9	103.4	25.3	.	48.6	.	5.5	3.0
2009 Oct.	194.8	198.7	-3.9	117.6	111.4	40.2	36.2	33.0	32.5	4.0	.	18.6	.	1.1	0.8
Nov.	191.3	192.0	-0.6	114.8	108.8	36.7	34.8	32.1	33.5	7.7	.	14.9	.	2.0	0.9
Dec.	209.2	199.8	9.4	113.6	108.3	43.2	38.9	38.7	37.5	13.6	.	15.1	.	2.4	1.3
	Seasonally adjusted														
2008 Q4	650.5	693.2	-42.8	368.4	370.2	125.7	118.1	134.7	156.5	21.7	.	48.4	.	.	.
2009 Q1	581.5	618.9	-37.4	317.6	327.2	119.4	113.7	123.1	132.2	21.5	.	45.8	.	.	.
Q2	564.1	578.3	-14.1	314.0	305.7	115.0	109.5	111.8	117.8	23.4	.	45.2	.	.	.
Q3	555.6	559.9	-4.2	319.8	301.3	114.4	105.7	100.0	110.7	21.4	.	42.2	.	.	.
Q4	572.0	575.3	-3.2	333.7	316.0	117.2	106.5	99.5	106.6	21.6	.	46.1	.	.	.
2009 July	187.9	184.2	3.7	108.7	98.3	38.5	34.8	33.9	37.6	6.8	.	13.5	.	.	.
Aug.	184.5	186.5	-2.0	105.4	100.7	37.8	34.8	34.1	36.4	7.1	.	14.6	.	.	.
Sep.	183.2	189.1	-5.9	105.7	102.3	38.1	36.1	32.0	36.7	7.5	.	14.1	.	.	.
Oct.	188.4	193.0	-4.6	110.9	103.8	38.5	34.8	33.3	35.4	5.6	.	19.0	.	.	.
Nov.	191.6	192.2	-0.5	110.3	104.1	38.6	36.1	32.7	36.1	10.0	.	15.8	.	.	.
Dec.	192.0	190.1	1.9	112.5	108.1	40.0	35.6	33.5	35.2	6.1	.	11.3	.	.	.

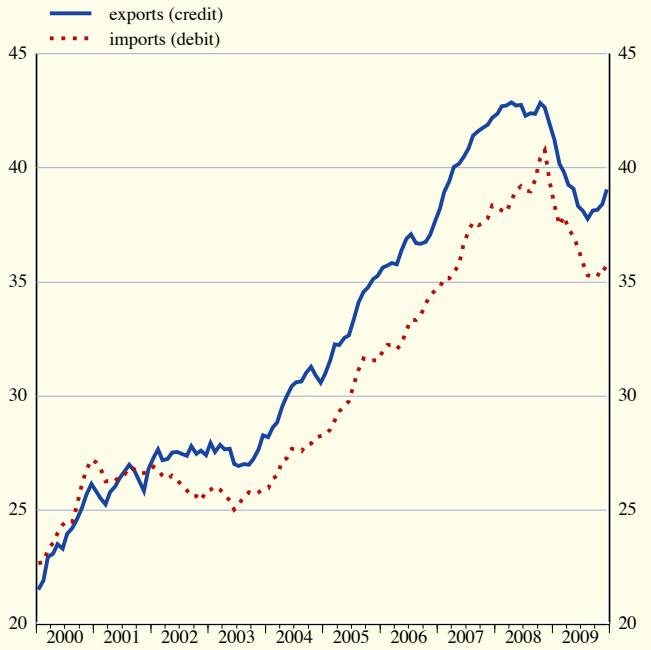
C31 B.o.p. goods

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



C32 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		Credit	Debit	Credit	Debit	Credit	Debit		
						Reinv. earnings		Reinv. earnings								
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
2006	17.4	9.8	482.5	472.8	184.3	40.3	114.5	37.5	20.6	20.2	39.2	96.3	103.6	91.5	134.9	150.4
2007	18.8	10.2	578.6	584.5	208.8	72.7	139.1	46.1	26.4	24.9	45.4	113.2	118.8	110.9	179.3	196.4
2008	19.1	10.5	546.0	629.1	163.6	30.5	153.8	58.2	30.3	25.5	42.9	120.5	123.9	127.8	185.3	201.4
2008 Q3	4.6	3.1	133.5	147.8	39.0	10.7	37.7	20.3	7.1	6.2	10.2	23.2	32.1	31.0	45.1	49.8
Q4	4.9	2.7	134.7	148.6	38.4	2.9	38.4	12.8	8.7	6.4	8.3	20.2	30.8	33.6	48.4	50.0
2009 Q1	4.7	2.0	114.1	119.1	37.9	12.1	28.4	17.2	5.5	5.9	6.5	13.0	25.8	36.3	38.3	35.6
Q2	4.6	2.6	108.4	135.6	35.2	4.4	27.5	5.3	5.9	6.1	8.7	36.6	24.2	35.6	34.4	29.6
Q3	4.6	3.0	93.7	101.1	31.3	9.5	27.7	11.9	4.4	4.7	6.6	13.4	24.7	33.9	26.7	21.4

3. Geographical breakdown
(cumulated transactions)

2008 Q4 to 2009 Q3	Total	EU Member States outside the euro area						Brazil	Canada	China	India	Japan	Russia	Switzerland	United States	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions									
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
	Credits															
Current account	2,354.4	833.8	49.3	68.5	417.2	238.8	60.0	34.4	31.3	82.6	27.8	48.8	75.7	171.6	331.1	717.4
Goods	1,322.3	441.1	29.4	41.9	188.7	181.0	0.1	18.7	16.1	65.2	20.6	29.7	55.1	84.8	160.1	430.9
Services	474.0	158.1	11.3	12.4	101.7	27.4	5.3	7.0	6.5	13.5	5.6	10.3	12.7	47.9	72.7	139.7
Income	469.7	170.3	7.9	12.7	115.1	27.4	7.2	8.5	7.9	3.6	1.5	8.5	7.5	32.3	92.7	136.9
Investment income	450.9	163.8	7.8	12.6	113.4	26.7	3.2	8.5	7.9	3.6	1.5	8.5	7.5	25.3	90.9	133.6
Current transfers	88.4	64.3	0.7	1.4	11.7	3.0	47.5	0.2	0.7	0.3	0.1	0.3	0.4	6.6	5.6	9.9
Capital account	18.2	15.5	0.0	0.0	1.0	0.1	14.3	0.0	0.0	0.0	0.0	0.0	0.1	0.3	0.5	1.6
	Debits															
Current account	2,448.9	781.7	42.5	70.8	361.0	208.1	99.3	-	26.0	-	-	87.6	-	161.8	349.5	-
Goods	1,305.5	367.8	27.3	39.1	142.2	159.3	0.0	22.2	11.2	162.3	18.5	44.3	78.8	74.4	127.2	398.7
Services	446.4	137.3	7.6	11.0	85.4	33.0	0.2	5.4	5.8	10.6	4.5	7.7	7.7	38.0	96.9	132.5
Income	514.7	166.7	6.7	19.6	121.8	11.3	7.3	-	7.3	-	-	35.1	-	43.5	119.6	-
Investment income	504.3	160.6	6.6	19.5	120.3	6.9	7.2	-	7.2	-	-	35.0	-	43.0	118.8	-
Current transfers	182.4	110.0	0.9	1.1	11.6	4.5	91.9	1.4	1.7	2.8	0.7	0.5	0.5	5.8	5.7	53.1
Capital account	11.4	2.3	0.0	0.1	1.0	0.2	1.0	0.1	0.1	0.1	0.2	0.1	0.1	0.5	0.8	7.1
	Net															
Current account	-94.6	52.0	6.9	-2.3	56.2	30.7	-39.3	-	5.2	-	-	-38.8	-	9.9	-18.5	-
Goods	16.7	73.3	2.1	2.9	46.5	21.7	0.1	-3.5	4.9	-97.1	2.1	-14.6	-23.7	10.5	32.8	32.2
Services	27.6	20.8	3.7	1.4	16.3	-5.7	5.1	1.6	0.7	2.8	1.1	2.6	5.0	9.9	-24.2	7.2
Income	-44.9	3.6	1.2	-6.9	-6.8	16.1	-0.1	-	0.6	-	-	-26.6	-	-11.3	-27.0	-
Investment income	-53.4	3.2	1.2	-7.0	-6.8	19.8	-4.0	-	0.7	-	-	-26.5	-	-17.7	-27.9	-
Current transfers	-93.9	-45.6	-0.1	0.3	0.1	-1.5	-44.4	-1.2	-1.0	-2.6	-0.6	-0.2	-0.1	0.8	-0.1	-43.3
Capital account	6.8	13.2	0.0	-0.1	0.0	0.0	13.4	-0.1	-0.1	-0.1	-0.1	-0.1	0.0	-0.1	-0.3	-5.4

Source: ECB.

7.3 Financial account

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

1. Summary financial account

	Total [1]			Total as a % of GDP			Direct investment		Portfolio investment		Net financial derivatives	Other investment		Reserve assets
	Assets	Liabilities	Net	Assets	Liabilities	Net	Assets	Liabilities	Assets	Liabilities		Assets	Liabilities	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Outstanding amounts (international investment position)													
2005	10,838.5	11,554.1	-715.6	133.0	141.8	-8.8	2,790.8	2,444.3	3,887.5	5,057.8	-21.4	3,861.5	4,052.0	320.1
2006	12,384.0	13,399.8	-1,015.8	144.8	156.7	-11.9	3,153.4	2,729.4	4,372.1	5,950.0	-20.8	4,553.4	4,720.4	325.8
2007	13,906.9	15,155.8	-1,248.9	154.5	168.4	-13.9	3,572.8	3,130.7	4,631.6	6,556.5	-26.0	5,381.3	5,468.6	347.2
2008	13,312.5	14,949.2	-1,636.7	143.7	161.4	-17.7	3,744.4	3,217.0	3,763.9	6,078.6	-36.2	5,466.1	5,653.6	374.2
2009 Q2	13,314.9	14,831.4	-1,516.5	146.5	163.2	-16.7	4,011.7	3,296.7	3,896.2	6,299.9	-58.2	5,083.7	5,234.7	381.5
Q3	13,412.7	14,971.0	-1,558.2	148.7	166.0	-17.3	4,063.9	3,356.6	4,052.1	6,611.2	-60.5	4,926.4	5,003.1	430.9
	Changes to outstanding amounts													
2005	2,209.7	2,070.3	139.3	27.1	25.4	1.7	522.1	209.0	842.5	1,012.3	16.0	790.0	849.1	39.1
2006	1,545.5	1,845.7	-300.2	18.1	21.6	-3.5	362.6	285.1	484.6	892.2	0.6	691.9	668.4	5.7
2007	1,522.9	1,756.0	-233.1	16.9	19.5	-2.6	419.4	401.3	259.5	606.5	-5.2	827.9	748.1	21.4
2008	-594.4	-206.6	-387.8	-6.4	-2.2	-4.2	171.7	86.3	-867.7	-478.0	-10.2	84.8	185.1	27.0
2009 Q2	204.5	68.1	136.3	9.1	3.0	6.1	174.1	59.0	257.8	284.3	-7.5	-205.7	-275.1	-14.2
Q3	97.8	139.6	-41.8	4.4	6.3	-1.9	52.2	59.9	155.9	311.3	-2.3	-157.3	-231.6	49.4
	Transactions													
2006	1,728.3	1,719.1	9.1	20.2	20.1	0.1	417.6	257.4	519.8	708.5	0.6	788.9	753.2	1.3
2007	1,940.9	1,939.7	1.2	21.6	21.5	0.0	481.2	408.3	436.7	587.9	64.6	953.4	943.4	5.1
2008	480.6	644.5	-163.9	5.2	7.0	-1.8	326.5	137.5	-9.0	341.5	65.7	93.4	165.5	3.9
2009	-195.8	-114.1	-81.7	-2.2	-1.3	-0.9	299.4	208.5	50.0	392.0	-13.0	-529.5	-714.6	-2.7
2009 Q2	-2.1	11.8	-13.9	-0.1	0.5	-0.6	97.5	93.2	62.2	145.0	-18.8	-145.4	-226.4	2.4
Q3	-9.9	4.1	-14.0	-0.4	0.2	-0.6	59.2	35.0	42.0	125.3	4.2	-115.0	-156.3	-0.3
Q4	20.4	18.6	1.8	0.9	0.8	0.1	42.6	39.0	17.0	63.1	-3.6	-36.4	-83.5	0.9
2009 Aug.	31.0	25.0	6.0	.	.	.	15.0	19.8	45.8	72.3	9.3	-38.3	-67.0	-0.8
Sep.	-20.6	12.4	-33.0	.	.	.	30.2	0.3	-24.8	55.1	1.4	-24.1	-42.9	-3.3
Oct.	87.5	91.9	-4.5	.	.	.	27.9	26.0	15.7	32.8	-0.9	44.1	33.1	0.6
Nov.	28.4	27.8	0.6	.	.	.	9.0	9.7	10.9	-6.0	0.2	8.7	24.1	-0.3
Dec.	-95.5	-101.1	5.7	.	.	.	5.7	3.3	-9.6	36.3	-2.8	-89.3	-140.7	0.6
	Other changes													
2005	851.4	749.6	101.7	10.5	9.2	1.2	163.7	56.5	426.3	487.7	-1.4	205.7	205.4	57.1
2006	-182.7	126.6	-309.3	-2.1	1.5	-3.6	-55.0	27.7	-35.2	183.7	0.0	-97.0	-84.8	4.4
2007	-418.0	-183.7	-234.3	-4.6	-2.0	-2.6	-61.8	-7.0	-177.2	18.6	-69.8	-125.5	-195.3	16.3
2008	-1,075.0	-851.1	-223.9	-11.6	-9.2	-2.4	-154.9	-51.2	-858.7	-819.5	-75.9	-8.6	19.6	23.1
	Other changes due to exchange rate changes													
2005	394.2	245.0	149.2	4.8	3.0	1.8	89.8	5.7	158.3	101.4	.	129.2	137.9	17.0
2006	-343.3	-227.3	-116.0	-4.0	-2.7	-1.4	-72.1	-4.2	-151.7	-99.9	.	-105.7	-123.2	-13.9
2007	-533.1	-293.0	-240.1	-5.9	-3.3	-2.7	-113.3	-5.9	-221.2	-107.5	.	-185.0	-179.5	-13.7
2008	-43.6	64.7	-108.2	-0.5	0.7	-1.2	-17.3	-0.2	-1.5	47.4	.	-34.0	17.5	9.2
	Other changes due to price changes													
2005	284.5	430.3	-145.8	3.5	5.3	-1.8	45.0	40.8	199.0	389.5	-1.4	.	.	41.9
2006	288.6	298.4	-9.8	3.4	3.5	-0.1	45.4	33.5	226.0	264.9	0.0	.	.	17.1
2007	82.4	124.7	-42.4	0.9	1.4	-0.5	46.5	12.5	75.0	112.2	-69.8	.	.	30.7
2008	-1,013.8	-1,102.1	88.3	-10.9	-11.9	1.0	-155.6	-138.4	-803.6	-963.7	-75.9	.	.	21.2
	Other changes due to other adjustments													
2005	172.7	74.3	98.3	2.1	0.9	1.2	29.0	10.0	69.0	-3.1	.	76.5	67.4	-1.8
2006	-128.0	55.5	-183.5	-1.5	0.6	-2.1	-28.3	-1.6	-109.6	18.6	.	8.7	38.4	1.2
2007	32.7	-15.4	48.1	0.4	-0.2	0.5	5.0	-13.6	-31.0	13.9	.	59.5	-15.7	-0.8
2008	-17.6	186.3	-203.9	-0.2	2.0	-2.2	18.0	87.4	-53.6	96.8	.	25.4	2.1	-7.3
	Growth rates of outstanding amounts													
2005	15.2	13.4	-	.	.	.	15.2	6.8	13.1	12.1	.	18.5	19.5	-5.9
2006	16.1	14.8	-	.	.	.	15.0	10.5	13.6	13.7	.	20.5	18.7	0.3
2007	15.7	14.4	-	.	.	.	15.3	14.9	10.0	9.8	.	21.0	20.0	1.6
2008	3.4	4.3	-	.	.	.	9.2	4.4	-0.5	5.4	.	1.7	3.1	1.1
2009 Q2	-2.9	-1.5	-	.	.	.	9.4	6.1	-5.6	3.9	.	-9.0	-11.2	-1.2
Q3	-3.9	-2.8	-	.	.	.	8.2	4.8	-3.0	5.2	.	-12.6	-15.0	-0.9
Q4	-1.5	-0.8	.	.	.	.	8.0	6.5	1.3	6.5	.	-9.7	-12.5	-0.8

Source: ECB.

1) Net financial derivatives are included in assets.

