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EUROPEAN CENTRAL BANK

EUROSYSTEM

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In 2009 all ECB publications feature a motif taken from the €200 banknote.

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ABBREVIATIONS

COUNTRIES

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

OTHERS

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

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

EDITORIAL

On the basis of its regular economic and monetary analyses, the Governing Council decided at its meeting on 3 September 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 meeting on 6 August 2009. In this respect, the Governing Council also decided that the rate for the twelve-month longer-term refinancing operation to be allotted on 30 September 2009 will be the prevailing rate on the main refinancing operations. This decision, which continues to guarantee liquidity support to the banking system of the euro area for an extended period of time at very favourable conditions, should promote the extension of credit to the euro area economy and, therefore, further underpin its recovery.

Price developments are expected to remain subdued over the policy-relevant horizon. Annual HICP inflation was slightly negative in August according to Eurostat's flash estimate. This reflects mainly the base effects of the strong rise in commodity prices in 2008. The return of HICP inflation to moderate positive rates is expected within the coming months. At the same time, the latest information supports the Governing Council's view that there are increasing signs of stabilisation in economic activity in the euro area and elsewhere. This is consistent with the expectation that the significant contraction in economic activity has come to an end and is now followed by a period of stabilisation and very gradual recovery. Available indicators of inflation expectations over the medium to longer term remain firmly anchored in line with the Governing Council's aim of keeping inflation rates below, but close to, 2% over the medium term. The outcome of the monetary analysis confirms the assessment of low inflationary pressure over the medium term, as money and credit expansion continues to decelerate. Against this background, the Governing Council expects price stability to be maintained over the medium term, thereby continuing to support the purchasing power of euro area households.

With regard to the economic analysis, following the strong negative growth rates observed around the turn of the year, according to Eurostat's first estimate, economic activity in the euro area declined only slightly in the second quarter of 2009, contracting by 0.1% compared with the previous quarter. Survey indicators for the third quarter of 2009 support the view that the euro area economy is stabilising further. In the near term, the euro area should continue to benefit from a recovery in exports, the significant macroeconomic stimulus under way and the measures taken so far to restore the functioning of the financial system. In addition, the inventory cycle is expected to contribute positively. However, uncertainty remains high and the persistent volatility in incoming data warrants a cautious interpretation of available information. Overall, the recovery is expected to be rather uneven, given the temporary nature of some of the supporting factors and the ongoing balance sheet correction in the financial and non-financial sectors of the economy, both inside and outside the euro area.

This assessment is broadly in line with the September 2009 ECB staff macroeconomic projections for the euro area. According to these projections, average annual real GDP growth will range between -4.4% and -3.8% in 2009 and between -0.5% and +0.9% in 2010. Compared with the June 2009 Eurosystem staff macroeconomic projections, this implies an upward revision of the ranges for both 2009 and 2010, reflecting mainly the recent, more positive developments and information. Forecasts by international organisations are broadly in line with the September 2009 ECB staff projections.

In the view of the Governing Council, the risks to this outlook remain broadly balanced. On the upside, there may be stronger than anticipated effects stemming from the extensive macroeconomic stimulus being provided and from other policy measures taken. Confidence may also improve more quickly, labour market deterioration may be less marked than currently expected and foreign demand may prove to be stronger than projected. On the downside, concerns remain relating to a stronger or more protracted negative feedback loop between the real economy and the still strained financial markets, renewed increases in oil and other commodity prices, the intensification of protectionist pressures and a disorderly correction of global imbalances. At the same time, the uncertainty surrounding this outlook remains higher than usual.

With regard to price developments, annual HICP inflation was, according to Eurostat's flash estimate, -0.2% in August, compared with -0.7% in July. This development is in line with previous expectations and reflects largely base effects resulting from the movements in global commodity prices a year ago. Owing to these base effects, annual inflation rates are projected to turn positive again within the coming months. Looking further ahead, inflation is expected to remain in positive territory, with overall price and cost developments staying subdued in the wake of ongoing sluggish demand in the euro area and elsewhere. In this context, it is important to re-emphasise that the indicators of inflation expectations over the medium to longer term remain firmly anchored in line with the Governing Council's aim of keeping inflation rates below, but close to, 2% over the medium term.

This outlook is consistent with the September 2009 ECB staff projections for euro area inflation. In these projections, annual HICP inflation is projected to range between 0.2% and 0.6% in 2009 and between 0.8% and 1.6% in 2010, revised slightly upwards from the June 2009 Eurosystem staff projections, reflecting mainly upward revisions to energy prices. Available forecasts from international organisations provide a broadly similar picture.

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

Turning to the monetary analysis, the latest data confirm a continued deceleration in both broad money and credit growth. In July, the annual growth rates of M3 and loans to the private sector declined further to 3.0% and 0.6% respectively, reaching new lows since 1999. These developments support the assessment of a slower underlying pace of monetary expansion and low inflationary pressures over the medium term.

The short-term developments of M3 and its components have remained volatile. The recent changes in interest rates paid on the different instruments included in M3 have continued to underlie the strong shifts in the allocation of funds from, in particular, short-term time deposits to overnight deposits. The deceleration in annual M3 growth has thus continued to combine with a substantial further strengthening of annual M1 growth, which in July rose to 12.1%. In addition, the relatively steep yield curve and the re-emergence of risk appetite, reflected particularly in the increase in stock prices over the past few months, may have dampened M3 growth to some extent.

The overall flow of bank loans to the non-financial private sector remained subdued in July, with the differences across borrowing sectors becoming more marked. The flow of loans to households remained slightly positive, whereas in the case of non-financial corporations the flow of loans was negative again. The decline in loans to non-financial corporations continues to reflect mainly a strong net redemption of loans with a shorter maturity, while lending and borrowing at longer maturities remained positive. The fall in production and trade and the ongoing uncertainty in the business outlook are likely to have dampened firms' demand for financing. Given the normal lag between a recovery in economic activity and a pick-up in loans to enterprises, further weak developments in loans to non-financial corporations in the coming months appear likely. At the same time, a gradual improvement in financing conditions, as lower market interest rates continue to be passed on in lower bank lending rates, should support the demand for credit in the period ahead. Against the background of highly demanding challenges, banks should take appropriate measures to strengthen further their capital bases and, where necessary, take full advantage of government measures to support the financial sector, particularly as regards recapitalisation.

To sum up, the information and analyses that have become available since the meeting of the Governing Council on 6 August 2009 confirm its view that the current key ECB interest rates remain appropriate. In this respect, the Governing Council also decided at its meeting on 3 September that the rate for the twelve-month longer-term refinancing operation to be allotted on 30 September 2009 will be the prevailing rate on the main refinancing operations. Price developments are expected to remain subdued over the policy-relevant horizon. Annual HICP inflation was slightly negative in August. This reflects mainly the base effects of the strong rise in commodity prices in 2008. The return of HICP inflation to moderate positive rates is expected within the coming months. At the same time, the latest information supports the Governing Council's view that there are increasing signs of stabilisation in economic activity in the euro area and elsewhere. This is consistent with the expectation that the significant contraction in economic activity has come to an end and is now followed by a period of stabilisation and very gradual recovery. Available indicators of inflation expectations over the medium to longer term remain firmly anchored in line with the Governing Council's aim of keeping inflation rates below, but close to, 2% over the medium term. A cross-check of the outcome of the economic analysis with that of the monetary analysis confirms the assessment of low inflationary pressure over the medium term, as money and credit expansion continues to decelerate. Against this background, the Governing Council expects price stability to be maintained over the medium term, thereby continuing to support the purchasing power of euro area households.

As the transmission of monetary policy works with lags, the Governing Council's policy action is expected to progressively feed through to the economy in full. Hence, with all the measures taken, monetary policy is providing ongoing support for households and corporations. Once the macroeconomic environment improves, the Governing Council will make sure that the measures taken are unwound in a timely fashion and that the liquidity provided is absorbed in order to counter effectively any threat to price stability over the medium to longer term. By so doing, the Governing Council will continue to ensure a firm anchoring of medium-term inflation expectations. Such anchoring is indispensable to supporting sustainable growth and employment and contributing to financial stability. Accordingly, the Governing Council will continue to monitor very closely all developments over the period ahead.

As regards fiscal policies, the latest quarterly euro area data and developments in individual countries confirm a substantial deterioration of fiscal positions in 2009, which is projected to continue in 2010. In finalising their 2010 budgets and medium-term fiscal plans, governments must now substantiate their commitment to ensuring a swift return to sound and sustainable public finances in line with the Stability and Growth Pact. In particular, it is crucial that ambitious and realistic fiscal exit and consolidation strategies, underpinned by concrete structural measures, are put in place. The structural adjustment process should start, in any case, not later than the economic recovery and the consolidation efforts should be stepped up in 2011. Structural consolidation efforts will need to exceed significantly the benchmark of 0.5% of GDP per annum set in the Stability and Growth Pact. In countries with high deficits and/or debt ratios, the annual structural adjustment should reach at least 1% of GDP. The focus of the structural measures should lie on the expenditure side, as in most euro area countries tax and social contribution rates are already high.

Turning to structural policies, it is likely that the financial crisis will affect the growth potential in the euro area. This outlook reinforces the need to strengthen reform efforts to support sustainable growth and employment in the euro area. It requires, in particular, appropriate wage-setting, sufficient labour market flexibility and effective incentives to work. At the same time, policies that enhance competition and innovation are urgently needed to speed up restructuring and investment and to create the business opportunities and productivity gains needed to ensure a sustained recovery. In this respect, an appropriate restructuring and consolidation of the banking sector plays an important role. Sound balance sheets, solid risk management, and transparent and robust business models are key to strengthening the financial soundness of banks and their resilience to shocks, thereby laying the foundations for sustainable economic growth and financial stability.

ECONOMIC AND MONETARY DEVELOPMENTS

1 THE EXTERNAL ENVIRONMENT OF THE EURO AREA

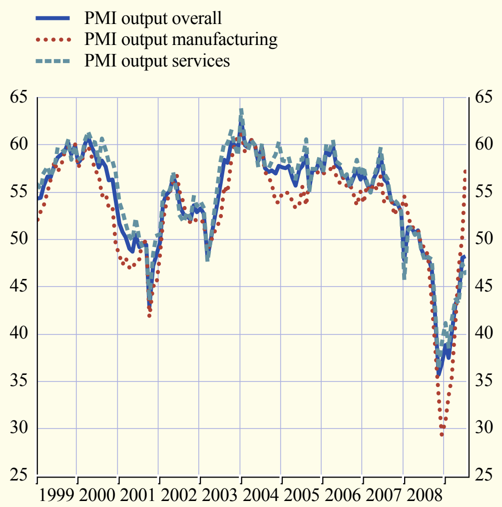
The global economy has recently been showing increasing signs of stabilisation. This is consistent with expectations that the significant contraction in economic activity has come to an end. At the same time, global inflation rates have continued to fall in recent months, owing to base effects related to commodity prices and rising spare capacity. While uncertainty remains high, risks to the global economic outlook are overall viewed to be broadly balanced.

1.1 DEVELOPMENTS IN THE WORLD ECONOMY

The global economy has recently been showing increasing signs of stabilisation. This is consistent with expectations that the significant contraction in economic activity has come to an end, notably in the major emerging markets as well as in a number of advanced economies. Following a contraction in the last quarter of 2008 and the first quarter of 2009, global growth turned positive in the second quarter of 2009. This has been underpinned most notably by the monetary and fiscal policy measures gaining traction as well as by improvements in both consumer and business confidence. World trade – having experienced an unprecedented and synchronised plunge around the turn of the year – is also showing tentative signs of stabilisation, albeit at very low levels. The most recent trade data indicate that emerging Asian economies, in particular, have increased their imports from the rest of the world.

Chart 1 Global PMI output

(diffusion index; monthly data)



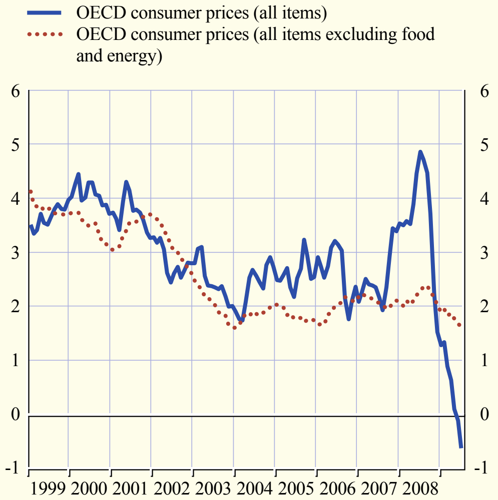
Source: Markit.

The latest indicator-based evidence points to a further stabilisation of global activity. The overall Global Purchasing Managers' Index (PMI) has continued to increase over recent months, edging closer to the expansion/contraction threshold (see Chart 1). The manufacturing PMI output index was above the threshold value of 50 for the third month in a row in August, indicating an expansion in manufacturing output following a year-long period of contraction.

At the same time, global inflation rates continued to fall. In the OECD countries, annual headline CPI inflation in July remained negative standing at -0.6% (see Chart 2). Downward pressures on prices reflect the rising spare capacity as a result of the contraction in economic activity, but also significant base effects related to commodity prices. These base effects stemming from last year's commodity price increases peaked in July and will be reversed in the coming months. Oil prices have continued to rebound throughout 2009, thereby countervailing, to some extent, the downward inflationary pressures. The importance of commodity price developments for current inflationary trends is also reflected in the OECD inflation rate, excluding food and energy, which declined much less than the headline inflation rate over the last few quarters and stood at 1.6% in the year to July 2009. Inflation expectations continue to be anchored within positive territory, suggesting that global disinflationary pressures are largely perceived as a transitory phenomenon.

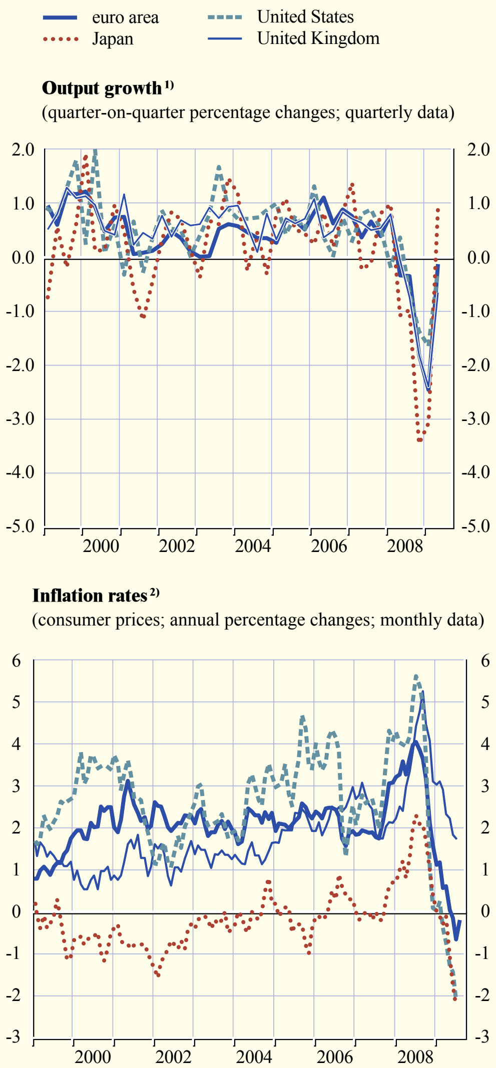
Chart 2 International price developments

(monthly data; annual percentage changes)



Source: OECD.

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 has posted negative consecutive growth rates since the third quarter of 2008. However, the pace of decline in economic activity moderated in the second quarter of 2009 and recent evidence points to a bottoming-out. While real GDP declined at an annualised rate of 5.4% in the fourth quarter of 2008 and 6.4% in the first quarter of 2009, the contraction by 1.0% in the second quarter of 2009 was relatively moderate (see Chart 3). In the context of still tight credit conditions and a deterioration of labour market conditions, private domestic spending contracted further, reflecting negative growth in personal consumption expenditures and private fixed investment. Factors limiting the decline in overall activity included a pick-up in government spending and a positive growth contribution from foreign trade, as imports fell more sharply than exports. The inventory liquidation continued in the second quarter, although the drag on growth was smaller than in the preceding quarter.

As regards price developments, annual CPI inflation fell to -2.1% in July 2009, from -1.4% in June. The declines in headline inflation are driven, for the most part, by base effects stemming from last year’s commodity price increases. The annual rate of inflation, excluding food and energy, fell to 1.5% in July, from 1.7% in June, continuing its recent moderate downward trend.

Looking ahead, the outlook for US economic activity in the near term has improved somewhat. A stabilisation in financial market conditions, the effect of monetary and fiscal stimulus and a turn in the inventory cycle may lead to a return to positive economic growth in the second half of 2009. Nevertheless, continued weak fundamentals suggest that the recovery may remain subdued. Deteriorating labour market conditions and the need for households to rebuild their savings and pay down debt levels accumulated over the previous years is likely to put downward pressure on consumption. While residential construction activity appears to be bottoming out, a large oversupply of homes on the market continues to suggest a weak outlook in the near term. Additionally, the downturn in commercial construction investment – a sector where developments typically lag those in residential investment – is likely to continue.

As regards price developments, base effects related to commodity prices will be gradually reversed over the next few months. In the medium term, the strong rebound in oil prices since the beginning of the year may counteract the downward pressures on headline inflation stemming from economic slack.

The view that economic activity is reaching a bottom is supported by the members of the US Federal Open Market Committee (FOMC), with the FOMC statement released on 12 August 2009 noting that economic activity was levelling out. At that meeting, the FOMC decided to keep the target for the policy rate unchanged within a range of 0% to 0.25%. In addition, the Federal Reserve recently announced the extension of some of its lending facilities to promote the flow of credit to the private sector and decided to slow the purchases of Treasury securities in order to promote a smooth transition in markets.

JAPAN

In Japan, economic activity started to recover in the second quarter of 2009, following four successive quarters of negative growth. According to the first preliminary estimate by Japan's Cabinet Office, real GDP increased by 0.9% quarter on quarter in the second quarter of 2009. This increase reflects the positive growth of exports by 6.3% quarter on quarter, private consumption by 0.8% and government investment by 8.1%, with the latter two increases stemming primarily from the fiscal stimulus. By contrast, private residential investment and private non-residential investment contracted, quarter on quarter, by 9.5% and 4.3%, respectively. There were also considerable revisions to GDP data for the first quarter of 2009, with quarter-on-quarter real GDP growth being revised upwards by 0.7 percentage points, to -3.1%.