7.3 Financial account

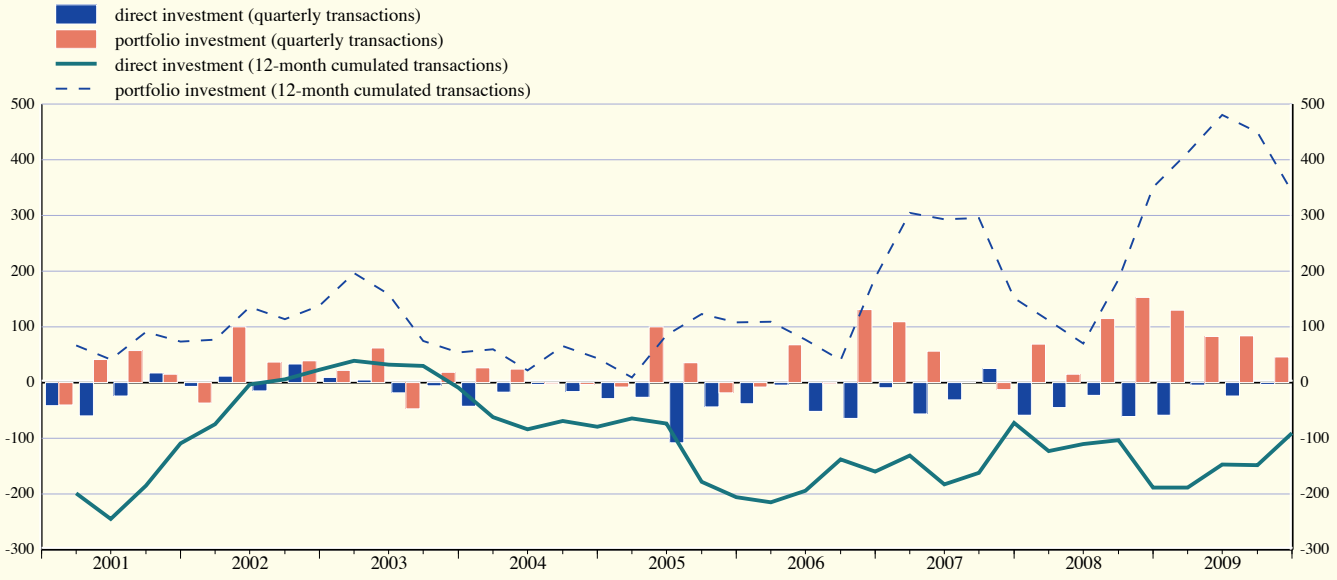
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period; transactions during period)

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	MFIs	Non-MFIs	Total	MFIs	Non-MFIs		Total	In MFIs	In non-MFIs	Total	To MFIs	To non-MFIs
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Outstanding amounts (international investment position)													
2007	3,572.8	2,886.7	240.8	2,645.9	686.1	6.4	679.7	3,130.7	2,401.0	69.5	2,331.5	729.8	15.4	714.4
2008	3,744.4	2,946.9	234.8	2,712.1	797.5	9.3	788.2	3,217.0	2,405.5	77.0	2,328.5	811.6	16.4	795.1
2009 Q2	4,011.7	3,147.3	265.1	2,882.2	864.4	10.4	854.0	3,296.7	2,478.5	70.7	2,407.8	818.3	16.6	801.6
Q3	4,063.9	3,177.5	262.8	2,914.7	886.4	10.4	876.1	3,356.6	2,537.7	74.5	2,463.2	819.0	15.3	803.6
	Transactions													
2008	326.5	198.1	2.2	195.9	128.4	-0.2	128.6	137.5	91.3	-1.0	92.2	46.2	1.6	44.6
2009	299.4	208.8	27.5	181.2	90.7	2.3	88.4	208.5	196.0	6.0	190.0	12.5	-0.5	13.0
2009 Q2	97.5	78.2	8.9	69.3	19.3	0.6	18.7	93.2	76.7	1.3	75.3	16.5	0.4	16.1
Q3	59.2	32.4	0.3	32.1	26.8	0.2	26.6	35.0	36.7	2.4	34.3	-1.7	-1.1	-0.6
Q4	42.6	42.6	-2.0	44.6	0.0	0.6	-0.6	39.0	38.7	1.1	37.6	0.3	0.0	0.3
2009 Aug.	15.0	10.9	1.6	9.3	4.2	0.3	3.9	19.8	15.7	0.4	15.3	4.1	-0.6	4.6
Sep.	30.2	15.3	-3.7	19.0	14.9	0.0	14.9	0.3	6.4	0.9	5.5	-6.1	-0.1	-6.0
Oct.	27.9	24.3	-0.6	24.9	3.6	0.3	3.3	26.0	16.6	0.3	16.3	9.4	0.1	9.3
Nov.	9.0	9.7	0.6	9.1	-0.8	0.2	-1.0	9.7	7.9	0.5	7.4	1.8	-0.1	1.9
Dec.	5.7	8.5	-2.1	10.6	-2.8	0.0	-2.9	3.3	14.2	0.4	13.9	-10.9	0.0	-10.8
	Growth rates													
2007	15.3	14.6	11.3	14.9	18.5	-55.0	18.7	14.9	14.8	8.3	15.0	15.3	6.3	15.5
2008	9.2	6.9	0.8	7.5	18.8	-1.6	19.1	4.4	3.8	-1.4	4.0	6.4	9.9	6.3
2009 Q2	9.4	8.0	7.6	8.0	14.8	5.7	14.8	6.1	7.7	4.6	7.8	1.6	4.9	1.5
Q3	8.2	6.6	11.9	6.1	14.2	14.0	14.2	4.8	7.5	6.9	7.5	-2.7	-4.3	-2.7
Q4	8.0	7.0	11.7	6.6	11.3	24.4	11.2	6.5	8.2	8.4	8.2	1.5	-3.3	1.6

C33 B.o.p. net direct and portfolio investment

(EUR billions)



Source: ECB.

7.3 Financial account

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

3. Portfolio investment assets

	Total	Equity					Debt instruments									
							Bonds and notes					Money market instruments				
		Total	MFIs		Non-MFIs		Total	MFIs		Non-MFIs		Total	MFIs		Non-MFIs	
				Euro-system		General government			Euro-system		General government			Euro-system		General government
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
	Outstanding amounts (international investment position)															
2007	4,631.6	1,961.8	136.7	2.8	1,825.1	44.6	2,279.7	990.2	16.4	1,289.5	17.2	390.1	297.3	34.6	92.8	0.5
2008	3,763.9	1,162.7	68.4	3.0	1,094.3	27.3	2,179.1	970.9	19.9	1,208.2	18.4	422.1	353.3	61.6	68.8	1.3
2009 Q2	3,896.2	1,216.2	66.4	3.0	1,149.8	29.2	2,251.1	929.3	17.3	1,321.8	38.7	429.0	351.3	55.3	77.7	1.5
Q3	4,052.1	1,361.9	74.6	3.1	1,287.3	31.4	2,269.9	927.4	16.8	1,342.6	37.7	420.2	341.8	45.0	78.4	1.4
	Transactions															
2008	-9.0	-101.8	-37.9	0.6	-63.9	0.1	95.4	43.9	3.3	51.5	2.6	-2.5	26.8	15.1	-29.4	0.4
2009	50.0	31.8	1.1	-0.2	30.7	.	27.7	-95.5	-2.7	123.2	.	-9.5	-4.2	-14.2	-5.2	.
2009 Q2	62.2	9.3	-0.3	0.0	9.5	0.3	32.9	-33.7	0.1	66.6	20.8	20.1	12.5	-1.8	7.5	-0.3
Q3	42.0	36.7	3.4	0.0	33.3	-0.4	27.4	-7.0	-0.5	34.4	-2.0	-22.2	-10.3	-11.8	-11.9	-0.2
Q4	17.0	23.9	3.6	-0.2	20.3	.	23.4	-5.6	0.1	29.1	.	-30.4	-28.1	-0.2	-2.3	.
2009 Aug.	45.8	12.3	0.9	0.0	11.3	.	37.3	14.3	0.0	23.0	.	-3.8	-3.0	-5.7	-0.8	.
Sep.	-24.8	8.1	0.5	0.0	7.6	.	-22.7	-12.7	-1.1	-10.0	.	-10.2	0.8	-4.3	-11.0	.
Oct.	15.7	8.0	1.8	0.0	6.2	.	4.2	-3.9	0.6	8.1	.	3.5	2.3	3.3	1.1	.
Nov.	10.9	8.7	-0.8	-0.2	9.4	.	20.0	2.8	0.3	17.2	.	-17.8	-16.9	1.6	-0.8	.
Dec.	-9.6	7.3	2.5	0.1	4.7	.	-0.8	-4.6	-0.7	3.7	.	-16.1	-13.5	-5.1	-2.6	.
	Growth rates															
2007	10.0	3.3	22.2	-0.5	2.0	21.3	14.0	16.7	38.9	12.0	23.3	23.1	23.7	272.7	25.8	277.4
2008	-0.5	-6.1	-29.7	24.6	-4.4	0.2	4.3	4.5	20.4	4.0	15.6	-0.5	9.1	41.9	-32.1	70.8
2009 Q2	-5.6	-8.5	-15.3	14.9	-8.1	-0.9	-3.0	-10.3	-12.8	2.9	110.0	-10.4	-7.0	-18.6	-24.2	39.2
Q3	-3.0	-3.1	-8.5	12.4	-2.8	-3.5	-2.5	-10.6	-18.6	4.0	89.3	-6.9	0.0	-30.8	-32.5	49.3
Q4	1.3	2.3	0.6	-7.1	2.4	.	1.2	-9.7	-13.3	10.0	.	-2.9	-2.2	-24.6	-7.0	.

4. Portfolio investment liabilities

	Total	Equity			Debt instruments							
					Bonds and notes				Money market instruments			
		Total	MFIs	Non-MFIs	Total	MFIs	Non-MFIs		Total	MFIs	Non-MFIs	
								General government				General government
	1	2	3	4	5	6	7	8	9	10	11	12
	Outstanding amounts (international investment position)											
2007	6,556.5	3,272.5	594.6	2,677.9	3,041.1	1,143.5	1,897.6	1,118.5	243.0	141.5	101.5	76.1
2008	6,078.6	2,168.7	640.7	1,528.0	3,466.5	1,263.8	2,202.8	1,357.1	443.3	108.9	334.4	272.9
2009 Q2	6,299.9	2,282.7	679.0	1,603.7	3,511.9	1,197.2	2,314.7	1,425.6	505.3	79.2	426.1	359.3
Q3	6,611.2	2,528.8	713.7	1,815.1	3,523.8	1,179.0	2,344.8	1,448.9	558.6	78.2	480.4	421.7
	Transactions											
2008	341.5	-124.8	93.4	-218.2	250.0	31.5	218.6	199.2	216.3	-2.5	218.9	185.7
2009	392.1	89.2	-0.7	89.9	167.7	-10.7	178.4	.	135.3	25.9	109.4	.
2009 Q2	145.0	47.8	3.4	44.4	44.6	-2.2	46.8	56.8	52.6	-2.6	55.2	54.1
Q3	125.3	78.6	12.3	66.3	-12.9	-7.6	-5.3	-5.9	59.6	13.9	45.7	60.5
Q4	63.1	14.0	-12.0	26.0	45.5	10.1	35.5	.	3.6	26.0	-22.4	.
2009 Aug.	72.3	57.5	11.4	46.1	4.2	9.1	-4.8	.	10.5	-0.2	10.7	.
Sep.	55.1	-18.1	-5.4	-12.8	44.5	-13.2	57.7	.	28.6	20.5	8.2	.
Oct.	32.8	-26.1	-0.5	-25.6	37.0	12.5	24.5	.	21.9	2.3	19.7	.
Nov.	-6.0	-3.0	-2.4	-0.6	10.4	-4.1	14.4	.	-13.3	2.1	-15.4	.
Dec.	36.3	43.1	-9.0	52.2	-1.8	1.7	-3.5	.	-5.1	21.7	-26.8	.
	Growth rates											
2007	9.8	5.2	4.4	5.3	13.5	15.9	12.2	14.2	31.2	54.5	13.7	33.2
2008	5.4	-5.4	16.0	-10.5	8.3	2.8	11.5	17.8	88.3	-2.0	202.0	246.5
2009 Q2	3.9	-7.1	-0.4	-9.0	4.8	-4.6	10.4	17.7	99.3	-20.1	233.3	300.3
Q3	5.2	-0.6	4.2	-1.9	2.8	-5.3	7.5	12.0	67.6	-5.9	113.9	177.6
Q4	6.5	4.0	-0.1	5.8	4.9	-0.8	8.1	.	30.6	36.2	32.1	.

Source: ECB.

7.3 Financial account

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

5. Other investment assets

	Total	Eurosystem			MFIs (excluding Eurosystem)			General government				Other sectors			
		Total	Loans/currency and deposits	Other assets	Total	Loans/currency and deposits	Other assets		Trade credits	Loans/currency and deposits	Currency and deposits		Trade credits	Loans/currency and deposits	Currency and deposits
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	Outstanding amounts (international investment position)														
2007	5,381.3	36.9	35.6	1.4	3,354.4	3,283.2	71.2	107.8	12.7	48.8	13.7	1,882.1	196.2	1,518.5	476.5
2008	5,466.1	28.8	27.7	1.0	3,280.7	3,221.6	59.1	101.0	12.1	40.9	7.2	2,055.6	186.1	1,644.9	474.5
2009 Q2	5,083.7	27.9	27.7	0.3	2,966.4	2,930.5	35.9	103.2	12.1	42.0	11.2	1,986.1	188.9	1,559.3	414.1
Q3	4,926.4	22.8	22.5	0.3	2,823.3	2,790.0	33.2	109.1	11.9	48.4	8.6	1,971.3	190.5	1,544.3	446.2
	Transactions														
2008	93.4	-9.4	-9.4	0.0	-50.2	-65.5	15.3	-6.6	-1.1	-6.8	-5.8	159.6	2.5	97.6	-31.9
2009	-529.5	-1.6	.	.	-413.4	.	.	4.4	.	.	1.2	-118.9	.	.	-2.0
2009 Q2	-145.4	7.0	7.0	0.0	-90.0	-76.0	-13.9	-3.8	0.0	-4.5	-5.1	-58.6	5.3	-68.0	-16.7
Q3	-115.0	-6.6	-6.6	0.0	-83.5	-81.2	-2.3	-5.1	-0.3	-4.9	-3.9	-19.8	0.1	-15.8	26.1
Q4	-36.4	6.2	.	.	-3.6	.	.	6.8	.	.	1.1	-45.8	.	.	-12.5
2009 Aug.	-38.3	-2.5	.	.	-24.9	.	.	1.3	.	.	2.3	-12.2	.	.	14.9
Sep.	-24.1	-1.8	.	.	-21.3	.	.	-1.9	.	.	-1.8	1.0	.	.	6.4
Oct.	44.1	1.9	.	.	13.8	.	.	-0.3	.	.	-0.5	28.7	.	.	3.7
Nov.	8.7	0.2	.	.	16.8	.	.	3.7	.	.	1.5	-11.9	.	.	-6.0
Dec.	-89.3	4.1	.	.	-34.2	.	.	3.5	.	.	0.1	-62.7	.	.	-10.2
	Growth rates														
2007	21.0	157.3	173.7	-1.7	18.6	18.8	11.4	-6.4	-9.8	-12.4	-28.6	26.6	7.5	28.8	14.0
2008	1.7	-26.2	-26.9	5.0	-1.5	-2.0	21.6	-6.2	-8.9	-14.0	-44.4	8.6	1.2	6.5	-6.9
2009 Q2	-9.0	-28.7	-30.3	5.6	-14.1	-14.1	-17.1	-4.9	-3.3	-13.2	-35.7	0.1	-4.8	-0.8	-3.3
Q3	-12.6	-42.4	-43.8	6.0	-18.3	-18.4	-22.4	-2.3	-4.7	-6.6	-20.3	-2.6	-4.1	-2.7	3.3
Q4	-9.7	-8.1	.	.	-12.6	.	.	3.7	.	.	14.3	-5.8	.	.	-0.3

6. Other investment liabilities

	Total	Eurosystem			MFIs (excluding Eurosystem)			General government				Other sectors			
		Total	Loans/currency and deposits	Other liabilities	Total	Loans/currency and deposits	Other liabilities	Total	Trade credits	Loans	Other liabilities	Total	Trade credits	Loans	Other liabilities
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	Outstanding amounts (international investment position)														
2007	5,468.6	201.7	201.4	0.2	3,935.1	3,872.6	62.5	52.3	0.0	46.9	5.4	1,279.5	156.9	1,009.7	112.8
2008	5,653.6	482.3	481.9	0.4	3,751.8	3,698.1	53.6	61.9	0.0	58.0	3.9	1,357.6	170.2	1,069.6	117.8
2009 Q2	5,234.7	313.4	308.4	5.0	3,587.6	3,551.2	36.4	58.8	0.0	55.0	3.9	1,274.9	182.3	973.2	119.4
Q3	5,003.1	264.3	263.8	0.6	3,437.7	3,401.0	36.8	59.7	0.0	55.9	3.8	1,241.3	179.1	952.9	109.4
	Transactions														
2008	165.5	280.7	280.6	0.1	-181.0	-191.9	10.9	9.5	0.0	11.0	-1.5	56.3	10.5	46.1	-0.3
2009	-714.6	-231.6	.	.	-343.9	.	.	-8.5	.	.	.	-130.5	.	.	.
2009 Q2	-226.4	-89.3	-91.1	1.8	-81.1	-69.7	-11.4	-2.4	0.0	-3.1	0.7	-53.6	4.4	-57.3	-0.7
Q3	-156.3	-43.5	-43.7	0.3	-79.1	-79.7	0.6	1.4	0.0	1.9	-0.5	-35.1	1.3	-24.6	-11.7
Q4	-83.5	-16.7	.	.	-71.1	.	.	-3.8	.	.	.	8.1	.	.	.
2009 Aug.	-67.0	-9.1	.	.	-44.6	.	.	0.3	.	.	.	-13.7	.	.	.
Sep.	-42.9	-20.3	.	.	-3.5	.	.	1.2	.	.	.	-20.4	.	.	.
Oct.	33.1	-8.3	.	.	14.7	.	.	5.9	.	.	.	20.8	.	.	.
Nov.	24.1	-1.3	.	.	16.4	.	.	0.9	.	.	.	8.1	.	.	.
Dec.	-140.7	-7.1	.	.	-102.2	.	.	-10.6	.	.	.	-20.8	.	.	.
	Growth rates														
2007	20.0	79.2	79.4	-6.9	18.0	18.2	9.5	-1.9	27.4	-4.1	20.7	20.7	6.8	26.2	0.5
2008	3.1	141.3	141.4	20.8	-4.6	-4.9	17.3	18.3	-20.1	23.6	-27.9	4.3	6.6	4.5	-0.8
2009 Q2	-11.2	19.1	17.3	1,123.2	-14.9	-15.1	-9.6	10.5	41.1	11.3	-1.2	-6.5	-3.5	-7.6	-1.7
Q3	-15.0	-27.7	-29.0	916.8	-16.3	-16.4	-13.4	8.1	234.7	9.4	-11.1	-8.3	-2.8	-9.3	-8.6
Q4	-12.5	-47.8	.	.	-9.1	.	.	-13.6	.	.	.	-9.5	.	.	.

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 items		
	Total	Monetary gold		SDR holdings	Reserve position in the IMF	Foreign exchange								Other claims	Other foreign currency assets	Pre-determined short-term net drains on foreign currency	SDR allo-cations
		In EUR billions	In fine troy ounces (millions)			Total	Currency and deposits		Securities				Financial derivatives				
							With monetary authorities and the BIS	With banks	Total	Equity	Bonds and notes	Money market instruments					
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
	Outstanding amounts (international investment position)																
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	5.6
2007	347.2	201.0	353.688	4.6	3.6	138.0	7.2	22.0	108.5	0.4	87.8	20.3	0.3	0.0	44.3	-38.5	5.3
2008	374.2	217.0	349.190	4.7	7.3	145.1	7.6	8.0	129.5	0.6	111.3	17.6	0.0	0.1	262.8	-245.7	5.5
2008 Q4	374.2	217.0	349.190	4.7	7.3	145.1	7.6	8.0	129.5	0.6	111.3	17.6	0.0	0.1	262.8	-245.7	5.5
2009 Q1	395.7	240.4	349.059	4.8	8.4	142.1	8.4	3.7	129.9	0.6	108.6	20.7	0.1	0.1	155.4	-141.4	5.6
Q2	381.5	229.8	347.546	4.2	11.3	136.2	9.5	6.6	119.9	0.5	99.3	20.0	0.2	0.0	77.6	-65.6	5.4
Q3	430.9	236.1	347.200	49.8	11.7	133.2	12.7	7.1	113.2	0.5	89.8	22.9	0.2	0.0	56.7	-42.4	50.9
2009 Nov.	464.2	271.7	347.166	49.6	10.3	132.6	11.8	8.4	112.2	-	-	-	0.2	0.0	39.5	-32.0	50.3
Dec.	462.4	266.0	347.163	50.8	10.0	135.5	12.3	8.1	115.2	-	-	-	-0.1	0.0	32.1	-24.5	51.2
2010 Jan.	468.7	268.1	347.162	52.0	10.2	138.4	10.3	10.0	118.4	-	-	-	-0.3	0.0	28.3	-20.0	52.5
	Transactions																
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	3.8	2.3	5.0	-15.8	11.8	0.1	15.8	-4.1	1.3	0.1	-	-	-
2009	-2.7	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2009 Q2	2.4	0.1	-	-0.5	3.3	-0.4	-0.4	2.9	-3.2	0.0	-2.0	-1.2	0.2	0.0	-	-	-
Q3	-0.3	-0.2	-	0.3	0.6	-1.0	2.3	0.3	-3.8	0.0	-7.0	3.2	0.2	0.0	-	-	-
Q4	0.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Growth rates																
2006	0.3	-2.4	-	11.6	-49.0	7.7	-48.4	12.7	13.4	0.0	29.2	-15.3	-	-	-	-	-
2007	1.6	-1.7	-	7.3	-18.3	6.3	14.9	6.4	5.7	1.1	18.6	-27.6	-	-	-	-	-
2008	1.1	-1.0	-	-2.6	105.3	1.7	67.7	-69.1	10.8	28.0	17.9	-20.6	-	-	-	-	-
2009 Q2	-1.2	-0.9	-	-6.6	174.2	-6.4	106.0	-80.7	2.1	2.6	0.0	15.5	-	-	-	-	-
Q3	-0.9	-0.9	-	-2.9	200.8	-6.2	60.3	-70.2	-2.7	1.3	-8.9	34.6	-	-	-	-	-
Q4	-0.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Source: ECB.

7.3 Financial account

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

8. Geographical breakdown

	Total	EU Member States outside the euro area						Canada	China	Japan	Switzer-land	United States	Offshore financial centres	Interna-tional organisa-tions	Other countries
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions								
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2008	Outstanding amounts (international investment position)														
Direct investment	527.4	-93.0	-2.1	-30.2	-293.9	233.6	-0.3	41.1	35.2	-9.5	126.2	-68.7	-7.1	-0.2	503.3
Abroad	3,744.4	1,255.3	34.9	93.9	865.7	260.8	0.0	104.1	38.8	71.7	384.5	734.6	418.5	0.1	736.8
Equity/reinvested earnings	2,946.9	967.5	30.1	60.3	660.1	216.9	0.0	83.3	32.0	53.6	335.3	551.3	386.7	0.0	537.4
Other capital	797.5	287.9	4.8	33.6	205.7	43.8	0.0	20.7	6.9	18.1	49.2	183.4	31.9	0.0	199.4
In the euro area	3,217.0	1,348.3	37.0	124.1	1,159.7	27.1	0.3	63.0	3.6	81.2	258.3	803.3	425.6	0.3	233.4
Equity/reinvested earnings	2,405.5	1,096.8	28.3	97.4	956.9	13.9	0.2	50.6	0.8	68.7	191.1	590.8	284.1	0.1	122.5
Other capital	811.6	251.5	8.7	26.7	202.8	13.2	0.1	12.4	2.9	12.5	67.2	212.5	141.6	0.2	110.9
Portfolio investment assets	3,763.9	1,242.2	63.7	122.4	895.5	80.7	80.0	82.8	25.6	213.4	95.4	1,225.8	458.4	30.5	389.8
Equity	1,162.7	228.7	6.4	19.9	191.7	9.8	0.9	18.2	22.8	84.5	81.3	378.8	197.8	2.0	148.6
Debt instruments	2,601.3	1,013.6	57.3	102.5	703.7	71.0	79.1	64.6	2.9	128.8	14.1	847.0	260.6	28.5	241.3
Bonds and notes	2,179.1	849.1	50.3	81.5	569.1	70.3	77.8	61.6	2.3	61.7	12.6	705.4	238.2	28.4	219.9
Money market instruments	422.1	164.5	6.9	21.0	134.6	0.6	1.3	3.0	0.6	67.1	1.5	141.5	22.4	0.1	21.4
Other investment	-187.5	-91.1	51.1	28.0	-110.4	108.8	-168.6	-6.2	-16.0	-10.2	-131.2	-286.3	2.1	1.8	349.6
Assets	5,466.1	2,419.7	100.9	83.3	2,020.2	201.8	13.4	25.7	34.0	109.4	276.5	852.5	640.7	58.7	1,048.8
General government	101.0	15.0	0.7	0.4	3.6	0.7	9.7	0.0	1.8	0.2	0.1	3.4	1.4	40.1	39.1
MFIs	3,309.5	1,731.1	83.9	58.3	1,419.1	167.9	1.9	16.8	14.5	79.0	164.5	418.9	367.7	18.2	498.8
Other sectors	2,055.6	673.5	16.4	24.6	597.5	33.3	1.8	8.9	17.7	30.3	111.9	430.2	271.7	0.5	510.9
Liabilities	5,653.6	2,510.8	49.8	55.3	2,130.6	93.0	182.0	32.0	50.0	119.5	407.7	1,138.8	638.6	57.0	699.1
General government	61.9	32.5	0.0	0.1	2.5	0.0	29.7	0.0	0.0	0.6	0.5	7.0	0.3	17.7	3.3
MFIs	4,234.1	1,907.6	38.9	33.5	1,664.9	70.0	100.2	24.4	32.1	91.2	328.7	751.1	535.1	36.8	527.2
Other sectors	1,357.6	570.8	10.8	21.7	463.2	23.0	52.0	7.5	17.9	27.8	78.6	380.8	103.2	2.5	168.7
2008 Q4 to 2009 Q3	Cumulated transactions														
Direct investment	148.5	54.1	1.2	7.4	34.5	11.0	0.0	-5.0	3.7	-10.0	-21.9	34.1	66.0	0.0	27.5
Abroad	303.6	105.7	1.6	19.3	78.9	5.8	0.0	3.3	4.0	-1.3	-0.4	83.4	61.5	0.0	47.4
Equity/reinvested earnings	192.9	56.8	1.3	9.5	43.7	2.3	0.0	3.5	2.4	0.7	3.7	42.5	48.7	0.0	34.6
Other capital	110.7	48.9	0.3	9.8	35.2	3.5	0.0	-0.2	1.6	-2.0	-4.1	41.0	12.8	0.0	12.8
In the euro area	155.1	51.5	0.4	11.9	44.4	-5.2	0.0	8.3	0.3	8.7	21.5	49.3	-4.5	0.0	19.9
Equity/reinvested earnings	177.6	52.6	0.5	12.4	37.6	2.0	0.0	8.5	0.2	2.8	13.0	63.6	8.7	0.0	28.3
Other capital	-22.5	-1.0	-0.1	-0.5	6.8	-7.3	0.0	-0.1	0.1	5.9	8.5	-14.3	-13.2	0.0	-8.4
Portfolio investment assets	-133.1	41.0	5.7	11.6	7.6	-4.8	20.9	4.6	4.2	-47.0	8.2	-41.3	-113.4	-2.5	13.1
Equity	-46.2	-1.4	0.4	1.2	-2.4	-0.6	0.0	3.8	5.7	-5.7	6.6	-13.0	-49.3	0.0	7.1
Debt instruments	-86.9	42.4	5.3	10.3	10.1	-4.2	20.9	0.8	-1.5	-41.3	1.6	-28.3	-64.1	-2.5	6.0
Bonds and notes	-58.5	49.8	4.8	16.2	15.4	-4.1	17.5	-2.9	-0.8	-28.5	0.3	-28.2	-48.8	-2.9	3.6
Money market instruments	-28.4	-7.3	0.5	-5.9	-5.3	-0.1	3.5	3.7	-0.7	-12.8	1.3	-0.1	-15.3	0.4	2.4
Other investment	174.1	-220.9	1.5	-9.4	-221.7	18.8	-10.1	-3.1	5.4	68.7	85.1	49.9	82.1	18.9	88.1
Assets	-722.3	-332.5	-15.8	-13.7	-319.6	15.1	1.5	-0.8	-10.3	-9.4	-53.8	-188.1	-43.1	-4.9	-79.4
General government	-2.3	-2.4	-0.3	-0.1	-2.0	-0.3	0.2	0.0	-0.1	0.0	0.0	0.1	0.0	1.3	-1.2
MFIs	-664.4	-326.2	-14.9	-13.4	-312.9	14.5	0.6	-1.3	-12.5	-7.2	-50.2	-108.3	-47.3	-6.1	-105.3
Other sectors	-55.5	-3.9	-0.6	-0.1	-4.7	0.9	0.7	0.5	2.2	-2.2	-3.6	-79.9	4.2	0.0	27.2
Liabilities	-896.4	-111.6	-17.4	-4.3	-97.9	-3.7	11.7	2.3	-15.8	-78.0	-138.9	-238.0	-125.2	-23.8	-167.4
General government	4.3	2.2	0.0	-0.2	0.3	0.0	2.1	0.0	0.0	-0.1	0.0	0.3	0.0	2.2	-0.2
MFIs	-787.5	-95.6	-16.6	-1.4	-78.1	-0.6	1.2	1.1	-15.4	-79.6	-139.5	-142.6	-128.8	-25.9	-161.0
Other sectors	-113.2	-18.2	-0.8	-2.6	-20.2	-3.1	8.4	1.2	-0.3	1.7	0.6	-95.6	3.7	-0.1	-6.2

Source: ECB.

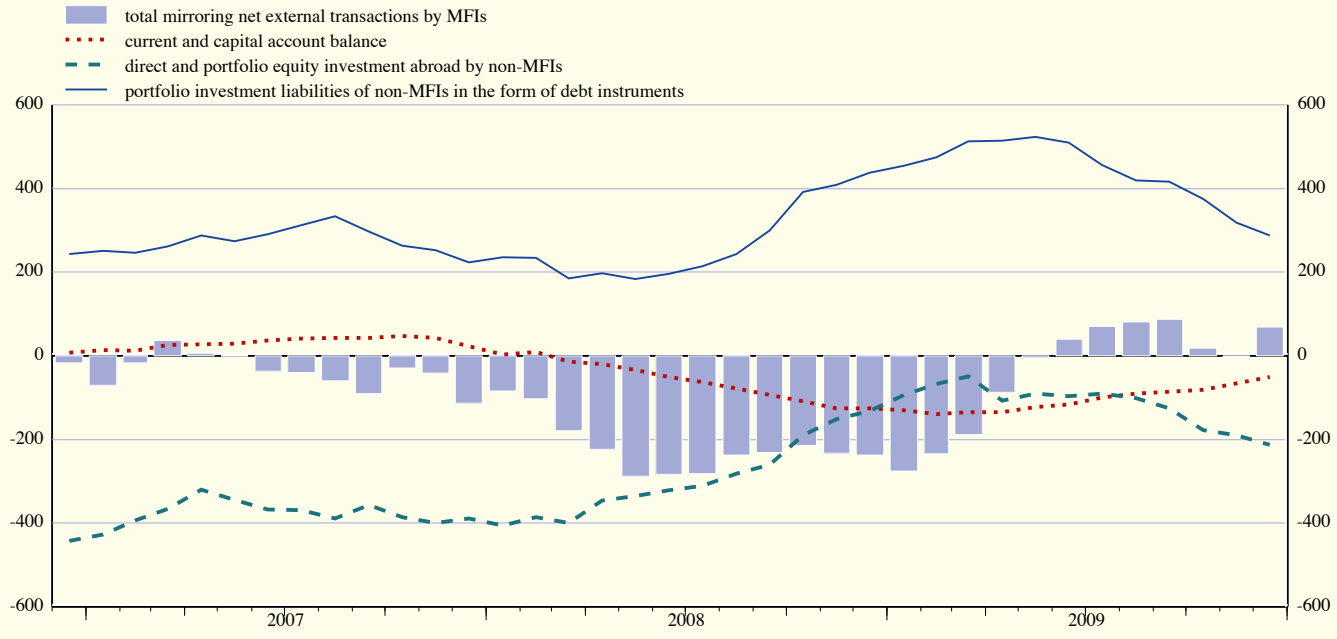
7.4 Monetary presentation of the balance of payments [1]

(EUR billions; transactions)