Consumer price inflation decreased in recent months, with annual overall CPI inflation declining in July to -2.2%, compared with -1.8% in June, reflecting the widening output gap and base effects related to energy prices. Annual CPI inflation, excluding food and energy, remained negative at -0.9% in July. Annual core CPI inflation, i.e. excluding fresh food, declined to -2.2% in July.

Looking ahead, economic prospects in Japan are expected to improve gradually. This, in part, reflects the impact of the stimulus support and improved prospects for external trade. At its most recent meeting on 11 August, the Bank of Japan decided to keep its target for the uncollateralised overnight rate unchanged at around 0.1%.

UNITED KINGDOM

In the United Kingdom, real GDP has contracted in recent quarters, but the pace of decline has moderated. Real GDP experienced a broad-based decline by 2.4% quarter on quarter in the first quarter of 2009. In the second quarter of 2009, real GDP declined at a slower pace (by 0.7%

quarter on quarter), reflecting the less negative contribution of domestic demand and the build-up of inventories. Looking ahead, real GDP is expected to shrink further in the near term, albeit at a moderate pace, as falling employment, lower housing and financial wealth, and tight credit conditions are likely to continue to weigh on consumer spending. Recent survey data point to a possible stabilisation in activity towards the end of 2009.

Following a slight increase at the beginning of 2009, annual HICP inflation declined again, standing at 1.8% in July. HICP inflation is expected to remain below the 2% target in the near term. House prices have been falling since the beginning of the financial crisis in mid-2007. However, the downward pressure on the housing market has eased in recent months. In particular, mortgage approvals have increased and house prices have been rising slightly in month-on-month terms. Since March 2009, the Monetary Policy Committee maintained the official Bank Rate paid on commercial bank reserves at 0.5%. Furthermore, the Bank of England increased in two steps (on 7 May and 6 August) the size of the asset purchase programme by altogether GBP 100 billion to GBP 175 billion.

OTHER EUROPEAN COUNTRIES

In most other non-euro area EU countries, real GDP has contracted in recent quarters. However, the pace of the contraction seems to have moderated in the second quarter. In Sweden, real GDP was unchanged in the second quarter of 2009 compared with the previous quarter (in seasonally and working day-adjusted terms), after having contracted by 0.9% quarter on quarter in the first quarter of 2009. In Denmark, output contracted by 1.1% in the first quarter amid weak external demand, tighter financing conditions and declining private consumption. Looking ahead, short-term indicators point to a moderation in the pace of decline in Denmark as well. In recent months, HICP inflation has decreased to relatively low levels in both countries. In July, HICP inflation stood at 1.8% in Sweden and 0.7% in Denmark. On 13 and 27 August 2009, Danmarks Nationalbank decided to decrease its main policy rate both times by 10 basis points to 1.35%. On 2 July 2009, Sveriges Riksbank decided to decrease its main policy rate by 25 basis points to 0.25%.

The largest central and eastern European EU Member States, with the exception of Poland, experienced a significant decline in real GDP in the first quarter of 2009. In quarter-on-quarter terms, real GDP contracted by 2.5% in Hungary, 3.4% in the Czech Republic and 4.6% in Romania in the first quarter of 2009. Economic activity held up best in Poland, where GDP expanded at a quarterly rate of 0.3% on account of the fact that private consumption growth remained strong compared with that in other countries in the region. In the second quarter, the growth performance improved in all countries. Real GDP contracted at a slower pace in Hungary and Romania in the second quarter – by 2.1% and 1.2%, respectively. Most short-term indicators (such as industrial production and confidence indicators) point to a further moderation in the pace of decline of economic activity in both countries, although the pace of credit growth has continued to decrease steadily even in recent months. In the Czech Republic, real GDP growth turned positive in the second quarter, with the economy expanding 0.3% quarter on quarter according to preliminary estimates. At the same time, real GDP growth in Poland increased slightly to 0.5%. In July 2009, annual HICP inflation rates decreased to -0.1% in the Czech Republic and 5.0% in Romania. In the same month, inflation picked up further in Poland and Hungary to reach 4.5% and 4.9% respectively, reflecting the lagged impact of past exchange rate depreciations and in Hungary a VAT increase in July. On 24 June 2009, Narodowy Bank Polski decided to decrease its main policy rate by 25 basis points to 3.5%. On 27 July 2009, the Magyar Nemzeti Bank decided to decrease its main policy rate by 100 basis points to 8.5%. On 24 August, it decided to further lower the rate by 50 basis points to 8.0%. On 5 August 2009, Banca Naţională a României decided to decrease its main policy rate by 50 basis points to 8.5%.

Among all EU countries, the Baltic countries have experienced the sharpest decline in economic activity in recent quarters. These countries accumulated large domestic and external imbalances in recent years. The unwinding of the external imbalances has, thus far, primarily been achieved through a contraction of domestic absorption. In recent quarters, a sharp increase in the unemployment rate to levels around 15% contributed to the decline in consumption. Although real GDP still contracted at a similar pace in the second quarter as in the first in Lithuania (quarter on quarter), recent short-term activity and confidence indicators have been improving in the Baltic countries as well. By contrast, in Bulgaria – which has so far been less affected by the crisis than other smaller central and eastern European economies – some of the short-term indicators (such as retail sales or industrial confidence) have still been deteriorating in recent months.

In Russia, economic activity contracted further in the second quarter of 2009, albeit at a lower pace than during the first quarter. According to preliminary official estimates, real GDP shrank by 0.5% in that period in seasonally adjusted quarter-on-quarter terms, leaving the level of output 10.9% lower than a year ago. An expansionary fiscal policy, rising commodity prices and stabilising external demand might further contribute to a gradual recovery of economic activity in the second half of 2009. Despite a large negative output gap, inflation has remained high (12.0% year on year in July). As the lagged impact of exchange rate pass-through from the earlier devaluation of the Russian rouble is phasing out, inflationary pressures are expected to somewhat decline later this year.

EMERGING ASIA

In emerging Asia, economic activity started to recover in the second quarter of 2009 and in most countries the quarterly GDP changes turned positive. Sizeable fiscal stimuli and expansionary monetary policies supported investment in the region. Moreover, tax cuts, government subsidies, low interest rates, and very low or even negative inflation had a positive impact on real disposable incomes and private consumption in many economies. In most countries except China, another factor supporting the rebound was foreign trade, especially intra-regional trade, which started to resume following a major decline in the last quarter of 2008 and the first quarter of 2009. Trade levels, however, still remain clearly below those seen before the economic downturn.

In China, annual GDP growth rose to 7.9% in the second quarter of 2009, compared with 6.1% in the first quarter. The rapid implementation of the fiscal package boosted fixed investment growth, which, in the first half of 2009, contributed 6.2 percentage points out of average GDP growth at 7.1%. The contribution from consumption – 3.8 percentage points – was only slightly lower than in 2008. The contribution of net exports turned negative, however, driven by imports, which, in volume terms, have already returned close to the levels of summer 2008. The main driver of import growth was an increase in imports of raw materials associated with the rapid rise in public investment. Meanwhile, exports, while recovering, increased at a much slower pace. Recently the dynamics of private investment have also shown some positive signs, mainly owing to a more positive outlook in the real estate sector. Monetary policy has remained accommodative. The stock of bank credit was up by 30% year on year at the end of July, largely due to the fact that a large share of public investment is being financed by bank loans rather than by the central budget. Consumer price inflation continued to be negative, with consumer prices being 1.8% lower in July than a year ago.

In Korea, real GDP contracted at an annual rate of 2.5% in the second quarter of 2009, after having fallen by 4.2% in the previous quarter. This development was mainly due to the fiscal stimulus, which had a positive impact on both construction investment and consumer spending on durable goods, such as cars. Annual CPI inflation moderated further to reach 1.6% in July, the lowest rate since May 2005. In India, economic activity has started to recover as well. Annual GDP growth rose to 6.1% in the second quarter of 2009, compared with 5.8% in the first quarter. Wholesale price inflation, the Reserve Bank of India's main inflation measure, has decreased rapidly and has turned negative since June 2009. In August, annual inflation was -1.5%.

In some emerging Asian economies, the upturn has strongly relied on fiscal stimuli. While the direct effects of fiscal policy measures on GDP growth are expected to decline over the medium term, fiscal policy – together with monetary policy and favourable developments in property markets – has contributed to increased confidence in the private sector. This may have created the preconditions for more self-sustained growth in the future.

LATIN AMERICA

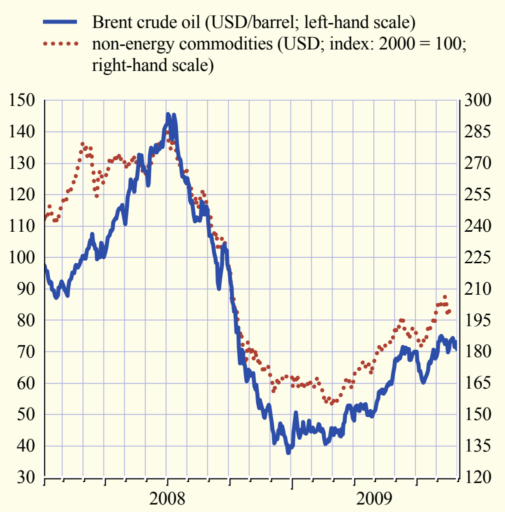
In Latin America, economic activity has shown tentative signs of recovery in many countries, although Mexico is still suffering from a very serious downturn compounded by the impact of the swine flu. Inflation has gradually started to decline also in this region. In Mexico, real GDP contracted by 10.3% in the second quarter of 2009 compared with a year earlier, after falling by 8% in the first quarter of 2009. Annual consumer price inflation averaged 5.7% in the second quarter, down from 6.2% in the first quarter of 2009. In Argentina, according to available monthly indicators, industrial production fell at an average rate of 0.8% (year on year) in the second quarter, after falling by 2.3% in the first quarter. Meanwhile, inflationary pressures eased as annual CPI inflation averaged 5.5% in the second quarter, down from 6.6% in the first quarter. In Brazil, high frequency indicators suggest that economic activity recovered somewhat in the second quarter, with industrial production, for instance, contracting by around 12% year on year, after having declined by almost 15% in the first quarter of 2009.

Lower inflation has allowed some central banks in the region to loosen their monetary policy. Together with positive wealth effects associated with the good performance of stock markets, this is expected to boost confidence in the region. In addition, commodity exporters have been benefiting from rising prices and increased demand from China.

1.2 COMMODITY MARKETS

During the last three months, oil prices increased up to around USD 70 per barrel. Brent crude oil prices stood at USD 70.3 on 2 September, which was 78% higher than at the beginning of 2009 (in euro terms the increase was around 74%). Looking ahead, market participants expect higher prices in the medium term, with future contracts for December 2011 trading at around USD 77.

Chart 4 Main developments in commodity markets



Sources: Bloomberg and HWWI.

After a sharp correction in mid-July oil prices resumed the upward trend in place since the beginning of the year (see Chart 4). The renewed optimism that dominated markets found some support in the improved economic outlook for Asia, which also prompted the International Energy Agency to revise upwards its oil demand projections for 2009 and 2010. While the increase in expected future demand had a positive effect on spot oil prices, oil stocks remained high and current oil demand continued to decline – albeit at a slower pace.

The prices of some non-energy commodities also increased over the past months. In aggregate terms, the price index for non-energy commodities (denominated in US dollars) was approximately 20% higher towards the end of August than at the beginning of the year. Metal prices rose, supported by an improvement in macroeconomic prospects and expectations of re-stocking moving beyond China to OECD countries in the second half of the year. By contrast, the prices of food commodities declined somewhat in aggregate terms given more favourable supply prospects, particularly for wheat and maize. Sugar prices were an exception, posting strong increases against the backdrop of concerns about the crops in India.

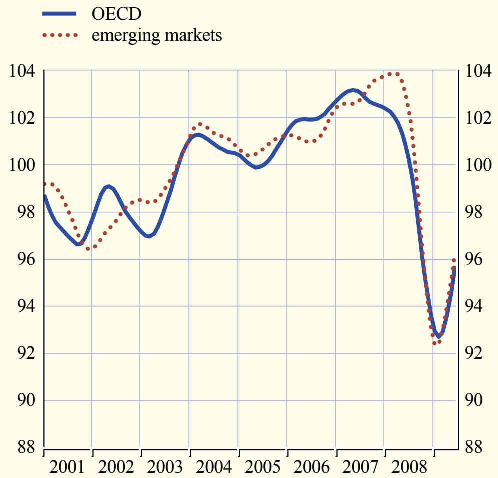
1.3 OUTLOOK FOR THE EXTERNAL ENVIRONMENT

Indicators increasingly suggest that the global economy is showing signs of stabilisation following the dramatic decline in economic activity around the turn of the year. In June, the composite leading indicator (CLI) for the OECD area improved for the fourth month in a row indicating tangible improvements in economic activity (see Chart 5). Despite these improvements, the indicator is 5 points lower than in June 2008. For emerging economies, the CLIs also continued to increase in recent months. This improvement in global economic prospects is also evidenced by the Ifo World Economic Climate Indicator, which rose for the second time in a row in the third quarter of 2009. The rise was the result of more favourable expectations for the upcoming six months and an improvement in the assessment of the current economic situation.

Although global economic prospects remain subject to high uncertainty, the risks to global activity are overall viewed to be broadly balanced. On the one hand, the policy measures implemented around the world may re-establish confidence and lead to a more sustained global recovery. On the other hand, if global policy action fails to strike an appropriate balance between economic stimulus and longer-term sustainability, financial market conditions could turn unfavourable once again. Moreover, protectionist pressures could intensify (see Box 1 entitled "The risks of protectionism") and adverse developments in the world economy could arise from a further disorderly correction of global imbalances.

Chart 5 OECD composite leading indicator

(monthly data; amplitude-adjusted)



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

Box 1

THE RISKS OF PROTECTIONISM

Since the intensification of the global financial crisis in September 2008, the sharp contraction in global trade has been a key factor propagating the economic downturn across borders, making it a truly global phenomenon.[1] At the same time, protectionist pressures have been rising worldwide, as signalled by policy statements and opinion polls, as well as by recent developments in multilateral, regional and bilateral trade negotiations.[2] Meanwhile anecdotal evidence of discrimination against foreign suppliers of goods and services has also been emerging. Against this background, this box discusses recent features of protectionism and the adverse implications for competitiveness, economic activity and welfare.

Gauging the full extent of recent protectionist initiatives is far from easy. Relevant data become available with considerable delay and many forms of non-tariff barriers or complex forms of protection are very difficult to identify and quantify. Often statistics on the use of contingent protection, including safeguard measures, anti-dumping and countervailing duties, are used as an early indicator of trade protectionism. However, according to the World Trade Organization, significant gaps exist in the empirical evidence on contingent protection, making it difficult to gather general trends from these data.[3]

Hence, the assessment of protectionist trends necessarily needs to rely on indirect evidence. Econometric analysis by the World Trade Organization suggests that the frequency of anti-dumping actions, countervailing duties and safeguards seems to be linked to the business cycle, with some statistical evidence of an increase in global anti-dumping activity during macroeconomic downturns. Global Trade Alert, a monitoring initiative coordinated by the CEPR, has identified 87 new measures – proposed or implemented since November 2008 by as many as 52 countries – that discriminate against foreign commercial parties. Over the same period, according to Global Trade Alert, only three trade-enhancing measures have been implemented.

Of the protectionist measures recently announced or implemented, only a few were aimed at increasing tariffs. Thus far, they do not appear to have triggered large-scale retaliatory responses. The complex web of multilateral, regional and bilateral trade agreements may have prevented this. Indeed, most tariff increases have been carried out by countries that are less integrated in the international trading system. In addition, the current dominance of international production chains may have reduced firms' demand for protection in the form of tariff increases and quantitative restrictions, as these would risk disrupting the functioning of their international production networks.[4]

More salient protectionist tendencies have been associated with the massive government stimulus packages, bail outs and subsidies, which recurrently feature provisions that effectively favour domestic parties and harm foreign exporters, investors and workers. Gamberoni

1 See Box 1 entitled "The recent sharp contraction in world trade from a historical perspective" in the March 2009 issue of the Monthly Bulletin as well as Box 10 entitled "The downturn in euro area trade" in the June 2009 issue of the Monthly Bulletin.
2 For an overview, see the article entitled "Assessing global trends in protectionism" in the February 2009 issue of the Monthly Bulletin.
3 World Trade Organization (2009), "World Trade Report 2009: Trade policy commitments and contingency measures".
4 See Baldwin, R. and S. Evenett (2009), "The collapse of global trade, murky protectionism, and the crisis: Recommendations for the G20" at http://www.voxeu.org/index.php?q=node/3199.

and Newfarmer (2009) indicate that, shortly after the commitment made by G20 leaders on 15 November 2008 to refrain from raising new barriers to investment or to trade in goods and services, imposing new export restrictions, or implementing export-stimulating measures inconsistent with obligations in the context of the World Trade Organization, 17 out of these 20 nations have actually announced protectionist measures.[5] Accordingly, 67 new restrictions other than tariffs and quotas have been implemented since November 2008, according to Global Trade Alert.

The consequences of a rise in protectionism can be severe. To start with, increased protectionism generates a large variety of market distortions, leading to substantial medium and long-run costs, in particular for the implementing countries. Subsidies to domestic industries – including direct state aid, guaranties and bail outs – artificially push down the costs for local firms, while tariffs or anti-dumping and countervailing duties artificially push up the cost of imported goods and services. Simulations, based on the framework used in Ottaviano, Taglioni and di Mauro (2009)[6], show that such measures preserve domestic production capacities only in the short run but obstruct an efficient reallocation of resources, thereby implying longer-term costs in terms of efficiency of production and international competitiveness. The above framework shows, in addition, that protectionism reduces welfare, by curbing product variety on the domestic market and strengthening firms' market power at the expense of consumers. The simulations of the impact of a rise in trade protectionism on competitiveness indicate that all countries would lose from such initiatives, but that the expected losses would be larger for the implementing countries, in particular if they are relatively small, open or specialised in sectors facing high international competition. Moreover, a different model simulation based on the multi-country version of the New Area-Wide Model[7] shows that if countries were to implement protectionist measures systematically, the impact on global welfare and on the recovery process would be sizeable. A unilateral 5 percentage points increase in import tariffs by a large economy may lower world GDP growth by up to 1 percentage point over four years and the adverse impact would be amplified if all countries were to impose tariff restrictions at the same time.