	B.o.p. items mirroring net transactions by MFIs											
	Total	Current and capital account balance	Transactions by non-MFIs								Financial derivatives	Errors and omissions
			Direct investment		Portfolio investment				Other investment			
			By resident units abroad	By non-resident units in euro area	Assets		Liabilities		Assets	Liabilities		
					Equity	Debt instruments	Equity	Debt instruments				
	1	2	3	4	5	6	7	8	9	10	11	12
2007	-112.5	22.8	-457.6	401.0	-38.3	-160.9	134.4	223.0	-384.8	226.8	-64.8	-14.1
2008	-237.6	-126.2	-325.0	136.6	63.8	-21.6	-218.5	438.0	-153.7	66.4	-65.6	-31.7
2009	69.0	-49.9	-269.6	203.0	-30.7	-117.9	89.9	287.8	114.5	-139.0	13.0	-32.0
2008 Q4	52.7	-28.9	-48.9	-14.7	50.0	73.2	-111.9	140.8	-18.1	34.8	-13.2	-10.4
2009 Q1	-41.7	-36.6	-78.8	40.0	32.4	5.6	-46.8	132.4	-11.8	-53.5	-5.3	-19.1
Q2	77.4	-19.5	-88.0	91.4	-9.5	-74.2	44.4	102.0	62.5	-56.0	18.8	5.5
Q3	-1.2	-1.2	-58.7	33.7	-33.3	-22.5	66.3	40.4	24.8	-33.7	-4.2	-12.8
Q4	34.5	7.4	-44.0	37.9	-20.3	-26.8	26.0	13.0	39.0	4.3	3.6	-5.6
2008 Dec.	-22.5	-5.1	-8.0	2.8	8.3	23.6	-37.2	-0.3	28.9	-20.9	-3.4	-11.2
2009 Jan.	-74.5	-23.8	-21.1	9.3	2.4	-5.6	-35.1	51.6	-3.7	-43.7	3.4	-8.0
Feb.	31.0	-4.9	-19.5	12.4	18.8	0.8	3.4	38.1	6.8	-17.3	-1.3	-6.3
Mar.	1.8	-7.9	-38.2	18.3	11.3	10.4	-15.2	42.7	-15.0	7.6	-7.3	-4.9
Apr.	21.4	-9.1	-59.8	73.2	5.2	-48.3	-24.1	48.9	-11.5	41.0	9.1	-3.3
May	5.2	-13.5	-11.3	20.9	-1.9	-33.2	28.6	30.3	86.6	-110.8	9.2	0.5
June	50.8	3.2	-16.9	-2.6	-12.9	7.4	39.9	22.7	-12.6	13.8	0.6	8.4
July	-0.1	10.1	-11.7	14.3	-14.3	-21.4	33.0	-31.3	13.0	-1.2	6.5	3.0
Aug.	19.4	-5.4	-13.2	19.9	-11.3	-22.2	46.1	5.9	10.9	-13.3	-9.3	11.3
Sep.	-20.4	-5.9	-33.9	-0.5	-7.6	21.0	-12.8	65.9	0.9	-19.2	-1.4	-27.1
Oct.	-4.7	-3.6	-28.2	25.6	-6.2	-9.2	-25.6	44.2	-28.4	26.7	0.9	-0.8
Nov.	-8.5	0.5	-8.1	9.3	-9.4	-16.4	-0.6	-0.9	8.2	9.0	-0.2	0.1
Dec.	47.6	10.5	-7.7	3.0	-4.7	-1.2	52.2	-30.3	59.2	-31.4	2.8	-4.8
	12-month cumulated transactions											
2009 Dec.	69.0	-49.9	-269.6	203.0	-30.7	-117.9	89.9	287.8	114.5	-139.0	13.0	-32.0

C34 Main b.o.p. items mirroring developments in MFI net external transactions [1]

(EUR billions; 12-month cumulated transactions)



Source: ECB.

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

7.5 Trade in goods

1. Values and volumes by product group [1]

(seasonally adjusted, unless otherwise indicated)

	Total (n.s.a.)		Exports (f.o.b.)					Imports (c.i.f.)					
			Total				Memo item:	Total				Memo items:	
	Exports	Imports		Intermediate	Capital	Consumption	Manufacturing		Intermediate	Capital	Consumption	Manufacturing	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)												
2008	3.6	8.1	1,560.5	768.5	337.7	412.6	1,301.5	1,601.9	1,020.2	233.1	333.2	1,020.2	293.7
2009	-18.1	-22.3	1,275.8	.	.	.	1,046.1	1,256.1	.	.	.	824.2	.
2009 Q1	-20.9	-20.7	310.9	147.1	65.6	86.3	258.8	320.8	180.6	49.4	78.6	213.5	35.6
Q2	-23.2	-27.2	309.3	150.4	63.5	85.0	254.5	306.7	170.4	47.5	76.3	202.5	41.4
Q3	-19.4	-25.8	319.3	154.9	64.5	87.7	262.0	311.0	177.3	47.4	77.9	203.5	48.3
Q4	-8.4	-14.6	336.2	.	.	.	270.9	317.6	.	.	.	204.7	.
2009 July	-18.1	-28.9	107.9	52.7	22.5	29.7	89.8	103.1	57.9	15.7	25.8	67.6	15.8
Aug.	-21.2	-25.7	103.4	49.6	20.1	28.7	84.0	102.4	58.5	15.6	25.8	67.1	16.2
Sep.	-19.3	-22.8	108.0	52.7	21.8	29.2	88.2	105.5	60.9	16.2	26.3	68.8	16.4
Oct.	-17.1	-22.4	110.9	52.8	22.1	29.2	89.7	104.7	60.5	15.2	25.6	68.0	16.1
Nov.	-5.5	-13.8	110.9	53.1	21.0	31.5	89.4	105.6	61.4	15.6	25.8	67.9	16.7
Dec.	-0.5	-5.9	114.4	.	.	.	91.8	107.3	.	.	.	68.9	.
	Volume indices (2000 = 100; annual percentage changes for columns 1 and 2)												
2008	1.3	0.4	146.1	141.5	157.7	146.9	142.7	128.8	122.5	143.8	143.3	133.2	108.3
2009	.	.	.	.	.	.	.	.	.	.	.	.	.
2009 Q1	-20.8	-14.7	117.6	110.8	120.0	124.3	112.0	113.5	104.1	117.6	130.9	109.6	99.4
Q2	-22.0	-19.3	118.4	115.4	117.2	122.6	111.7	109.5	98.2	114.0	130.8	106.5	97.2
Q3	-17.5	-14.7	121.4	118.0	118.4	125.5	114.7	110.4	100.4	117.4	133.0	108.2	97.3
Q4	.	.	.	.	.	.	.	.	.	.	.	.	.
2009 July	-16.2	-18.2	122.8	120.7	123.8	126.6	117.6	109.1	98.0	115.3	131.3	106.9	98.2
Aug.	-19.4	-13.7	118.3	113.5	111.2	123.8	110.7	109.9	100.3	117.0	132.2	107.5	96.8
Sep.	-17.3	-12.2	123.1	119.8	120.2	126.2	115.8	112.1	102.9	120.0	135.3	110.2	96.9
Oct.	-14.5	-12.4	127.5	121.6	122.8	126.2	118.7	113.7	104.1	114.7	135.5	110.9	98.0
Nov.	-2.7	-6.3	127.2	120.9	117.0	137.8	118.3	112.6	102.6	118.9	135.7	110.5	95.9
Dec.	.	.	.	.	.	.	.	.	.	.	.	.	.

2. Prices [2]

(annual percentage changes, unless otherwise indicated)

	Industrial producer export prices (f.o.b.) [3]							Industrial import prices (c.i.f.)						
	Total (index: 2005 = 100)	Total					Memo item: Manufacturing	Total (index: 2005 = 100)	Total					Memo item: Manufacturing
			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
2008	103.5	1.6	1.5	-0.4	2.4	25.2	1.5	112.7	6.5	0.2	-3.4	2.4	28.2	0.8
2009	100.9	-2.5	-4.1	0.6	0.5	-26.6	-2.5	102.2	-9.4	-5.8	-0.8	0.2	-26.5	-3.8
2009 Q2	100.9	-2.8	-3.9	1.5	0.9	-36.4	-2.7	101.5	-12.4	-6.5	0.1	1.4	-35.3	-4.2
Q3	100.9	-4.0	-6.2	0.7	0.4	-34.0	-3.8	102.3	-13.0	-7.8	-1.0	-0.3	-33.8	-5.2
Q4	100.6	-2.0	-5.2	-1.1	-0.5	6.6	-1.9	103.4	-3.2	-5.0	-2.0	-2.9	-2.9	-3.1
2009 Aug.	101.2	-3.6	-6.1	0.8	0.6	-30.1	-3.5	103.3	-12.2	-7.6	-1.0	-0.4	-31.4	-4.8
Sep.	100.6	-4.3	-6.7	0.0	0.0	-32.7	-4.2	102.0	-11.7	-7.9	-1.3	-1.3	-30.1	-5.3
Oct.	100.4	-3.6	-6.5	-1.0	-1.1	-13.7	-3.5	102.8	-7.7	-7.2	-2.1	-3.1	-16.7	-4.8
Nov.	100.7	-2.1	-5.4	-1.6	-0.7	10.6	-2.0	103.5	-3.5	-5.5	-2.4	-3.5	-2.3	-3.6
Dec.	100.6	-0.3	-3.7	-0.6	0.3	32.5	-0.2	103.9	1.9	-2.1	-1.6	-2.0	15.1	-0.9
2010 Jan.	101.6	0.3	-1.4	-1.0	0.8	.	0.4	.	.	.	.	.	.	.

Source: Eurostat.

1) Product groups as classified in the Broad Economic Categories. Unlike the product groups shown in Table 2, intermediate and consumption product groups include agricultural and energy products.

2) Product groups as classified in the 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 those deflators include all goods and services and cover cross-border trade within the euro area.

3) Industrial producer export prices refer to direct transactions between domestic producers and non-domestic customers. Contrary to the data shown for values and volumes in Table 1, exports from wholesalers and re-exports are not covered.

7.5 Trade in goods

(EUR billions, unless otherwise indicated; seasonally adjusted)

3. Geographical breakdown

	Total	EU Member States 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
	Exports (f.o.b.)														
2008	1,560.5	35.0	53.6	220.2	232.7	78.4	86.6	42.8	187.5	308.0	65.7	33.6	100.5	68.1	147.0
2009	1,275.8	.	.	.	.	49.4	78.8	34.3	150.9	282.0	67.9	28.6	91.9	54.0	.
2008 Q3	398.3	9.1	14.0	55.9	60.0	21.0	21.9	10.8	46.9	77.1	16.0	8.2	26.8	17.6	37.1
Q4	366.7	8.0	11.4	49.1	52.1	17.6	21.2	8.3	43.6	74.3	15.6	8.1	24.9	17.4	38.8
2009 Q1	310.9	7.4	10.0	42.3	43.9	12.5	19.9	7.7	39.9	65.2	15.4	7.0	23.4	12.8	25.8
Q2	309.3	6.4	9.6	42.4	42.3	12.1	19.3	8.3	37.7	70.4	16.8	7.1	22.8	12.4	25.6
Q3	319.3	6.9	10.5	44.7	44.9	12.1	19.4	9.1	35.8	71.3	17.3	7.2	22.5	14.1	28.1
Q4	336.2	.	.	.	.	12.6	20.2	9.2	37.5	75.0	18.3	7.3	23.3	14.6	.
2009 July	107.9	2.3	3.6	15.0	14.9	4.2	6.5	3.1	12.6	24.1	5.7	2.6	7.6	5.0	9.1
Aug.	103.4	2.3	3.4	14.3	14.7	3.8	6.4	3.0	11.4	23.5	5.7	2.2	7.4	4.4	8.9
Sep.	108.0	2.3	3.5	15.4	15.3	4.1	6.5	3.0	11.9	23.7	5.8	2.4	7.5	4.8	10.1
Oct.	110.9	2.2	3.6	14.9	15.3	4.1	6.5	3.0	12.6	24.2	6.0	2.4	7.6	4.6	12.3
Nov.	110.9	2.1	3.5	14.9	15.1	4.2	6.8	3.1	12.5	25.0	6.2	2.4	7.8	4.9	10.9
Dec.	114.4	.	.	.	.	4.4	6.9	3.1	12.3	25.8	6.1	2.6	7.9	5.0	.
	% share of total exports														
2009	100.0	.	.	.	.	3.9	6.2	2.7	11.8	22.1	5.3	2.2	7.2	4.2	.
	Imports (c.i.f.)														
2008	1,601.9	30.6	52.2	164.2	184.7	122.0	69.9	32.4	137.7	481.6	184.5	56.9	141.0	81.8	103.6
2009	1,256.1	.	.	.	.	81.2	64.9	26.3	116.5	377.1	158.0	42.8	93.2	59.0	.
2008 Q3	414.7	7.9	13.4	41.6	47.5	34.3	17.9	8.2	35.5	124.7	48.1	14.0	38.1	21.2	24.5
Q4	372.7	7.3	11.5	36.2	43.0	24.8	17.4	7.0	33.7	113.4	46.6	13.4	30.7	19.8	27.7
2009 Q1	320.8	6.9	9.4	31.7	39.3	17.8	16.7	6.7	33.1	98.5	42.1	11.5	23.7	14.9	22.1
Q2	306.7	6.3	8.9	30.4	38.5	18.1	16.1	6.3	28.4	92.7	39.7	10.4	23.1	14.2	23.7
Q3	311.0	6.8	9.9	31.3	40.6	21.8	16.1	6.6	27.0	92.8	38.2	10.4	22.5	14.7	20.9
Q4	317.6	.	.	.	.	23.5	16.0	6.7	28.0	93.1	38.0	10.5	23.9	15.2	.
2009 July	103.1	2.3	3.4	10.4	13.2	6.8	5.4	2.2	9.1	30.6	12.6	3.5	7.6	5.0	7.2
Aug.	102.4	2.3	3.2	10.3	13.6	6.7	5.4	2.1	8.8	30.7	12.7	3.5	7.3	4.8	7.1
Sep.	105.5	2.2	3.3	10.6	13.8	8.3	5.3	2.2	9.1	31.4	12.9	3.5	7.6	4.9	6.6
Oct.	104.7	2.2	3.1	10.7	14.1	7.8	5.2	2.3	8.9	30.8	12.7	3.5	7.3	4.7	7.5
Nov.	105.6	2.1	3.1	10.2	14.0	7.9	5.3	2.3	9.3	30.9	12.6	3.5	8.4	5.2	6.8
Dec.	107.3	.	.	.	.	7.8	5.5	2.1	9.7	31.4	12.8	3.5	8.3	5.2	.
	% share of total imports														
2009	100.0	.	.	.	.	6.5	5.2	2.1	9.3	30.0	12.6	3.4	7.4	4.7	.
	Balance														
2008	-41.4	4.4	1.4	56.0	48.1	-43.6	16.7	10.4	49.8	-173.6	-118.8	-23.3	-40.6	-13.7	43.4
2009	19.7	.	.	.	.	-31.8	13.9	8.1	34.4	-95.1	-90.1	-14.2	-1.3	-5.0	.
2008 Q3	-16.5	1.2	0.6	14.3	12.5	-13.3	4.0	2.6	11.4	-47.6	-32.1	-5.8	-11.3	-3.6	12.6
Q4	-6.0	0.7	-0.1	12.9	9.0	-7.2	3.7	1.3	9.9	-39.2	-30.9	-5.3	-5.9	-2.4	11.1
2009 Q1	-9.9	0.5	0.6	10.6	4.6	-5.2	3.3	1.0	6.8	-33.3	-26.7	-4.4	-0.4	-2.0	3.7
Q2	2.6	0.1	0.7	12.0	3.7	-6.0	3.2	2.0	9.3	-22.3	-22.9	-3.4	-0.3	-1.8	1.9
Q3	8.3	0.1	0.6	13.4	4.3	-9.7	3.3	2.5	8.7	-21.4	-20.9	-3.2	0.0	-0.6	7.2
Q4	18.6	.	.	.	.	-10.9	4.2	2.5	9.5	-18.1	-19.7	-3.1	-0.7	-0.6	.
2009 July	4.8	0.0	0.2	4.6	1.7	-2.6	1.2	0.9	3.5	-6.5	-6.9	-0.9	0.0	0.0	1.9
Aug.	1.0	0.0	0.2	4.0	1.1	-2.9	1.0	0.8	2.5	-7.3	-6.9	-1.2	0.1	-0.4	1.8
Sep.	2.5	0.1	0.2	4.7	1.4	-4.2	1.2	0.8	2.7	-7.7	-7.1	-1.1	-0.1	-0.2	3.5
Oct.	6.3	0.0	0.5	4.3	1.2	-3.8	1.3	0.7	3.7	-6.6	-6.6	-1.1	0.3	-0.1	4.8
Nov.	5.3	0.0	0.4	4.6	1.1	-3.7	1.5	0.8	3.2	-5.9	-6.3	-1.2	-0.6	-0.3	4.1
Dec.	7.0	.	.	.	.	-3.4	1.3	1.0	2.6	-5.6	-6.7	-0.9	-0.4	-0.2	.

Source: Eurostat.

8 EXCHANGE RATES

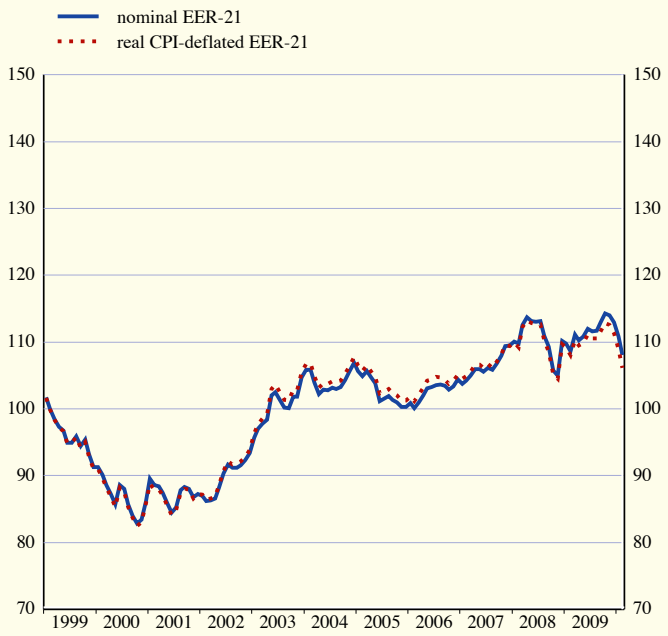
8.1 Effective exchange rates [1]

(period averages; index: 1999 Q1=100)

	EER-21						EER-41	
	Nominal	Real CPI	Real PPI	Real GDP deflator	Real ULCM	Real ULCT	Nominal	Real CPI
	1	2	3	4	5	6	7	8
2007	106.3	106.8	105.2	102.7	107.0	100.6	113.0	104.2
2008	110.5	110.1	107.4	105.7	112.8	104.3	118.0	107.1
2009	111.7	110.6	105.9	.	.	.	120.6	107.9
2008 Q4	107.0	106.5	103.0	102.4	111.5	101.3	115.2	104.1
2009 Q1	109.9	109.2	104.7	104.9	118.0	105.2	119.0	107.0
Q2	111.1	110.2	105.4	106.3	121.2	106.5	119.8	107.5
Q3	112.1	110.9	106.2	107.4	118.5	106.6	121.0	108.1
Q4	113.8	112.2	107.3	.	.	.	122.5	109.0
2009 Feb.	108.7	108.0	103.4	-	-	-	117.7	106.0
Mar.	111.1	110.3	105.5	-	-	-	120.4	108.1
Apr.	110.3	109.5	104.6	-	-	-	119.1	106.9
May	110.8	109.9	105.2	-	-	-	119.5	107.2
June	112.0	111.1	106.2	-	-	-	120.7	108.3
July	111.6	110.5	105.8	-	-	-	120.5	107.7
Aug.	111.7	110.6	106.0	-	-	-	120.6	107.9
Sep.	112.9	111.6	106.9	-	-	-	122.0	108.8
Oct.	114.3	112.8	108.2	-	-	-	123.0	109.6
Nov.	114.0	112.5	107.6	-	-	-	122.9	109.3
Dec.	113.0	111.3	106.2	-	-	-	121.7	108.0
2010 Jan.	110.8	108.9	104.2	-	-	-	119.1	105.5
Feb.	108.0	106.1	101.6	-	-	-	116.2	102.8
	% change versus previous month							
2010 Feb.	-2.5	-2.6	-2.5	-	-	-	-2.4	-2.6
	% change versus previous year							
2010 Feb.	-0.6	-1.8	-1.8	-	-	-	-1.3	-3.0

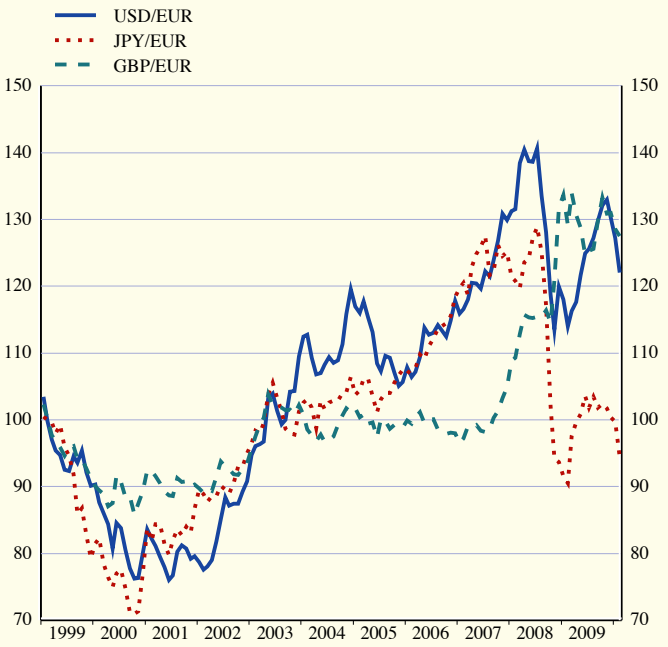
C35 Effective exchange rates

(monthly averages; index: 1999 Q1=100)



C36 Bilateral exchange rates

(monthly averages; index: 1999 Q1=100)



Source: ECB.

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

8.2 Bilateral exchange rates

(period averages; units of national currency per euro)

	Danish krone	Swedish krona	Pound sterling	US dollar	Japanese yen	Swiss franc	South Korean won	Hong Kong dollar	Singapore dollar	Canadian dollar	Norwegian krone	Australian dollar
	1	2	3	4	5	6	7	8	9	10	11	12
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
2009	7.4462	10.6191	0.89094	1.3948	130.34	1.5100	1,772.90	10.8114	2.0241	1.5850	8.7278	1.7727
2009 Q2	7.4471	10.7806	0.87883	1.3632	132.59	1.5138	1,747.10	10.5657	2.0050	1.5883	8.8431	1.7917
Q3	7.4442	10.4241	0.87161	1.4303	133.82	1.5195	1,772.14	11.0854	2.0570	1.5704	8.7397	1.7169
Q4	7.4424	10.3509	0.90483	1.4779	132.69	1.5088	1,725.91	11.4555	2.0604	1.5604	8.3932	1.6250
2009 Aug.	7.4440	10.2210	0.86265	1.4268	135.31	1.5236	1,768.99	11.0587	2.0577	1.5522	8.6602	1.7081
Sep.	7.4428	10.1976	0.89135	1.4562	133.14	1.5148	1,768.58	11.2858	2.0720	1.5752	8.5964	1.6903
Oct.	7.4438	10.3102	0.91557	1.4816	133.91	1.5138	1,739.94	11.4828	2.0714	1.5619	8.3596	1.6341
Nov.	7.4415	10.3331	0.89892	1.4914	132.97	1.5105	1,735.17	11.5588	2.0711	1.5805	8.4143	1.6223
Dec.	7.4419	10.4085	0.89972	1.4614	131.21	1.5021	1,703.03	11.3296	2.0392	1.5397	8.4066	1.6185
2010 Jan.	7.4424	10.1939	0.88305	1.4272	130.34	1.4765	1,624.76	11.0783	1.9930	1.4879	8.1817	1.5624
Feb.	7.4440	9.9505	0.87604	1.3686	123.46	1.4671	1,582.70	10.6305	1.9326	1.4454	8.0971	1.5434
	% change versus previous month											
2010 Feb.	0.0	-2.4	-0.8	-4.1	-5.3	-0.6	-2.6	-4.0	-3.0	-2.9	-1.0	-1.2
	% change versus previous year											
2010 Feb.	-0.1	-8.8	-1.2	7.0	4.4	-1.6	-14.2	7.2	-0.4	-9.3	-7.8	-21.7

	Czech koruna	Estonian kroon	Latvian lats	Lithuanian litas	Hungarian forint	Polish zloty	Bulgarian lev	New Romanian leu	Croatian kuna	New Turkish lira
	13	14	15	16	17	18	19	20	21	22
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
2009	26.435	15.6466	0.7057	3.4528	280.33	4.3276	1.9558	4.2399	7.3400	2.1631
2009 Q2	26.679	15.6466	0.7065	3.4528	285.71	4.4523	1.9558	4.1963	7.3528	2.1410
Q3	25.597	15.6466	0.7019	3.4528	271.35	4.1978	1.9558	4.2263	7.3232	2.1444
Q4	25.923	15.6466	0.7084	3.4528	270.88	4.1745	1.9558	4.2680	7.2756	2.2029
2009 Aug.	25.646	15.6466	0.7013	3.4528	270.05	4.1311	1.9558	4.2183	7.3287	2.1236
Sep.	25.346	15.6466	0.7039	3.4528	271.84	4.1584	1.9558	4.2420	7.3102	2.1711
Oct.	25.861	15.6466	0.7088	3.4528	268.49	4.2146	1.9558	4.2871	7.2419	2.1823
Nov.	25.812	15.6466	0.7088	3.4528	270.92	4.1646	1.9558	4.2896	7.2952	2.2262
Dec.	26.089	15.6466	0.7077	3.4528	273.22	4.1439	1.9558	4.2284	7.2907	2.2013
2010 Jan.	26.133	15.6466	0.7088	3.4528	269.43	4.0703	1.9558	4.1383	7.2938	2.1028
Feb.	25.979	15.6466	0.7090	3.4528	271.21	4.0144	1.9558	4.1196	7.3029	2.0756
	% change versus previous month									
2010 Feb.	-0.6	0.0	0.0	0.0	0.7	-1.4	0.0	-0.5	0.1	-1.3
	% change versus previous year									
2010 Feb.	-8.7	0.0	0.5	0.0	-9.1	-13.6	0.0	-3.9	-1.7	-2.5

	Brazilian real [1]	Chinese yuan renminbi	Icelandic krona [2]	Indian rupee [3]	Indonesian rupiah	Malaysian ringgit	Mexican peso [1]	New Zealand dollar	Philippine peso	Russian rouble	South African rand	Thai baht
	23	24	25	26	27	28	29	30	31	32	33	34
2007	2.6594	10.4178	87.63	56.4186	12,528.33	4.7076	14.9743	1.8627	63.026	35.0183	9.6596	44.214
2008	2.6737	10.2236	143.83	63.6143	14,165.16	4.8893	16.2911	2.0770	65.172	36.4207	12.0590	48.475
2009	2.7674	9.5277	-	67.3611	14,443.74	4.9079	18.7989	2.2121	66.338	44.1376	11.6737	47.804
2009 Q2	2.8245	9.3107	-	66.3982	14,334.53	4.8340	18.1648	2.2565	65.097	43.7716	11.5242	47.294
Q3	2.6699	9.7702	-	69.1909	14,285.93	5.0333	18.9695	2.1232	68.815	44.7703	11.1618	48.575
Q4	2.5703	10.0905	-	68.9088	13,999.42	5.0275	19.3003	2.0297	69.080	43.5740	11.0757	49.221
2009 Aug.	2.6314	9.7485	-	68.9570	14,270.78	5.0185	18.5571	2.1097	68.803	45.1972	11.3415	48.543
Sep.	2.6520	9.9431	-	70.4154	14,346.84	5.0862	19.5255	2.0691	69.967	44.7624	10.9495	49.239
Oct.	2.5771	10.1152	-	69.2160	14,057.25	5.0425	19.5856	2.0065	69.419	43.6188	11.0938	49.504
Nov.	2.5777	10.1827	-	69.4421	14,115.45	5.0553	19.5478	2.0450	70.165	43.1835	11.2134	49.634
Dec.	2.5566	9.9777	-	68.0924	13,830.84	4.9859	18.7787	2.0383	67.706	43.9019	10.9261	48.544
2010 Jan.	2.5383	9.7436	-	65.5361	13,263.60	4.8170	18.2820	1.9646	65.702	42.5749	10.6492	47.150
Feb.	2.5237	9.3462	-	63.4291	12,786.05	4.6743	17.7154	1.9615	63.317	41.2845	10.4964	45.360
	% change versus previous month											
2010 Feb.	-0.6	-4.1	-	-3.2	-3.6	-3.0	-3.1	-0.2	-3.6	-3.0	-1.4	-3.8
	% change versus previous year											
2010 Feb.	-15.0	6.9	-	0.9	-16.1	0.6	-5.0	-21.1	4.1	-9.9	-18.0	0.5

Source: ECB.

1) For these currencies the ECB computes and publishes euro reference exchange rates as from 1 January 2008. Previous data are indicative.
2) The most recent rate for the Icelandic krona refers to 3 December 2008.
3) For this currency the ECB computes and publishes euro reference exchange rates as from 1 January 2009. Previous data are indicative.

9 DEVELOPMENTS OUTSIDE THE EURO AREA

9.1 In other EU Member States

(annual percentage changes, unless otherwise indicated)

1. Economic and financial developments

	Bulgaria	Czech Republic	Denmark	Estonia	Latvia	Lithuania	Hungary	Poland	Romania	Sweden	United Kingdom
	1	2	3	4	5	6	7	8	9	10	11
	HICP										
2008	12.0	6.3	3.6	10.6	15.3	11.1	6.0	4.2	7.9	3.3	3.6
2009	2.5	0.6	1.1	0.2	3.3	4.2	4.0	4.0	5.6	1.9	2.2
2009 Q3	0.8	-0.1	0.6	-0.9	1.2	2.4	4.9	4.3	5.0	1.7	1.5
Q4	0.9	0.0	0.9	-2.0	-1.3	1.2	4.9	3.8	4.5	2.3	2.1
2009 Nov.	0.9	0.2	0.9	-2.1	-1.4	1.3	5.2	3.8	4.6	2.4	1.9
Dec.	1.6	0.5	1.2	-1.9	-1.4	1.2	5.4	3.8	4.7	2.8	2.9
2010 Jan.	1.8	0.4	1.9	-1.0	-3.3	-0.3	6.2	3.9	5.2	2.7	3.5
	General government deficit (-)/surplus (+) as a % of GDP										
2006	3.0	-2.6	5.2	2.3	-0.5	-0.4	-9.3	-3.6	-2.2	2.5	-2.7
2007	0.1	-0.7	4.5	2.6	-0.3	-1.0	-5.0	-1.9	-2.5	3.8	-2.7
2008	1.8	-2.1	3.4	-2.7	-4.1	-3.2	-3.8	-3.6	-5.5	2.5	-5.0
	General government gross debt as a % of GDP										
2006	22.7	29.4	31.3	4.5	10.7	18.0	65.6	47.7	12.4	45.9	43.2
2007	18.2	29.0	26.8	3.8	9.0	16.9	65.9	45.0	12.6	40.5	44.2
2008	14.1	30.0	33.5	4.6	19.5	15.6	72.9	47.2	13.6	38.0	52.0
	Long-term government bond yield as a % per annum; period average										
2009 Aug.	7.77	5.09	3.60	-	12.81	14.50	8.40	6.08	11.46	3.45	3.45
Sep.	7.45	5.01	3.65	-	13.27	14.50	7.91	6.17	11.00	3.38	3.42
Oct.	7.08	4.50	3.60	-	13.51	14.50	7.45	6.15	9.13	3.25	3.34
Nov.	6.53	4.19	3.62	-	13.75	14.50	7.37	6.14	8.24	3.27	3.46
Dec.	6.61	3.98	3.53	-	13.75	9.10	7.69	6.22	8.66	3.24	3.60
2010 Jan.	6.65	4.28	3.57	-	13.76	8.15	7.62	6.13	8.80	3.37	4.01
	3-month interest rate as a % per annum; period average										
2009 Aug.	5.30	1.92	1.94	5.85	13.06	7.98	9.02	4.16	9.06	0.62	0.78
Sep.	5.11	1.88	1.76	5.58	11.58	7.07	8.78	4.18	9.05	0.55	0.61
Oct.	4.84	1.87	1.58	5.44	13.49	6.59	7.34	4.18	10.03	0.50	0.57
Nov.	4.80	1.80	1.56	4.54	11.87	5.39	7.56	4.19	10.19	0.48	0.61
Dec.	4.71	1.64	1.55	3.28	8.39	4.54	7.47	4.23	10.18	0.48	0.61
2010 Jan.	4.44	1.55	1.46	2.74	4.77	3.07	6.90	4.24	8.56	0.48	0.61
	Real GDP										
2008	6.0	2.5	-0.9	-3.6	-4.6	2.8	0.6	5.0	7.4	-0.2	0.5
2009	.	.	-5.1	.	.	-15.0	-6.3	1.7	-6.9	-4.9	-5.0
2009 Q2	-4.9	-4.7	-7.1	-16.1	-17.3	-16.6	-6.8	1.5	-8.0	-5.8	-5.9
Q3	-5.4	-4.1	-5.7	-15.6	-19.3	-14.7	-7.1	1.3	-7.6	-5.4	-5.3
Q4	.	.	-3.3	.	.	-13.2	-5.3	2.8	-6.9	-1.5	-3.3
	Current and capital account balance as a % of GDP										
2008	-24.6	-2.2	2.2	-8.4	-11.5	-10.1	-6.0	-3.9	-11.1	6.1	-1.3
2009	-7.3	0.7	4.0	7.6	11.3	6.5	2.4	0.1	-3.7	7.0	-1.1
2009 Q2	-12.4	-2.6	4.4	7.9	16.7	3.6	4.4	-0.1	-5.3	9.2	-0.7
Q3	4.7	-1.6	5.7	9.6	11.8	6.8	4.7	-1.0	-2.3	7.0	-0.8
Q4	.	.	4.5	.	.	10.6	.	-0.9	-4.3	4.4	.
	Gross external debt as a % of GDP										
2007	100.3	44.5	170.6	111.0	127.6	71.9	115.1	48.4	50.9	151.4	401.3
2008	108.4	47.6	179.0	118.5	128.5	71.6	152.4	56.7	55.8	175.3	431.4
2009 Q1	106.7	46.1	187.5	118.9	128.6	72.7	187.4	62.0	57.3	185.3	416.6
Q2	107.1	45.3	189.2	121.2	131.7	77.5	164.4	60.0	60.6	217.3	390.9
Q3	107.6	44.4	192.2	123.7	145.8	83.1	164.2	60.0	65.5	210.7	408.0
	Unit labour costs										
2008	16.2	5.1	6.5	14.1	21.1	9.3	4.5	6.9	.	2.8	2.8
2009	.	.	.	.	.	.	.	.	.	4.8	.
2009 Q2	14.2	4.3	9.5	3.4	-1.7	10.8	-	4.0	-	6.6	6.6
Q3	10.2	2.2	5.1	1.5	-13.0	-6.5	-	4.5	-	5.0	4.2
Q4	.	.	.	.	.	.	-	.	-	0.1	.
	Standardised unemployment rate as a % of labour force (s.a.)										
2008	5.6	4.4	3.3	5.5	7.5	6.0	7.8	7.2	5.8	6.2	5.6
2009	6.7	6.8	6.0	13.8	17.6	.	10.0	8.2	.	8.3	.
2009 Q3	6.9	7.3	6.2	15.2	18.9	14.6	10.5	8.4	7.2	8.6	7.8
Q4	7.7	7.8	7.1	15.5	21.9	.	10.8	8.7	.	8.8	.
2009 Nov.	7.7	7.8	7.1	-	22.0	.	10.8	8.7	.	8.7	7.8
Dec.	8.0	8.0	7.3	-	22.6	.	10.8	8.7	.	9.0	.
2010 Jan.	8.1	8.2	.	-	22.9	.	11.1	8.9	.	9.1	.