In conclusion, the risk of a resurgence of protectionism in the aftermath of the financial crisis should not be neglected. A sluggish global recovery and rising unemployment may increasingly tempt governments to adopt restrictive trade policy measures, which could lead to a retaliatory spiral of ever harsher trade restrictions and tensions. A resurgence of trade protectionism would not only significantly impair the global recovery process by further hampering trade flows and global demand but it would also reduce the global growth potential in the long run. Given the disruptive implications for the world economy, any protectionist tendencies should be strongly discouraged.

5 See Gamberoni, E. and R. Newfarmer (2009), "Trade Protection: Incipient but Worrisome Trends", 2 March 2009 at http://www.voxeu.org/index.php?q=node/3183.
6 See Ottaviano, G., D. Taglioni and F. di Mauro (2009), "The Euro and the Competitiveness of European firms", Economic Policy, January 2009, Vol. 57, pp. 5-53.
7 See Jacquinot and Straub (2008), "Globalisation and the Euro Area: Simulation Based Analysis Using the New Area-Wide Model", ECB Working Paper No. 907.

2 MONETARY AND FINANCIAL DEVELOPMENTS

2.1 MONEY AND MFI CREDIT

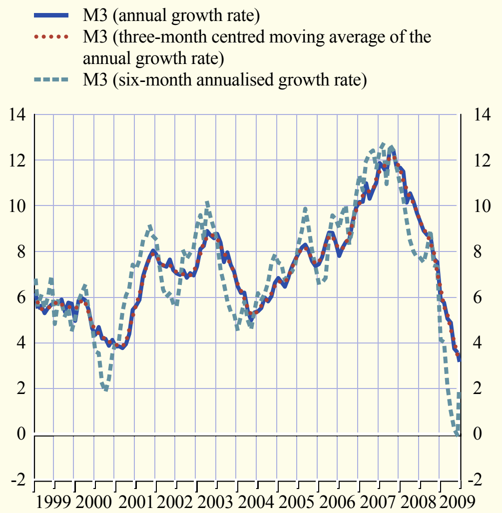
The monetary data for the second quarter and July 2009 confirm a continued decline in the annual growth rates of both M3 and loans to the private sector. These parallel developments point to a slowdown in underlying monetary growth and low inflationary pressures over the medium term. The decline in the annual growth rate of loans to the private sector continued to be driven mainly by decreases in lending to non-financial corporations, while the decline in the flow of loans to households showed some signs of levelling off. To a large extent, the ongoing subdued flows of loans to the non-financial private sector reflect the low level of economic activity and the continued uncertainty surrounding the economic outlook and housing market prospects. The downward adjustment of the main asset holdings of MFIs came to a halt towards the end of the second quarter, before resuming in July, and continued to be effected mainly through the shedding of external assets.

THE BROAD MONETARY AGGREGATE M3

The annual growth rate of the broad monetary aggregate M3 declined further in July 2009, standing at 3.0% in that month, down from 4.3% and 6.0% in the second and first quarters of 2009 respectively (see Chart 6). Shorter-term developments – as measured, for instance, by three-month and six-month annualised growth rates – continued to be characterised by some volatility. However, looking beyond this volatility, the latest data do not point to a further strong deceleration in M3.

Chart 6 M3 growth

(percentage changes; adjusted for seasonal and calendar effects)



Source: ECB.

The slowdown observed in monetary dynamics in the second quarter and July reflects heterogeneous developments in the components of M3. In particular, the rapid decline in the remuneration of short-term time deposits relative to overnight deposits has reduced the opportunity cost of holding liquid monetary assets and has been the main factor contributing to the continued strengthening of M1 growth. At the same time, the steepness of the yield curve compared with the beginning of the year has increased incentives to shift investments out of M3 and into less liquid longer-term assets.

At the sectoral level, the decline in annual M3 growth mainly reflects the slower accumulation of deposits both by households and by non-monetary financial intermediaries other than insurance corporations and pension funds (OFIs). At the same time, non-financial corporations resumed their accumulation of monetary assets (having reduced their holdings in the first two months of the year). This increase in liquidity buffers is consistent with some improvement in production expectations.

MAIN COMPONENTS OF M3

The deceleration observed in the annual growth of M3 continued to be driven mainly by declines in the contributions of short-term deposits other than overnight deposits (i.e. M2-M1) and marketable instruments (i.e. M3-M2), while the contribution of M1 continued to increase.

In the second quarter of 2009 the annual growth rate of M1 increased to 8.0%, up from 5.3% in the previous quarter (see Table 1). It then increased significantly further to stand at 12.2% in July. The high annual growth rate of M1 reflects robust growth in both of its sub-components. The annual rate of growth of currency in circulation remained elevated at 12.5% in July, having stood at 13.2% and 13.6% in the second and first quarters respectively. The annual growth rate of overnight deposits rose further to stand at 6.9% in the second quarter, up from 3.6% in the previous quarter. It then increased further in July, standing at 12.1% in that month.

The strong flows into overnight deposits in the second quarter and July are consistent with the current interest rate configuration. This is characterised by further declines in money market interest rates, which have reduced to particularly low levels the opportunity cost of holding overnight deposits, which are relatively poorly remunerated compared with other monetary assets. When low opportunity costs coincide with considerable financial uncertainty, overnight deposits may be used to park funds on a temporary basis when transferring them between other asset classes. Were uncertainty to dissipate, low returns on monetary assets could prompt more durable portfolio reallocation into higher-yielding assets.

The annual growth rate of short-term deposits other than overnight deposits declined further to stand at -2.6% in July, down from 3.0% and 9.3% in the second and first quarters respectively. This reflects a significant decline in the annual rate of growth of short-term time deposits

Table 1 Summary table of monetary variables

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

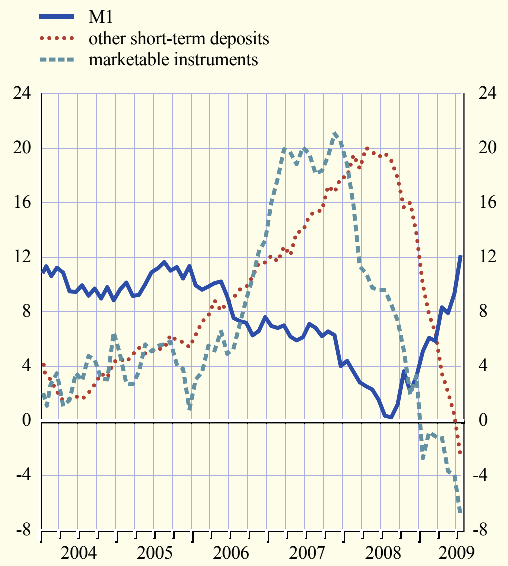
	Outstanding amount as a percentage of M3[1]	Annual growth rates					
		2008 Q3	2008 Q4	2009 Q1	2009 Q2	2009 June	2009 July
M1	**45.9**	**0.7**	**2.7**	**5.3**	**8.0**	**9.4**	**12.2**
Currency in circulation	7.8	7.5	12.4	13.6	13.2	12.8	12.5
Overnight deposits	38.2	-0.6	0.8	3.6	6.9	8.6	12.1
M2 - M1 (= other short-term deposits)	40.8	19.1	15.8	9.3	3.0	0.4	-2.6
Deposits with an agreed maturity of up to two years	22.6	37.6	29.0	12.9	-0.8	-6.1	-12.1
Deposits redeemable at notice of up to three months	18.2	-1.7	-0.5	4.5	8.6	10.4	12.3
M2	**86.8**	**9.2**	**8.9**	**7.2**	**5.5**	**4.9**	**4.7**
M3 - M2 (= marketable instruments)	13.2	8.9	4.1	-0.8	-2.5	-4.0	-7.0
M3	**100.0**	**9.1**	**8.2**	**6.0**	**4.3**	**3.6**	**3.0**
Credit to euro area residents		**9.1**	**7.4**	**5.9**	**4.3**	**4.2**	**3.3**
Credit to general government		0.6	1.7	5.6	8.4	10.7	10.9
Loans to general government		2.1	2.9	2.3	1.5	2.4	2.4
Credit to the private sector		10.9	8.6	6.0	3.5	2.9	1.8
Loans to the private sector		9.1	7.4	4.6	2.2	1.5	0.6
Loans to the private sector adjusted for sales and securitisation		10.1	8.5	6.1	3.6	2.7	1.8
Longer-term financial liabilities (excluding capital and reserves)		**3.3**	**1.2**	**1.8**	**2.7**	**3.0**	**3.2**

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

(i.e. deposits with an agreed maturity of up to two years), which fell to -12.1% in July, down from -0.8% and 12.9% in the second and first quarters respectively (see Chart 7). By contrast, short-term savings deposits (i.e. deposits redeemable at notice of up to three months) grew at an annual rate of 12.3% in July, up from 8.6% and 4.5% in the previous two quarters. Data on interest rates available up to June show that the remuneration of short-term time deposits continued to decrease in the second quarter, while spreads vis-à-vis the interest rates paid on overnight deposits and short-term savings deposits continued to narrow. This triggered shifts out of short-term time deposits and into both overnight deposits and savings deposits. These developments would thus appear to be reversing the pattern observed during earlier phases of the financial crisis in 2007 and 2008, when banks generally offered attractive conditions for time deposits in order to expand their deposit funding as market-based sources of funding came under pressure.