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

9.2 In the United States and Japan

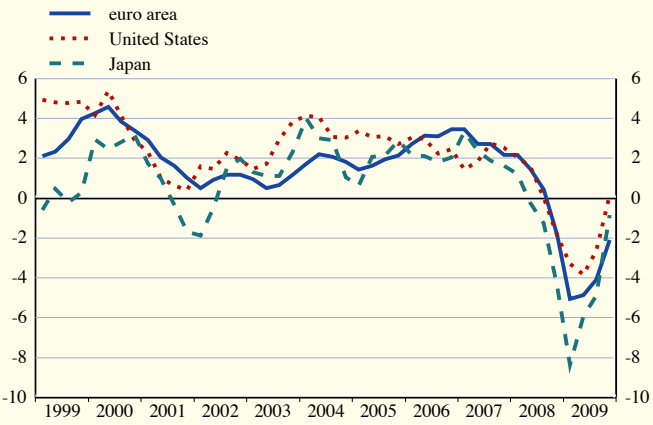
(annual percentage changes, unless otherwise indicated)

1. Economic and financial developments

	Consumer price index	Unit labour costs [1]	Real GDP	Industrial production index (manufacturing)	Unemployment rate as a % of labour force (s.a.)	Broad money [2]	3-month interbank deposit rate [3]	10-year zero coupon government bond yield; [3] end of period	Exchange rate [4] as national currency per euro	Fiscal deficit (-)/ surplus (+) as a % of GDP	Gross public debt [5] as a % of GDP
	1	2	3	4	5	6	7	8	9	10	11
	United States										
2006	3.2	2.8	2.7	2.7	4.6	5.3	5.20	5.26	1.2556	-2.2	47.7
2007	2.9	2.3	2.1	1.6	4.6	6.3	5.30	4.81	1.3705	-2.8	48.3
2008	3.8	1.0	0.4	-3.1	5.8	7.1	2.93	2.70	1.4708	-6.5	56.3
2009	-0.4	-0.9	-2.4	-11.1	9.3	7.6	0.69	4.17	1.3948	.	.
2008 Q4	1.6	1.7	-1.9	-8.7	7.0	8.5	2.77	2.70	1.3180	-8.1	56.3
2009 Q1	0.0	-0.1	-3.3	-13.9	8.2	9.5	1.24	2.96	1.3029	-9.9	60.0
Q2	-1.2	0.3	-3.8	-14.6	9.3	8.6	0.84	3.95	1.3632	-11.6	62.8
Q3	-1.6	-1.2	-2.6	-10.6	9.6	7.7	0.41	3.61	1.4303	-11.4	65.8
Q4	1.4	-2.8	0.1	-4.7	10.0	4.9	0.27	4.17	1.4779	.	.
2009 Oct.	-0.2	-	-	-7.6	10.1	5.8	0.28	3.71	1.4816	-	-
Nov.	1.8	-	-	-4.6	10.0	5.5	0.27	3.44	1.4914	-	-
Dec.	2.7	-	-	-1.7	10.0	3.4	0.25	4.17	1.4614	-	-
2010 Jan.	2.6	-	-	2.1	9.7	1.9	0.25	3.92	1.4272	-	-
Feb.	.	-	-	.	.	.	0.25	3.89	1.3686	-	-
	Japan										
2006	0.2	-0.5	2.0	4.5	4.1	1.0	0.30	1.85	146.02	-1.6	159.9
2007	0.1	-1.0	2.3	2.8	3.8	1.6	0.79	1.70	161.25	-2.4	156.3
2008	1.4	1.6	-1.2	-3.4	4.0	2.1	0.93	1.21	152.45	-2.1	162.2
2009	-1.4	.	-5.1	-22.5	5.1	2.7	0.47	1.42	130.34	.	.
2008 Q4	1.0	3.9	-4.4	-14.6	4.0	1.8	0.96	1.21	126.71	.	.
2009 Q1	-0.1	3.9	-8.4	-34.6	4.5	2.1	0.67	1.33	122.04	.	.
Q2	-1.0	2.5	-5.9	-27.9	5.2	2.6	0.53	1.41	132.59	.	.
Q3	-2.2	.	-4.9	-20.1	5.5	2.8	0.40	1.45	133.82	.	.
Q4	-2.0	.	-0.9	-5.4	5.2	3.3	0.31	1.42	132.69	.	.
2009 Oct.	-2.5	-	-	-15.1	5.1	3.4	0.33	1.58	133.91	-	-
Nov.	-1.9	-	-	-4.2	5.2	3.3	0.31	1.41	132.97	-	-
Dec.	-1.7	-	-	5.2	5.1	3.1	0.28	1.42	131.21	-	-
2010 Jan.	-1.3	-	-	18.4	.	2.9	0.26	1.42	130.34	-	-
Feb.	.	-	-	.	.	.	0.25	1.43	123.46	-	-

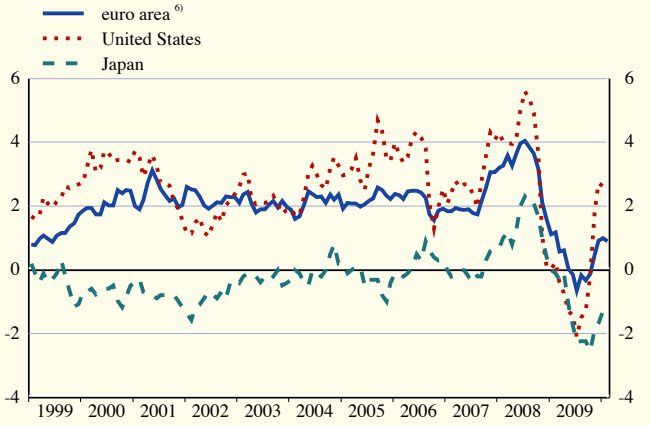
C37 Real gross domestic product

(annual percentage changes; quarterly data)



C38 Consumer price indices

(annual percentage changes; monthly data)



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) Period averages; M2 for the United States, M2+CDs for Japan.
3) Percentages per annum. For further information on the three-month interbank deposit rate, see Section 4.6.
4) For more information, see Section 8.2.
5) Gross consolidated general government debt (end of period).
6) Data refer to the changing composition of the euro area. For further information, see the General Notes.

LIST OF CHARTS

C1	Monetary aggregates	S12
C2	Counterparts	S12
C3	Components of monetary aggregates	S13
C4	Components of longer-term financial liabilities	S13
C5	Loans to other financial intermediaries and non-financial corporations	S14
C6	Loans to households	S14
C7	Loans to government	S16
C8	Loans to non-euro area residents	S16
C9	Total deposits by sector (financial intermediaries)	S17
C10	Total deposits and deposits included in M3 by sector (financial intermediaries)	S17
C11	Total deposits by sector (non-financial corporations and households)	S18
C12	Total deposits and deposits included in M3 by sector (non-financial corporations and households)	S18
C13	Deposits by government and non-euro area residents	S19
C14	MFI holdings of securities	S20
C15	Total outstanding amounts and gross issues of securities other than shares issued by euro area residents	S35
C16	Net issues of securities other than shares: seasonally adjusted and non-seasonally adjusted	S37
C17	Annual growth rates of long-term debt securities, by sector of the issuer, in all currencies combined	S38
C18	Annual growth rates of short-term debt securities, by sector of the issuer, in all currencies combined	S39
C19	Annual growth rates for quoted shares issued by euro area residents	S40
C20	Gross issues of quoted shares by sector of the issuer	S41
C21	New deposits with an agreed maturity	S43
C22	New loans with a floating rate and up to 1 year’s initial rate fixation	S43
C23	Euro area money market rates	S44
C24	3-month money market rates	S44
C25	Euro area spot yield curves	S45
C26	Euro area spot rates and spreads	S45
C27	Dow Jones EURO STOXX broad index, Standard & Poor’s 500 and Nikkei 225	S46
C28	Deficit, borrowing requirement and change in debt	S59
C29	Maastricht debt	S59
C30	B.o.p. current account balance	S60
C31	B.o.p. goods	S61
C32	B.o.p. services	S61
C33	B.o.p. net direct and portfolio investment	S64
C34	Main b.o.p. items mirroring developments in MFI net external transactions	S69
C35	Effective exchange rates	S72
C36	Bilateral exchange rates	S72
C37	Real gross domestic product	S75
C38	Consumer price indices	S75

TECHNICAL NOTES

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

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 can 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 (for the non-seasonally adjusted series) is currently set as December 2006 = 100. Time series for the index of adjusted outstanding amounts are available on the ECB's website (www.ecb.europa.eu) in the "Monetary and financial statistics" sub-section of the "Statistics" section.

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

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

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

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

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

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

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

CALCULATION OF GROWTH RATES FOR QUARTERLY SERIES

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

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

The annual growth rate in the four quarters ending in month t (i.e. a_t) can be calculated using formula g).

SEASONAL ADJUSTMENT OF THE EURO AREA MONETARY STATISTICS [1]

The approach used is based on multiplicative decomposition using X-12-ARIMA.[2] The seasonal adjustment may include a day-of-the-week adjustment, and for some series it is carried out indirectly by means of a linear combination of components. This is the case for M3, which is derived by aggregating the seasonally adjusted series for M1, M2 less M1, and M3 less M2.

The seasonal adjustment procedures are first applied to the index of adjusted outstanding amounts.[3] The resulting estimates of 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.

SECTIONS 3.1 TO 3.5

EQUALITY OF USES AND RESOURCES

In Section 3.1 the data conform to a basic accounting identity. For non-financial transactions, total uses equal total resources for each transaction category. This accounting identity is also reflected in the financial account – 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 Sections 3.1 and 3.2 are computed as follows.

The trade balance equals euro area imports minus exports vis-à-vis the rest of the world for goods and services.

1 For details, see "Seasonal adjustment of monetary aggregates and HICP for the euro area", ECB (August 2000) and the "Monetary and financial statistics" sub-section of the "Statistics" section of the ECB's website (www.ecb.europa.eu).

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 of 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 defined only 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 the net equity of households in pension fund reserves (resources minus uses) minus final consumption expenditure (uses). For the rest of the world, the 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 the balancing items computed from the capital account and the financial account.

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). They currently exclude other changes in non-financial assets owing to the 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.

SECTIONS 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 can 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 month t, the index I_t of notional stocks in month t is defined as:

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

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

k) $$a_t = \left[\prod_{i=0}^{11}\left(1 + N^{M}_{t-i} / L_{t-1-i}\right) - 1\right] \times 100$$

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

The method used to calculate the growth rates for securities other than shares is the same as that used for the monetary aggregates, the only difference being that an "N" is used instead of an "F". This is to show that the method used to obtain "net issues" for securities issues statistics differs from that used to calculate equivalent "transactions" for the monetary aggregates.

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

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

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

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

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

SEASONAL ADJUSTMENT OF SECURITIES ISSUES STATISTICS [4]

The approach used is based on multiplicative decomposition using X-12-ARIMA. The seasonal adjustment of total securities issues 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 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.

As in formulae k) and l), the growth rate a_t for month t, corresponding to the change in the six months ending in month t, can be calculated using either of the following two formulae:

o) $$a_t = \left[\prod_{i=0}^{5}\left(1 + N^{M}_{t-i} / L_{t-1-i}\right) - 1\right] \times 100$$

p) $$a_t = \left(I_t / I_{t-6} - 1\right) \times 100$$

TABLE 1 IN SECTION 5.1

SEASONAL ADJUSTMENT OF THE HICP [4]

The approach used is based on multiplicative decomposition using 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 "Monetary and financial statistics" sub-section of the "Statistics" section of the ECB's website (www.ecb.europa.eu).

TABLE 2 IN SECTION 7.1

SEASONAL ADJUSTMENT OF THE BALANCE OF PAYMENTS CURRENT ACCOUNT

The approach used is based on multiplicative decomposition using X-12-ARIMA (see footnote 2 on page S78). The raw data for goods, services and income are preadjusted 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 of these items is carried out using these preadjusted 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 biannual intervals or as required.

SECTION 7.3

CALCULATION OF GROWTH RATES FOR THE QUARTERLY AND ANNUAL SERIES

The annual growth rate for quarter t is calculated on the basis of quarterly transactions (F_t) and positions (L_t) as follows:

$$a_t = \left(\prod_{i=t-3}^{t} \left(1 + \frac{F_i}{L_{i-1}} \right) - 1 \right) \times 100$$

The growth rate for the annual series is equal to the growth rate in the last quarter of the year.

GENERAL NOTES

The "Euro area statistics" section of the Monthly Bulletin focuses on statistics for the euro area as a whole. More detailed and longer runs of data, with further explanatory notes, are available in the "Statistics" section of the ECB's website (www.ecb.europa.eu). This allows user-friendly access to data via the ECB's Statistical Data Warehouse (http://sdw.ecb.europa.eu), which includes search and download facilities. Further services available in the "Data services" sub-section include subscriptions to different datasets and a repository of compressed Comma Separated Value (CSV) files. For further information, please contact us at: statistics@ecb.europa.eu.

In general, the cut-off date for the statistics included in the Monthly Bulletin is the day preceding the first meeting in the month of the Governing Council of the ECB. For this issue, the cut-off date was 3 March 2010.

Unless otherwise indicated, all data series including 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, pre-1999 data[1] 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

1 Data on monetary statistics in Sections 2.1 to 2.8 are available for periods prior to January 1999 on the ECB's website (http://www.ecb.europa.eu/stats/services/downloads/html/index.en.html) and in the SDW (http://sdw.ecb.europa.eu/browse.do?node=2018811).

of Accounts 1995 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 wording "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 for which the monthly assessment of the monetary policy stance is scheduled. They end on the day preceding the corresponding settlement day in the following month. Annual/quarterly observations refer to averages for 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. Liabilities vis-à-vis other credit institutions subject to the ESCB's minimum reserve system, the ECB and participating national central banks are excluded from the reserve base. When a credit institution cannot provide evidence of the amount of its issues of debt securities with a maturity of up to two years which are held by the institutions mentioned above, it may deduct a certain percentage of these liabilities from its reserve base. The percentage used to calculate the reserve base was 10% until November 1999 and has been 30% since that date.