Chart 7 Main components of M3

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

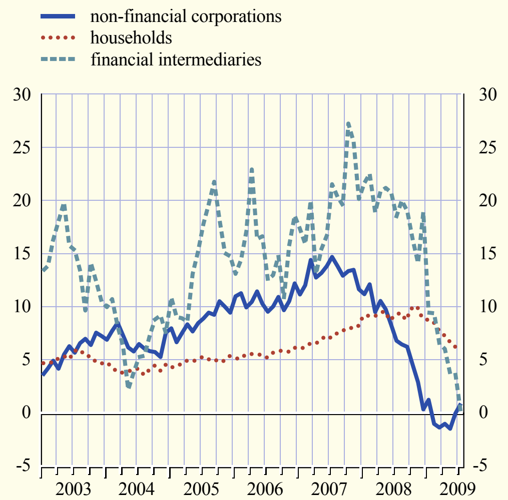


Source: ECB.

The annual growth rate of marketable instruments included in M3 declined to -7.0% in July, down from -2.5% in the second quarter and -0.8% in the first quarter. This is, in particular, a reflection of the marked declines observed in the annual growth rate of debt securities with a maturity of up to two years and the subdued annual growth rate of repurchase agreements. The euro area money-holding sectors reduced their holdings of short-term debt securities following the intensification of the turmoil, while net issuance of these instruments (i.e. issuance net of redemptions) was also negative. The annual growth rate of money market fund shares/units, the largest sub-component of marketable instruments, also decreased slightly in the second quarter, while an inflow was recorded in July.

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.

The annual growth rate of M3 deposits – which comprise short-term deposits and repurchase agreements and represent the broadest monetary aggregate for which official data are available on a sectoral level – decreased to 5.0% in the second quarter, down from 7.0% in the previous quarter. This decline continued in July, with the annual growth rate standing at 3.6% in that month, down from 4.4% in June.

The annual growth rate of households' M3 deposits, which make the largest contribution to the annual growth rate of total M3 deposits, decreased to 7.1% in the second quarter, down from 8.6% in the previous quarter. It then declined further to stand at 5.7% in July, down from 6.4% in June (see Chart 8). For more details, see the box below.

Box 2

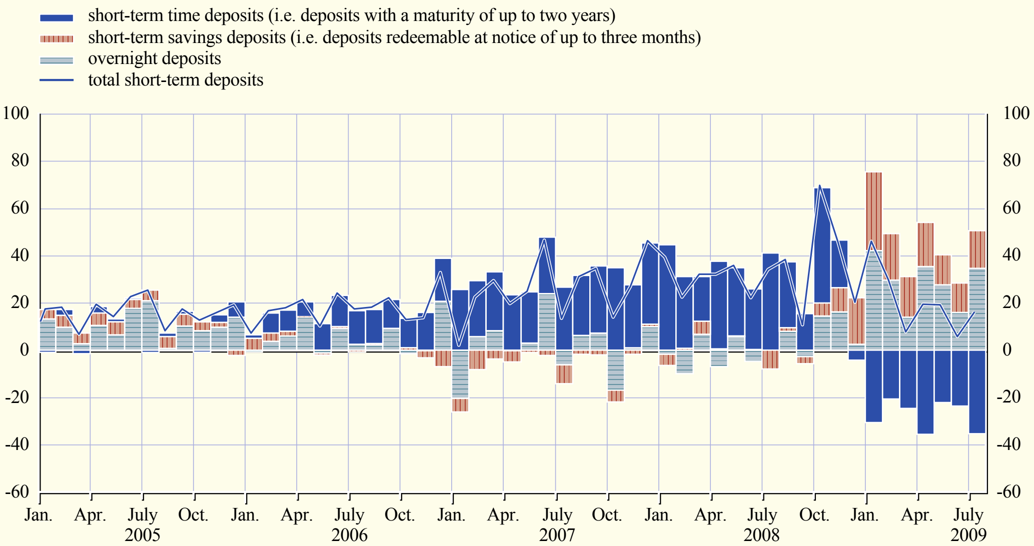
RECENT DEVELOPMENTS IN THE SHORT-TERM DEPOSIT HOLDINGS OF EURO AREA HOUSEHOLDS

Households' investment in short-term bank deposits included in M3 has, on balance, remained fairly robust since the financial turmoil intensified in September 2008. This overall robustness conceals a number of counterbalancing factors, such as the slower growth of disposable income on the one hand, and the rising savings ratio on the other; or the sharp steepening of the yield curve on the one hand (fostering investment in longer-term financial instruments outside M3), and continued high levels of financial uncertainty on the other (implying a general preference for liquid assets). Rather than assessing the extent to which such factors balance each other out, this box takes the overall robustness of households' investment in M3 deposits as a starting point and looks at the degree to which shifts within households' M3 deposit holdings can be explained by changes in the interest rates paid on the various types of short-term deposit.[1] This is of relevance in tracing the impact that monetary policy exerts on monetary developments through changes in the constellation of yields.

1 For a more comprehensive analysis of households' financial investment, see Box 2, entitled "Recent shifts between different categories of financial asset held by households", in the June 2008 issue of the Monthly Bulletin, as well as Box 4, entitled "Integrated euro area accounts for the first quarter of 2009", in the August 2009 issue of the Monthly Bulletin.

Chart A Households' short-term deposit holdings

(EUR billions; monthly flows; seasonally adjusted)

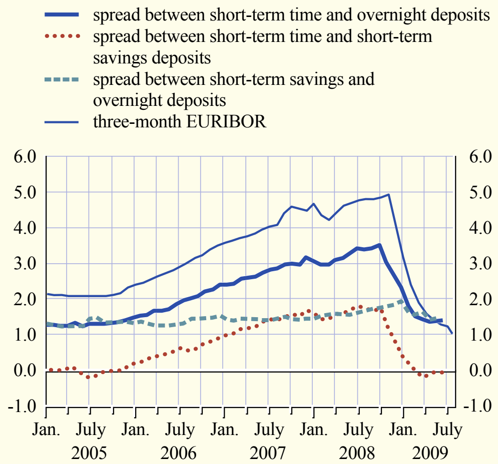


Sources: ECB and ECB estimates.

Chart A shows the monthly flows for households' various kinds of short-term bank deposit, namely overnight deposits, short-term time deposits (i.e. deposits with a maturity of up to two years) and short-term savings deposits (i.e. deposits redeemable at notice of up to three months). Between January 2005 and early 2006, households' investment in M3 deposits was accounted for mainly by flows into overnight deposits. This was consistent with the relatively small differential observed between the interest rates paid on overnight deposits and those paid on the other two categories of short-term deposit (see Chart B), implying that the opportunity cost of holding overnight deposits was relatively low.

Chart B Relative rates of return on households' short-term deposits

(percentages per annum; percentage points)



Sources: ECB and ECB calculations.
Notes: Short-term time deposits comprise deposits with an agreed maturity of up to two years. Short-term savings deposits comprise deposits redeemable at notice of up to three months.

Between early 2006 and late 2008, households allocated a large amount of their investment in M3 deposits to short-term time deposits rather than overnight deposits. Indeed, some months it was even possible to observe outflows from overnight deposits – i.e. shifts away from this category of deposit. This was consistent with the increase recorded in the spread between rates on short-term time deposits and those on overnight deposits during the tightening phase of the interest rate cycle. At the same time, modest outflows were also observed from short-term savings deposits in this period. This mirrored the increase in the spread between rates on short-term time deposits and those on savings deposits and was consistent with the pattern observed during the period of interest rate tightening in 1999 and 2000.[2] The spread between the interest rates on short-term savings deposits and those on overnight deposits remained unchanged during this period, suggesting that all shifts in the allocation of short-term deposits were directed towards time deposits.

Since late 2008, in a period of lower short-term interest rates, households' investment in M3 deposits has again mainly taken the form of flows into overnight deposits. This largely reflects the sharp decline recorded in the spread between rates on short-term time deposits and those on overnight deposits, which has fallen to a level last observed in 2005. In addition to the deliberate adjustment of portfolios in line with changes in remuneration, this could also reflect more passive behaviour. This would be the case, for example, if short-term time deposits agreed during the period of high and rising rates automatically became overnight deposits once they had matured, and then simply remained parked there, given that the spread vis-à-vis overnight deposits had declined strongly in the meantime. In this respect, the pricing behaviour of banks, in addition to passing on market rates, may also be influenced by changes in banks' broader funding conditions, such as a reduction in the – previously urgent – need to attract deposit funding by offering attractive rates as a range of public support measures began to be implemented in October 2008.