Table 2 in Section 1.4 contains average data for completed maintenance periods. First, the reserve requirement of each individual credit institution is calculated by applying the reserve ratios for the corresponding categories of liability 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). Current account holdings (column 2) are the aggregate average daily current account holdings of credit institutions, including those that serve to fulfil reserve requirements. Excess reserves (column 3) are the average current account holdings over the maintenance period in excess of the required reserves. 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 requirements. 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 euro area credit institutions' current account holdings with the Eurosystem in euro. All amounts are derived from the consolidated financial statement of the Eurosystem. Other liquidity-absorbing operations (column 7) exclude the issuance of debt certificates initiated by NCBs in Stage Two of EMU. Net other factors (column 10) represent the netted remaining items in the consolidated financial statement of the Eurosystem. 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). Base money (column 12) is calculated as the sum of the deposit facility (column 6), banknotes in circulation (column 8) and 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 sector, i.e. the sum of the harmonised balance sheets of all MFIs resident in the euro area. MFIs comprise 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 credit 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 of MFIs in the euro area. Owing to a small amount of 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 in 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 analysis, broken down by sector, type and original maturity, of loans granted by MFIs other than the Eurosystem (i.e. the banking system) resident in the euro area. Section 2.5 provides analysis, broken down 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, broken down by type of issuer.

Sections 2.2 to 2.6 include data on 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 based on those transactions in the form of annual percentage changes. Section 2.8 shows a quarterly currency breakdown of selected MFI balance sheet items.

Details of sector definitions are set out in the third edition of the "Monetary financial institutions and markets statistics sector manual – Guidance for the statistical classification of customers" (ECB, March 2007). The publication "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, 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,[2] as last amended by Regulation ECB/2003/10[3].

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 sides of the MFI balance sheet.

Section 2.9 shows outstanding amounts and transactions on the balance sheet of euro area investment funds (other than money market funds, which are included in the MFI balance sheet statistics). An investment fund is a collective investment undertaking that invests capital raised from the public in financial and/or non-financial assets. A complete list of euro

2 OJ L 356, 30.12.1998, p. 7.
3 OJ L 250, 2.10.2003, p. 19.

area investment funds is published on the ECB's website. The balance sheet is aggregated, so investment funds' assets include their holdings of shares/units issued by other investment funds. Shares/units issued by investment funds are also broken down by investment policy (i.e. into bond funds, equity funds, mixed funds, real estate funds, hedge funds and other funds) and by type (i.e. into open-end funds and closed-end funds). Section 2.10 provides further details on the main types of asset held by euro area investment funds. This Section contains a geographical breakdown of the issuers of securities held by investment funds, as well as breaking issuers down by economic sector where they are resident in the euro area.

Further information on these investment fund statistics can be found in the "Manual on investment fund statistics". Since December 2008 harmonised statistical information has been collected and compiled on the basis of Regulation ECB/2007/8 concerning statistics on the assets and liabilities of investment funds.

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. 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.

In short, the sequence of accounts (transactions) comprises: (1) the generation of income account, which shows how 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 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 sectoral coverage of the financial account and the financial balance sheets is more detailed for the financial corporation sector, which is broken down 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 "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, as well as outstanding amounts for the financial balance sheet accounts, presenting data in a more analytical manner. Sector-specific transactions and balancing items are arranged in a way that more clearly depicts the financing

and investment decisions of households, while respecting the accounting identities 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, as well as outstanding amounts for the financial balance sheet accounts, presenting data in a more analytical manner.

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 those EU Member States that had adopted the euro at the time to which the statistics relate (i.e. a changing composition), with the exception of statistics on securities issues (Sections 4.1 to 4.4), which relate to the Euro 16 for the whole time series (i.e. a fixed composition).

Statistics on securities other than shares and statistics on 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 from and loans to 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: (i) securities other than shares, excluding financial derivatives; and (ii) quoted shares. The former are presented in Sections 4.1, 4.2 and 4.3, while the latter 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 (i) a longer maturity, (ii) optional maturity dates, the latest of which is more than one year away, or (iii) 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 issue. Variable rate issues comprise all issues where the coupon is periodically refixed with 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, broken down by original maturity, residency of the issuer and currency. It presents outstanding amounts, gross issues and net issues of securities other than shares, broken down into: (i) issues denominated in euro and issues in all currencies; (ii) issues by euro area residents and total issues; and (iii) total and long-term maturities. 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 six-month annualised seasonally adjusted growth rates for total and long-term debt securities. Seasonally adjusted data are derived from the 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 correspond 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 the data on debt securities issued 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 of Section 4.2 consists of zero coupon bonds and revaluation effects.

Section 4.3 shows seasonally adjusted and non-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.

Columns 1, 4, 6 and 8 in Table 1 of Section 4.4 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).

Columns 3, 5, 7 and 9 in Table 1 of Section 4.4 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 issuer's 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. These MFI interest rate statistics replaced the ten transitional statistical series on euro area retail interest rates that had been published in the Monthly Bulletin as of 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 prior to January 1999, monthly, quarterly and yearly values are period averages. Overnight deposits are represented by end-of-period interbank deposit bid rates up to and including December 1998 and period averages for the euro overnight index average (EONIA) thereafter. As of January 1999, euro area interest rates on one, three, six and twelve-month deposits are euro interbank offered rates (EURIBOR); prior to that date, they are London interbank offered rates (LIBOR) where available. For the United States and Japan, interest rates on three-month deposits are represented by LIBOR.

Section 4.7 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[4]. 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 can 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 car registrations are working day-adjusted.

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 into 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[5]. 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,[6] has been applied in the production of short-term statistics. The breakdown by end-use of product 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[7]. 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 the sake of 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 as regards the compilation of the ECB commodity price indices, see Box 1 in the December 2008 issue of the Monthly Bulletin.

4 Svensson, L. E., "Estimating and Interpreting Forward Interest Rates: Sweden 1992-1994", Centre for Economic Policy Research, Discussion Paper No 1051, 1994.
5 OJ L 162, 5.6.1998, p. 1.
6 OJ L 393, 30.12.2006, p. 1.
7 OJ L 155, 15.6.2007, p. 3.

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[8] and in the implementing Commission Regulation (EC) No 1216/2003 of 7 July 2003[9]. 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 derived from the ESA 95 quarterly national accounts.

Industrial new orders (Table 4 in Section 5.2) measure the orders received during the reference period and cover industries working mainly on the basis of orders – in particular 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 euro area series 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 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[10] 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 within 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 Council Regulation (EC) No 479/2009 as regards references to the ESA 95. Section 6.3 presents changes in general

8 OJ L 69, 13.3.2003, p. 1.
9 OJ L 169, 8.7.2003, p. 37.
10 OJ L 172, 12.7.2000, p. 3.

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[11]. 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 Regulation (EC) No 501/2004 and Regulation (EC) No 222/2004 and data provided by the NCBs.

EXTERNAL TRANSACTIONS AND POSITIONS

The concepts and definitions used in balance of payments and international investment position (i.i.p.) statistics (Sections 7.1 to 7.4) are generally in line with the IMF Balance of Payments Manual (fifth edition, October 1993), the ECB Guideline of 16 July 2004 on the statistical reporting requirements of the ECB (ECB/2004/15)[12] and the amending ECB Guideline of 31 May 2007 (ECB/2007/3)[13]. Additional information regarding 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 reports of the Task Force on Portfolio Investment Collection Systems (June 2002), the Task Force on Portfolio Investment Income (August 2003) and the Task Force on Foreign Direct Investment (March 2004), all of which can be downloaded from the ECB's website. In addition, a report by the ECB/European Commission (Eurostat) Task Force on Quality looking at balance of payments and international investment position statistics (June 2004) is available on the website of the Committee on Monetary, Financial and Balance of Payments Statistics (www.cmfb.org). The annual quality report on the euro area b.o.p./i.i.p., which is based on the Task Force's recommendations and follows the basic principles of the ECB Statistics Quality Framework published in April 2008, 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 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, as of the February 2008 issue of the Monthly Bulletin, the tables in Section 7.3 have been restructured in order to allow the data on the 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.

Table 1 in Section 7.2 also contains seasonally adjusted data for the current account. Where appropriate, the adjustment also covers working day, leap year and/or Easter-related 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 major partner countries, both individually and 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,

11 OJ L 179, 9.7.2002, p. 1.
12 OJ L 354, 30.11.2004, p. 34.
13 OJ L 159, 20.6.2007, p. 48.

with the exception of the ECB, are considered to be outside the euro area for statistical purposes, regardless of their physical location) and, for some purposes, offshore centres and international organisations. The breakdown does not cover transactions or positions in portfolio investment liabilities, financial derivatives or international reserves. In addition, separate data are not provided for investment income payable to Brazil, mainland China, India or 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, regarding 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.

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 i.i.p. changes other than transactions, using 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 for the Eurosystem's international reserves and related assets and liabilities are shown in Table 7 of Section 7.3. These figures are not fully comparable with those in 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 27 September 2009. 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, showing the transactions by non-MFIs that mirror the net external transactions by MFIs. Included in the transactions by non-MFIs are b.o.p. transactions for which a sectoral breakdown is not available. These concern the current and capital accounts (column 2) and financial derivatives (column 11). An up-to-date 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 contained in the 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 major trading partners both individually and 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 imported goods 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 import sectors except households, governments and non-profit institutions. It reflects the cost, insurance and freight price excluding import duties and taxes, and refers to actual transactions in euro recorded at the point when ownership of the goods is 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 price expressed in euro and calculated at the euro area frontier, including any indirect taxes except VAT and other deductible taxes. Industrial import prices and industrial producer export prices are available by Main Industrial Grouping as defined by Commission Regulation (EC) No 656/2007 of 14 June 2007. For more details, see Box 11 in the December 2008 issue of the Monthly Bulletin.

EXCHANGE RATES

Section 8.1 shows nominal and real effective exchange rate indices for the euro, which are calculated by the ECB on the basis of weighted averages of the euro's bilateral exchange rates against the currencies of the selected trading partners of the euro area. A positive change denotes an appreciation of the euro. Weights are based on trade in manufactured goods with those trading partners in the periods 1995-1997, 1998-2000, 2001-2003 and 2004-2006, and are calculated to account for third-market effects. The EER indices are obtained by chain-linking the indicators based on each of these four sets of trade weights at the end of each three-year period. The base period of the resulting EER index is the first quarter of 1999. 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 comprises the EER-21 plus 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 and unit labour costs, both for the manufacturing sector and for the total economy.

For more detailed information on the calculation of the EERs, see Box 5, entitled "International trade developments and revision of the effective

exchange rates of the euro", in the January 2010 issue of the Monthly Bulletin, the relevant methodological note and ECB Occasional Paper No 2 ("The effective exchange rates of the euro" by Luca Buldorini, Stelios Makrydakis and Christian Thimann, February 2002), which can be downloaded from the ECB's website.

The bilateral rates shown in Section 8.2 are monthly averages of those published daily as reference rates for these currencies.

DEVELOPMENTS OUTSIDE THE EURO AREA

Statistics on other EU Member States (Section 9.1) follow the same principles as data relating to the euro area. As a result, data on current and capital accounts and gross external debt include special-purpose vehicles. The data for the United States and Japan contained in Section 9.2 are obtained from national sources.

ANNEXES

CHRONOLOGY OF MONETARY POLICY MEASURES OF THE EUROSYSTEM[1]

11 JANUARY AND 8 FEBRUARY 2007

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 3.50%, 4.50% and 2.50% respectively.

8 MARCH 2007

The Governing Council of the ECB decides to increase the minimum bid rate on the main refinancing operations by 25 basis points to 3.75%, starting from the operation to be settled on 14 March 2007. In addition, it decides to increase the interest rates on both the marginal lending facility and the deposit facility by 25 basis points, to 4.75% and 2.75%, both with effect from 14 March 2007.

12 APRIL AND 10 MAY 2007

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 3.75%, 4.75% and 2.75% respectively.

6 JUNE 2007

The Governing Council of the ECB decides to increase the minimum bid rate on the main refinancing operations by 25 basis points to 4%, starting from the operation to be settled on 13 June 2007. In addition, it decides to increase by 25 basis points the interest rates on both the marginal lending facility and the deposit facility, to 5% and 3% respectively, with effect from 13 June 2007.

5 JULY, 2 AUGUST, 6 SEPTEMBER, 4 OCTOBER, 8 NOVEMBER AND 6 DECEMBER 2007, AND 10 JANUARY, 7 FEBRUARY, 6 MARCH, 10 APRIL, 8 MAY AND 5 JUNE 2008

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 4.00%, 5.00% and 3.00% respectively.

3 JULY 2008

The Governing Council of the ECB decides to increase the minimum bid rate on the main refinancing operations by 25 basis points to 4.25%, starting from the operation to be settled on 9 July 2008. In addition, it decides to increase by 25 basis points the interest rates on both the marginal lending facility and the deposit facility, to 5.25% and 3.25% respectively, with effect from 9 July 2008.

7 AUGUST, 4 SEPTEMBER AND 2 OCTOBER 2008

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 4.25%, 5.25% and 3.25% respectively.

8 OCTOBER 2008

The Governing Council of the ECB decides to decrease the minimum bid rate on the main refinancing operations by 50 basis points to 3.75%, starting from the operations to be settled on 15 October 2008. In addition, it decides to decrease by 50 basis points the interest rates on

1 The chronology of monetary policy measures taken by the Eurosystem between 1999 and 2006 can be found in the ECB's Annual Report for the respective years.

both the marginal lending facility and the deposit facility, to 4.75% and 2.75% respectively, with immediate effect. Moreover, the Governing Council decides that, as from the operation settled on 15 October, the weekly main refinancing operations will be carried out through a fixed-rate tender procedure with full allotment at the interest rate on the main refinancing operation. Furthermore, as of 9 October, the ECB will reduce the corridor of standing facilities from 200 basis points to 100 basis points around the interest rate on the main refinancing operation. The two measures will remain in place for as long as needed, and at least until the end of the first maintenance period of 2009, on 20 January.

15 OCTOBER 2008

The Governing Council of the ECB decides to further expand the collateral framework and enhance the provision of liquidity. To do so, the Governing Council decides: (i) to expand the list of assets eligible as collateral in Eurosystem credit operations, with this expansion remaining in force until the end of 2009, (ii) to enhance the provision of longer-term refinancing, with effect from 30 October 2008 and until the end of the first quarter of 2009, and (iii) to provide US dollar liquidity through foreign exchange swaps.

6 NOVEMBER 2008

The Governing Council of the ECB decides to decrease the interest rate on the main refinancing operations by 50 basis points to 3.25%, starting from the operations to be settled on 12 November 2008. In addition, it decides to decrease by 50 basis points the interest rates on both the marginal lending facility and the deposit facility, to 3.75% and 2.75% respectively, with effect from 12 November 2008.

4 DECEMBER 2008

The Governing Council of the ECB decides to decrease the interest rate on the main refinancing operations of the Eurosystem by 75 basis points to 2.50%, starting from the operations to be settled on 10 December 2008. In addition, it decides to decrease by 75 basis points the interest rates on both the marginal lending and the deposit facility to 3.00% and 2.00% respectively, with effect from 10 December 2008.

18 DECEMBER 2008

The Governing Council of the ECB decides that the main refinancing operations will continue to be carried out through a fixed rate tender procedure with full allotment beyond the maintenance period ending on 20 January 2009. This measure will be in place for as long as needed, and at least until the last allotment of the third maintenance period in 2009 on 31 March. Moreover, as of 21 January 2009, the corridor of standing facility rates, which on 9 October 2008 was reduced to 100 basis points around the prevailing interest rate of the main refinancing operation, will be be re-widened symmetrically to 200 basis points.

15 JANUARY 2009

The Governing Council of the ECB decides to decrease the 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.

2 JULY, 6 AUGUST, 3 SEPTEMBER, 8 OCTOBER, 5 NOVEMBER AND 3 DECEMBER 2009, AND 14 JANUARY, 4 FEBRUARY AND 4 MARCH 2010

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.

DOCUMENTS PUBLISHED BY THE EUROPEAN CENTRAL BANK SINCE 2009

This list is designed to inform readers about selected documents published by the European Central Bank since January 2009. For Working Papers, which as of January 2009 (from Working Paper No 989 onwards) are available online only, the list only refers to publications released between December 2009 and February 2010. Unless otherwise indicated, hard copies can be obtained or subscribed to free of charge, stock permitting, by contacting info@ecb.europa.eu.

For a complete list of documents published by the European Central Bank and by the European Monetary Institute, please visit the ECB's website (http://www.ecb.europa.eu).

ANNUAL REPORT

"Annual Report 2008", April 2009.

MONTHLY BULLETIN ARTICLES

"Housing wealth and private consumption in the euro area", January 2009.
"Foreign asset accumulation by authorities in emerging markets", January 2009.
"New survey evidence on wage setting in Europe", February 2009.
"Assessing global trends in protectionism", February 2009.
"The external financing of households and non-financial corporations: a comparison of the euro area and the United States", April 2009.
"Revisions to GDP estimates in the euro area", April 2009.
"The functional composition of government spending in the European Union", April 2009.
"Expectations and the conduct of monetary policy", May 2009.
"Five years of EU membership", May 2009.
"Credit rating agencies: developments and policy issues", May 2009.
"The impact of government support to the banking sector on euro area public finances", July 2009.
"The implementation of monetary policy since August 2007", July 2009.
"Rotation of voting rights in the Governing Council of the ECB", July 2009.
"Housing finance in the euro area", August 2009.
"Recent developments in the retail bank interest rate pass-through in the euro area", August 2009.
"Monetary policy and loan supply in the euro area", October 2009.
"Recent developments in the balance sheets of the Eurosystem, the Federal Reserve System and the Bank of Japan", October 2009.
"Financial development in emerging economies – stock-taking and policy implications", October 2009.
"Central bank communication in periods of heightened uncertainty", November 2009.
"Monetary analysis in an environment of financial turmoil", November 2009.
"The latest euro area recession in a historical context", November 2009.
"The ECB's monetary policy stance during the financial crisis", January 2010.
"The ECB's relations with European Union institutions and bodies: trends and prospects", January 2010.
"Entitlements of households under government pension schemes in the euro area – results on the basis of the new system of national accounts", January 2010.
"Euro repo markets and the financial market turmoil", February 2010.
"Euro area commercial property markets and their impact on banks", February 2010.
"Update on developments in general economic statistics for the euro area", February 2010.

STATISTICS POCKET BOOK

Available monthly since August 2003.

LEGAL WORKING PAPER SERIES

8 "National rescue measures in response to the current financial crisis" by A. Petrovic and R. Tutsch, July 2009.

9 "The legal duty to consult the European Central Bank – national and EU consultations" by S. E. Lambrinoc, November 2009.

10 "Withdrawal and expulsion from the EU and EMU: some reflections" by P. Athanassiou, December 2009.

OCCASIONAL PAPER SERIES

100 "Survey data on household finance and consumption: research summary and policy use" by the Eurosystem Household Finance and Consumption Network, January 2009.

101 "Housing finance in the euro area" by the Task Force of the Monetary Policy Committee of the European System of Central Banks, March 2009.

102 "Domestic financial development in emerging economies: evidence and implications" by E. Dorrucci, A. Meyer-Cirkel and D. Santabárbara, April 2009.

103 "Transnational governance in global finance: the principles for stable capital flows and fair debt restructuring in emerging markets" by R. Ritter, April 2009.

104 "Fiscal policy challenges in oil-exporting countries: a review of key issues" by M. Sturm, F. Gurtner and J. González Alegre, June 2009.

105 "Flow-of-funds analysis at the ECB – framework and applications" by L. Bê Duc and G. Le Breton, August 2009.

106 "Monetary policy strategy in a global environment" by P. Moutot and G. Vitale, August 2009.

107 "The collateral frameworks of the Eurosystem, the Federal Reserve System and the Bank of England and the financial market turmoil" by S. Cheun, I. von Köppen-Mertes and B. Weller, December 2009.

RESEARCH BULLETIN

"Research Bulletin", No 8, March 2009.

WORKING PAPER SERIES

1119 "Nonparametric hybrid Phillips curves based on subjective expectations: estimates for the euro area" by M. Buchmann, December 2009.

1120 "Exchange rate pass-through in central and eastern European Member States" by J. Beirne and M. Bijsterbosch, December 2009.

1121 "Does finance bolster superstar companies? Banks, venture capital and firm size in local US markets" by A. Popov, December 2009.

1122 "Monetary policy shocks and portfolio choice" by M. Fratzscher, C. Saborowski and R. Straub, December 2009.

1123 "Monetary policy and the financing of firms" by F. De Fiore, P. Teles and O. Tristani, December 2009.

1124 "Balance sheet interlinkages and macro-financial risk analysis in the euro area" by O. Castrén and I. K. Kavonius, December 2009.
1125 "Leading indicators in a globalised world" by F. Fichtner, R. Rüffer and B. Schnatz, December 2009.
1126 "Liquidity hoarding and interbank market spreads: the role of counterparty risk" by F. Heider, M. Hoerova and C. Holthausen, December 2009.
1127 "The Janus-headed salvation: sovereign and bank credit risk premia during 2008-09" by J. W. Ejsing and W. Lemke, December 2009.
1128 "EMU and the adjustment to asymmetric shocks: the case of Italy" by G. Amisano, N. Giammarioli and L. Stracca, December 2009.
1129 "Determinants of inflation and price level differentials across the euro area countries" by M. Andersson, K. Masuch and M. Schiffbauer, December 2009.
1130 "Monetary policy and potential output uncertainty: a quantitative assessment" by S. Delle Chiaie, December 2009.
1131 "What explains the surge in euro area sovereign spreads during the financial crisis of 2007-09?" by M.-G. Attinasi, C. Checherita and C. Nickel, December 2009.
1132 "A quarterly fiscal database for the euro area based on intra-annual fiscal information" by J. Paredes, D. J. Pedregal and J. J. Pérez, December 2009.
1133 "Fiscal policy shocks in the euro area and the United States: an empirical assessment" by P. Burriel, F. de Castro, D. Garrote, E. Gordo, J. Paredes and J. J. Pérez, December 2009.
1134 "Would the Bundesbank have prevented the great inflation in the United States?" by L. Benati, December 2009.
1135 "Return to retail banking and payments" by I. Hasan, H. Schmiedel and L. Song, December 2009.
1136 "Payment scale economies, competition and pricing" by D. B. Humphrey, December 2009.
1137 "Regulating two-sided markets: an empirical investigation" by S. Carbó Valverde, S. Chakravorti, F. Rodríguez Fernández, December 2009.
1138 "Credit card interchange fees" by J.-C. Rochet and J. Wright, December 2009.
1139 "Pricing payment cards" by O. Bedre and E. Calvano, December 2009.
1140 "SEPA, efficiency and payment card competition" by W. Bolt and H. Schmiedel, December 2009.
1141 "How effective are rewards programmes in promoting payment card usage? Empirical evidence" by S. Carbó Valverde and J. M. Liñares-Zegarra, December 2009.
1142 "Credit card use after the final mortgage payment: does the magnitude of income shocks matter?" by B. Scholnick, December 2009.
1143 "What drives the network's growth? An agent-based study of the payment card market" by B. Alexandrova-Kabadjova and J. Luis Negrín, December 2009.
1144 "Choosing and using payment instruments: evidence from German microdata" by U. von Kalckreuth, T. Schmidt and H. Stix, December 2009.
1145 "An area-wide real-time database for the euro area" by D. Giannone, J. Henry, M. Lalik and M. Modugno, January 2010.
1146 "The role of central bank transparency for guiding private sector forecasts" by M. Ehrmann, S. Eijffinger and M. Fratzscher, January 2010.
1147 "Interbank contagion at work: evidence from a natural experiment" by R. Iye and J.-L. Peydró, January 2010.
1148 "Is there a signalling role for public wages? Evidence for the euro area based on macro data" by J. J. Pérez and J. Sánchez, January 2010.
1149 "Does it matter how aggregates are measured? The case of monetary transmission mechanisms in the euro area" by A. Beyer and K. Juselius, January 2010.

1150 "Do bank loans and credit standards have an effect on output? A panel approach for the euro area" by L. Cappiello, A. Kadareja, C. Kok Sørensen and M. Protopapa, January 2010.
1151 "Methodological advances in the assessment of equilibrium exchange rates" by M. Bussière, M. Ca' Zorzi, A. Chudik and Alistair Dieppe, January 2010.
1152 "Government bond risk premiums in the EU revisited: the impact of the financial crisis" by L. Schuknecht, J. von Hagen and G. Wolswijk, February 2010.
1153 "The determination of wages of newly hired employees: survey evidence on internal versus external factors" by K. Galuščák, M. Keeney, D. Nicolitsas, F. Smets, P. Strzelecki and M. Vodopivec, February 2010.
1154 "Public and private inputs in aggregate production and growth: a cross-country efficiency approach" by A. Afonso and M. St. Aubyn, February 2010.
1155 "Combining disaggregate forecasts or combining disaggregate information to forecast an aggregate" by D. F. Hendry and K. Hubrich, February 2010.
1156 "Mortgage indebtedness and household financial distress" by D. Georgarakos, A. Lojschová and M. Ward-Warmedinger, February 2010.
1157 "Real time estimates of the euro area output gap: reliability and forecasting performance" by M. Marcellino and A. Musso, February 2010.

OTHER PUBLICATIONS

"Letter from the ECB President to Mr Robert Sturdy, Member of the European Parliament", January 2009 (online only).
"Euro money market study 2008", February 2009 (online only).
"Eurosystem oversight policy framework", February 2009 (online only).
"Harmonised oversight approach and oversight standards for payment instruments", February 2009 (online only).
"European Commission's consultation on hedge funds – Eurosystem contribution", February 2009 (online only).
"Guiding principles for bank asset support schemes", March 2009 (online only).
"Letter from the ECB President to Mr José Ribeiro e Castro, Member of the European Parliament", March 2009 (online only).
"Letter from the ECB President to Mr Dimitrios Papadimoulis, Member of the European Parliament", March 2009 (online only).
"Letter from the ECB President to Mr Manolis Mavrommatis, Member of the European Parliament, regarding the issuance of low denomination euro banknotes", March 2009 (online only).
"Letter from the ECB President to Mr Eoin Ryan, Member of the European Parliament, concerning the recent widening of spreads between euro area government bond yields", March 2009 (online only).
"Eurosystem's SEPA expectations", March 2009 (online only).
"Housing finance in the euro area", March 2009 (online only).
"Euro area monetary and financial statistics: 2008 quality report", March 2009 (online only).
"Euro area balance of payments and international investment position statistics: 2008 quality report", March 2009 (online only).
"Manual on investment fund statistics", May 2009 (online only).
"EU banks' funding structures and policies", May 2009 (online only).
"Letter from the ECB President to Mr Ashley Mote, Member of the European Parliament", May 2009 (online only).
"TARGET2 oversight assessment report", May 2009 (online only).

"TARGET Annual Report", May 2009 (online only).
"The ECB's advisory role – overview of opinions (1994-2008)", May 2009.
"Financial Stability Review", June 2009.
"Recommendations for securities settlement systems and recommendations for central counterparties in the European Union – European Central Bank (ECB) and the Committee of European Securities Regulators (CESR)", June 2009 (online only).
"The international role of the euro", July 2009.
"Monthly report on the Eurosystem's covered bond purchase programme – July 2009", August 2009 (online only).
"Oversight framework for direct debit schemes", August 2009 (online only).
"Oversight framework for credit transfer schemes", August 2009 (online only).
"The Eurosystem's stance on the Commission's consultation document on the review of Directive 94/19/EC on deposit-guarantee schemes", August 2009 (online only).
"Legal framework of the Eurosystem and the European System of Central Banks. ECB legal acts and instruments. 2009 update", August 2009.
"EU banking sector stability", August 2009 (online only).
"Credit default swaps and counterparty risk", August 2009 (online only).
"OTC derivatives and post-trading infrastructures", September 2009 (online only).
"Monthly report on the Eurosystem's covered bond purchase programme – August 2009", September 2009 (online only).
"Consultation of the European Commission on 'Possible initiatives to enhance the resilience of OTC derivatives markets': Eurosystem contribution", September 2009 (online only).
"ECB survey on access to finance for small and medium-sized enterprises in the euro area", September 2009 (online only).
"The euro at ten – lessons and challenges", Fifth ECB Central Banking Conference volume, September 2009.
"Euro money market survey", September 2009 (online only).
"Monthly report on the Eurosystem's covered bond purchase programme – September 2009", October 2009 (online only).
"Letter from the ECB President to Mr Jim Higgins, Member of the European Parliament, concerning consumer protection and banking practices in Spain", October 2009 (online only).
"Letter from the ECB President to Mr Jim Higgins, Member of the European Parliament, concerning the ECB's considerations on issuing a €30 banknote", October 2009 (online only).
"Monthly report on the Eurosystem's covered bond purchase programme – October 2009", November 2009 (online only).
"Consultation of the Committee of European Securities Regulators on trade repositories in the European Union – ECB contribution", November 2009 (online only).
"Eurosystem oversight report 2009", November 2009 (online only).
"Glossary of terms related to payment clearing and settlement systems", December 2009 (online only).
"Monthly report on the Eurosystem's covered bond purchase programme – November 2009", December 2009 (online only).
"New procedure for constructing Eurosystem and ECB staff projection ranges", December 2009 (online only).
"Financial Stability Review", December 2009.
"Retail payments – integration and innovation", December 2009 (online only).
"Recent advances in modelling systemic risk using network analysis", January 2010 (online only).
"Contribution of the Eurosystem to the public consultation of the European Commission on the future 'EU 2020' strategy", January 2010 (online only).

"Monthly report on the Eurosystem's covered bond purchase programme – December 2009", January 2010 (online only).
"Structural indicators for the EU banking sector", January 2010 (online only).
"Correspondent central banking model (CCBM) – procedure for Eurosystem counterparties", January 2010 (online only).
"Letter from the ECB President to Mr Nuno Melo, Member of the European Parliament, concerning the increase in the capital of Banco Português de Negócios (BPN)", February 2010 (online only).
"The 'Centralised Securities Database' in brief", February 2010 (online only).
"Monthly report on the Eurosystem's covered bond purchase programme – January 2010", February 2010 (online only).
"Commission communication on 'An EU framework for cross-border crisis management in the banking sector': Eurosystem's reply to the public consultation", February 2010 (online only).
"Survey on the access to finance of small and medium-sized enterprises in the euro area – second half of 2009", February 2010 (online only).
"MFI balance sheet and interest rate statistics and CEBS' guidelines on FINREP and COREP", February 2010 (online only).
"Letter from the ECB President to Mr Nikolaos Chountis, Member of the European Parliament, related to the income of Mr Provopoulos, Governor of the Bank of Greece", February 2010 (online only).
"ECB-Eurostat workshop on pensions", February 2010 (online only).

INFORMATION BROCHURES

"The European Central Bank, the Eurosystem, the European System of Central Banks", April 2009.
"Price stability – why is it important for you?", April 2009.
"The Single Euro Payments Area (SEPA): an integrated retail payments market", July 2009.
"T2S – settling without borders", January 2010.

GLOSSARY

This glossary contains selected items that are frequently used in the Monthly Bulletin. A more comprehensive and detailed glossary can be found on the ECB's website (www.ecb.europa.eu/home/glossary/html/index.en.html).

Autonomous liquidity factors: liquidity factors that do not normally stem from the use of monetary policy instruments. Such factors are, for example, banknotes in circulation, government deposits with the central bank and the net foreign assets of the central bank.

Balance of payments (b.o.p.): a statistical statement that summarises, for a specific period of time, the economic transactions of an economy with the rest of the world.

Bank lending survey (BLS): a quarterly survey on lending policies that has been conducted by the Eurosystem since January 2003. It addresses qualitative questions on developments in credit standards, terms and conditions of loans and loan demand for both enterprises and households to a predefined sample group of banks in the euro area.

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

Break-even inflation rate: the spread between the yield on a nominal bond and that on an inflation-linked bond of the same (or as similar as possible) maturity.

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 taken out by households, as well as the loans, debt securities and pension fund reserves (resulting from employers' direct pension commitments on behalf of their employees) of non-financial corporations, valued at market prices at the end of the period.

Debt (general government): the gross debt (currency and deposits, loans and debt securities) 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 126(2) of the Treaty on the Functioning of the European Union 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 126(2) of the Treaty on the Functioning of the European Union 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 generalised, persistent and self-reinforcing decline in a broad set of prices that results from a drop in aggregate demand and becomes entrenched in expectations.

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.

Disinflation: a process of decelerating inflation that may lead to negative inflation rates of a temporary nature.

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 EER indices of 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 the euro area's trade in manufactured goods 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.

Enhanced credit support: the non-standard measures taken by the ECB/Eurosystem during the financial crisis with a view to supporting financing conditions and credit flows above and beyond what could be achieved through reductions in key ECB interest rates alone.

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 on the Functioning of the European Union.

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.

Fixed rate full-allotment tender procedure: a tender procedure in which the interest rate is specified by the central bank and in which counterparties bid the amount of money they want to transact at that rate, knowing in advance that all their bids will be satisfied.

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 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 operations: credit operations with a maturity of more than one week that are executed by the Eurosystem in the form of reverse transactions. The regular monthly operations are conducted with a maturity of three months. During the financial market turmoil that started in August 2007, supplementary operations with maturities ranging from one maintenance period to one year were conducted, the frequency of which varied.

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.

Volatility: the degree of fluctuation in a given variable.

Write-down: a downward adjustment to the value of loans recorded in the balance sheets of MFIs when it is recognised that the loans have become partly unrecoverable.

Write-off: the removal of the value of loans from the balance sheets of MFIs when the loans are considered to be totally unrecoverable.

Yield curve: a graphical representation of the relationship between the interest rate or yield and the residual maturity at a given point in time for sufficiently homogenous debt securities with different maturity dates. The slope of the yield curve can be measured as the difference between the interest rates or yield at two selected maturities.

ISSN 1561-0136