2 See, for instance, Chart 6 in the September 2002 issue of the Monthly Bulletin.

Flows into short-term savings deposits have also turned positive since late 2008, in line with the strong decline seen in the spread between rates on short-term time deposits and those on savings deposits, as well as the slight temporary increase in the spread between short-term savings deposits and overnight deposits. Nevertheless, the flows into short-term savings deposits over the past nine months (i.e. since late 2008) have been larger than those observed in 2005 during the period of comparable remuneration spreads. This could reflect the fact that, in the period of considerable economic uncertainty at the end of 2008, when many countries introduced enhanced deposit guarantee schemes, the fact that these were "savings" instruments gave them added appeal over and above households' concrete remuneration considerations. However, it could also reflect the fact that the spread between three-month EURIBOR rates – which can be seen as a proxy for the remuneration of marketable instruments – and rates on short-term savings and time deposits has turned significantly negative since January 2009, and thus the possibility that all types of short-term deposit benefit from shifts out of marketable instruments in such situations.

Overall, the composition of households' short-term deposit holdings included in M3 appears to have been significantly influenced by changes in the relative levels of remuneration paid on the various types of short-term deposit in recent periods of interest rate tightening and easing. It should, however, be stressed that overall flows of short-term deposits do, of course, also reflect changes in actual and expected returns vis-à-vis long-term deposits and other non-monetary assets, which are not considered here.

The annual growth rate of M3 deposits held by non-financial corporations continued to decrease in the first half of the year, declining to -1.1% in the second quarter, down from -0.1% in the previous quarter, but turned positive in July to stand at 0.9%. However, looking at monthly flows, non-financial corporations resumed their accumulation of M3 holdings as long ago as spring of this year, a development potentially associated with the re-establishment of liquidity buffers in the context of some improvement in production expectations.

Another notable sectoral development concerns M3 deposits held by non-monetary financial intermediaries, the annual growth rate of which fell to 4.9% in the second quarter, down from 10.4% in the previous quarter, before declining significantly further to stand at -0.1% in July. This moderation reflected, in particular, an ongoing decline in the annual growth rate of the M3 deposits of OFIs. These developments are consistent with the elevated opportunity cost of holding monetary assets and the resulting need for non-monetary financial intermediaries to adjust their portfolios towards higher-yielding asset classes in the context of a relatively steep yield curve. Furthermore, the weaker growth of OFIs' M3 deposit holdings might reflect the reduced securitisation activity observed since the turn of the year, as securitisation can be mirrored – on the liability side of the MFI balance sheet – by parallel adjustments in OFI deposits.

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 on the basis of quarterly averages in the second quarter of 2009, falling to 4.3%, down from 5.9% in the previous quarter, before decreasing further to stand at 3.3% in July (see Table 1). This reflected a significant decline in the annual growth rate of MFI credit to the private sector, which was only partially offset by a marked increase in the annual growth rate of credit to general government.

The annual growth rate of MFI credit to general government increased significantly to stand at 8.4% in the second quarter, up from 5.6% in the previous quarter. It then increased further to stand at 10.9% in July. These increases mainly reflect the further robust inflows observed for the MFI sector's holdings of government securities, in line with historical regularities over previous interest rate cycles. In recent months, banks have thus been absorbing a sizeable amount of the increased supply of government securities. By contrast, the annual growth rate of MFI credit to the private sector continued to decline in the second quarter (standing at 3.5%, down from 6.0% in the first quarter), before declining further to stand at 1.8% in July. This reflected declines in the annual growth rates of all sub-components. The annual growth rate of MFIs' holdings of private sector securities other than shares continued to decline, falling from 31.1% in the first quarter to 26.0% in the second quarter and 20.5% in July. This decline reflected subdued monthly flows – especially between May and July – and can be explained by the recent weakening of retained securitisation activity.

The annual growth rate of MFIs' holdings of shares and other equity remained negative and declined further to stand at -8.4% in July, down from -8.2% and -6.1% in the second and first quarters respectively. The ongoing decline in MFIs' holdings of these instruments is likely to reflect banks' limited appetite for risk as MFIs continue to improve their balance sheets. Furthermore, MFIs may also have taken advantage of perceived selling opportunities, following the recent improvements in stock markets, with considerable uncertainty continuing to surround the economic outlook.

A significant decline was also observed in the annual growth rate of MFI loans to the private sector (the largest component of credit to the private sector), which fell to 2.2% in the second quarter, down from 4.6% in the previous quarter, before declining further to stand at 0.6% in July (see Table 1). As true-sale securitisation activity was more subdued in the second quarter and July, the downward distortion of loans to the private sector associated with the impact of derecognised loans declined. However, there is still a difference of 1.2 percentage points between the adjusted and unadjusted annual growth rates.

The ongoing deceleration observed in the annual growth of loans to the private sector was visible across all borrowing sectors. The annual growth rate of loans to OFIs declined markedly to stand at 1.1% in the second quarter, down from 7.6% in the previous quarter, before falling further to stand at -0.2% in July. However, loans to OFIs are typically characterised by some volatility and can reflect sudden shifts in investment and financing in response to changes in financial market conditions.

The annual growth rate of loans to non-financial corporations declined significantly to stand at 4.7% in the second quarter, down from 8.2% in the previous quarter, before decreasing further to stand at 1.6% in July. Looking at shorter-term dynamics, the three-month annualised growth rate declined even more sharply to stand at around -5.2% in July, down from -3.4% in June and 0.8% in March. Monthly outflows have been recorded since February, mainly for the shorter maturities (i.e. maturities of up to one year). This contraction might be related to companies' reduced need for short-term funds associated with the inventory cycle. It may, potentially, also be related to shifts from short-term borrowing into long-term loans in order to secure funding on a longer-term basis and lock in low levels of interest rates, as well as the substitution of securities issuance for bank loans. Indeed, non-financial corporations continue to obtain loans with longer maturities, although the annual growth rate of such loans has declined (falling to 5.5% in July, down from 6.8% in the second quarter and 8.9% in the previous quarter). However, this masks a quarterly average inflow in the second quarter and a particularly large monthly inflow in July.

Since May 2009 the monthly flow of loans to households has been positive, thereby indicating that the earlier downward dynamics have come to a halt at a subdued level of lending activity. In this respect, the annual growth rate of loans to households was zero in July, unchanged from the second quarter and down from 0.9% in the previous quarter (see Sections 2.6 and 2.7 for more details of sectoral loan developments). On the basis of historical regularities, the current levelling-off of growth in loans to households is consistent with a further contraction of loans to corporations, which typically lag business cycle developments.[1]

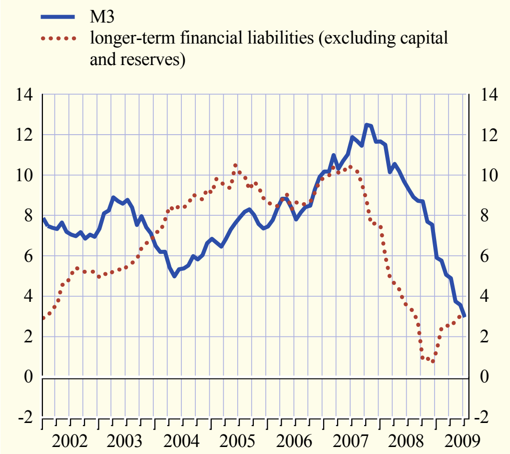
Turning to the other counterparts of M3, the annual growth rate of MFI longer-term financial liabilities (excluding capital and reserves) increased to 3.2% in July, up from 2.7% in the second quarter and 1.8% in the first quarter, thereby continuing the upward trend observed since the turn of the year (see Chart 9). This increase reflected, in particular, stronger growth in longer-term deposits (i.e. deposits with an agreed maturity of over two years and deposits redeemable at notice of over three months). The increased holdings of longer-term deposits are consistent with those instruments' attractiveness relative to shorter-term deposits given the steepening observed in the yield curve since the beginning of the year. At the same time, the annual growth rate of debt securities with a maturity of over two years declined in the second quarter and July, although positive monthly flows have been recorded since May 2009.

While further inflows were recorded for capital and reserves in the second quarter, an outflow was observed in July. This notwithstanding, the annual growth rate stood at 10.1% in July, up from 9.9% in the second quarter.

Finally, a modest annual inflow of €17.9 billion was observed for MFIs' net external asset position in the second quarter, following a significant annual outflow of €183.7 billion in the previous quarter. This reflected continued

Chart 9 M3 and MFI longer-term financial liabilities

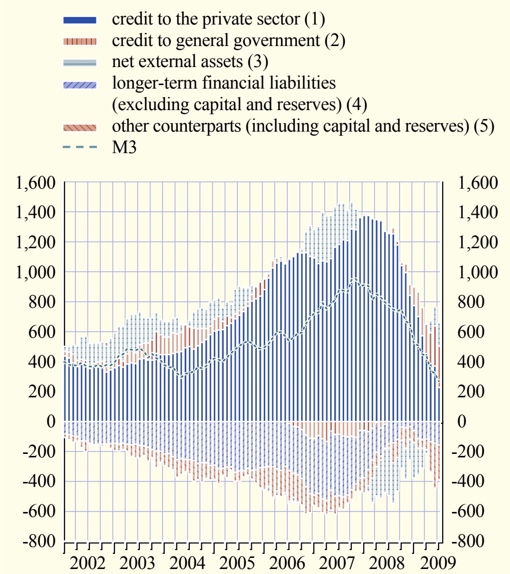
(annual percentage changes; adjusted for seasonal and calendar effects)



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.

1 See Box 6, entitled "The cyclical pattern of loans to households and non-financial corporations in the euro area", in the June 2007 issue of the Monthly Bulletin.

monthly inflows (which were particularly significant in April and May) and resulted from external liabilities declining more than external assets. On the asset side, this stemmed from ongoing outflows for loans to non-euro area residents, while on the liability side outflows continued to be observed for the MFI deposits of non-residents. In July the annual inflow for MFIs' net external asset position increased to €156.2 billion (see Chart 10).

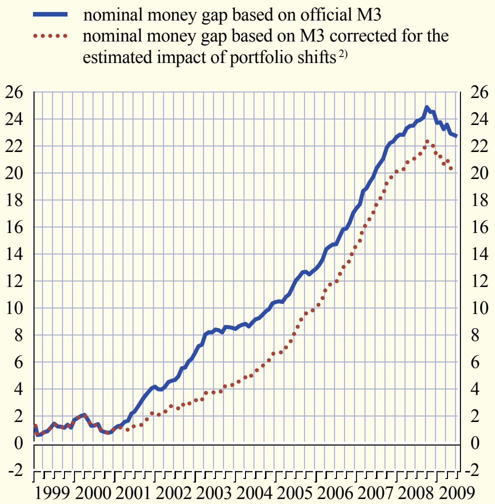
The downward adjustment of the MFI sector's main asset holdings appears to have continued in the second quarter and July, notwithstanding a temporary increase in June. The deleveraging process continued to be driven mainly by the shedding of external assets, claims on other MFIs and, to a lesser extent, loans to the private sector.

GENERAL ASSESSMENT OF MONETARY LIQUIDITY CONDITIONS IN THE EURO AREA

On the basis of developments in the nominal and real money gaps, the accumulation of monetary liquidity declined in the euro area in the second quarter of 2009 (see Charts 11 and 12). Such measures of the liquidity situation need to be interpreted with caution, as they rely on an assessment of equilibrium money holdings, which is always uncertain and especially so at present. Indeed, the differences between the various money gap measures may be taken as an indication of the considerable uncertainty surrounding the liquidity situation in the euro area at the current juncture. These caveats notwithstanding, the evidence points, overall, to a clear

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

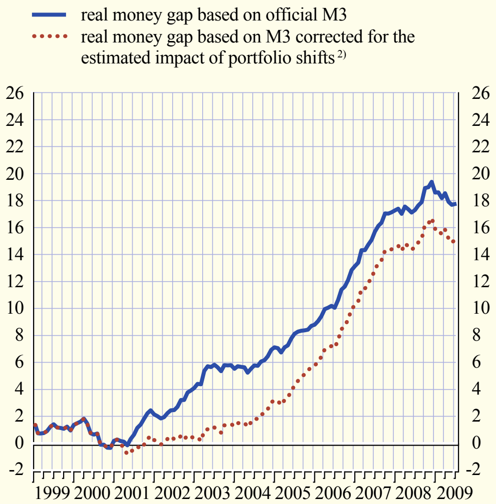
(as a percentage of the stock of M3; adjusted for seasonal and calendar effects; December 1998 = 0)



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.

accumulation of monetary liquidity in recent years, although this has tended to decline following the peaks observed at the end of last year.

Summing up, the most recent data confirm the ongoing deceleration observed in recent quarters in the growth of both M3 and loans to the private sector. The implied slowdown in underlying monetary growth supports the view of low inflationary pressures over the medium term. Short-term developments in M3 have remained volatile at a subdued level, but indicate that the contraction observed in monetary growth in the first quarter of 2009 did not continue in the second quarter or July.

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 first quarter of 2009, despite substantial further strengthening in financial investment by the general government sector. The annual flows of investment in bond and equity funds remained negative in the first quarter, but there were some signs of improving investor confidence. The annual growth rate of financial investment by insurance corporations and pension funds decreased in the first quarter, reflecting households' weaker investment in insurance technical reserves.

NON-FINANCIAL SECTORS

In the first quarter of 2009 (the most recent quarter for which data are available from the euro area accounts) the annual growth rate of total financial investment by the non-financial sectors decreased to 3.4%, down from 3.7% in the previous quarter. This implies a resumption of the decline observed in the annual growth rate from mid-2007 to the third quarter of 2008 (see Table 2).

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

	Outstanding amount as a percentage of financial assets [1]	Annual growth rates									
		2006 Q4	2007 Q1	2007 Q2	2007 Q3	2007 Q4	2008 Q1	2008 Q2	2008 Q3	2008 Q4	2009 Q1
Financial investment	**100**	**5.2**	**5.2**	**5.2**	**4.9**	**4.5**	**4.0**	**3.4**	**3.2**	**3.7**	**3.4**
Currency and deposits	26	7.0	7.3	7.9	7.4	7.0	6.9	5.5	5.6	6.6	6.7
Debt securities, excluding financial derivatives	6	7.6	5.7	3.7	2.4	2.9	2.3	2.4	3.4	5.4	4.0
of which: short-term	0	25.6	15.6	13.9	20.8	24.9	24.6	5.2	-8.1	-0.2	-28.0
of which: long-term	5	6.1	4.7	2.7	0.5	0.8	-0.1	2.0	4.9	6.0	7.9
Shares and other equity, excluding mutual fund shares	26	2.2	2.3	2.5	2.8	3.0	3.2	3.3	3.0	3.6	3.7
of which: quoted shares	5	0.1	1.4	2.0	1.9	3.0	3.3	3.6	3.9	3.2	4.2
of which: unquoted shares and other equity	21	3.0	2.7	2.7	3.2	3.0	3.2	3.2	2.6	3.7	3.5
Mutual fund shares	5	-0.4	0.3	0.6	-1.3	-3.1	-5.2	-6.5	-6.4	-7.2	-6.0
Insurance technical reserves	16	7.1	6.8	6.5	6.0	5.6	5.1	4.7	4.4	3.5	3.2
Other [2]	21	8.1	8.5	8.1	7.7	6.6	4.8	3.8	3.2	3.5	2.0
M3 [3]		9.9	11.0	11.0	11.4	11.6	10.1	9.7	8.7	7.5	5.1

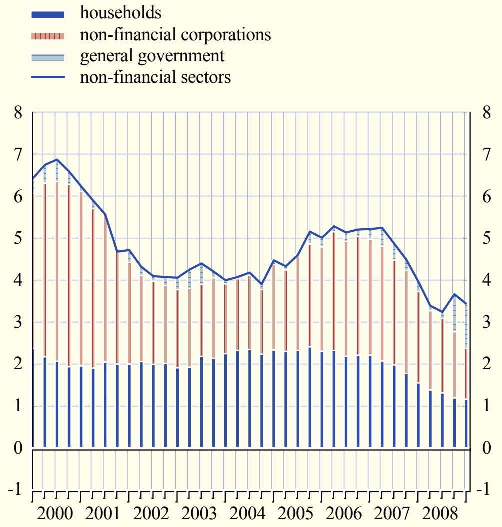
Source: ECB.
1) As at the end of the last quarter available. Figures may not add up due to rounding.
2) Other financial assets comprise loans, financial derivatives and other accounts receivable, which in turn include trade credit granted by non-financial corporations.
3) End of quarter. The monetary aggregate M3 includes monetary instruments held by euro area non-MFIs (i.e. the non-financial sectors and non-monetary financial institutions) with euro area MFIs and central government.

The decline observed in the annual growth rate of financial investment in the first quarter reflects reductions in the contributions of investment in debt securities, investment in insurance technical reserves and, to a large extent, investment in "other" financial instruments (which include items such as derivatives and trade credit). The contributions of currency and deposits, shares and other equity and mutual fund shares remained broadly unchanged from the previous quarter, with the annual growth rate of investment in mutual fund shares becoming less negative.

As regards the sectoral breakdown, the decline in the annual growth rate of financial investment reflects the reduced contributions of both non-financial corporations and, albeit to a lesser extent, households (see Chart 13). These were partly offset by a further strong increase in the contribution of the general government sector, which reflects the ongoing build-up of financial assets – notably through loans, equity and debt securities purchases – associated with measures to ensure the stability of the banking sector. The annual growth rates of the financial investment of non-financial corporations and households are currently at their lowest levels since the start of Stage Three of EMU. For more detailed information concerning developments in the financial investment of these two sectors, see Sections 2.6 and 2.7.

Chart 13 Financial investment of non-financial sectors

(annual percentage changes; contributions in percentage points)



Source: ECB.

INSTITUTIONAL INVESTORS

The value of the total assets of euro area investment funds (excluding money market funds) continued to decrease in the first quarter of 2009, albeit at a slower pace than in the previous quarter, declining by 20.7% on a year-on-year basis (compared with 26.8% in the fourth quarter of 2008).[2]

This was mainly the result of a smaller annual decline in the value of investment funds' holdings of shares and other equity (which nevertheless remained the main driver of the overall decline) and securities other than shares. Data on transactions continue to point to net outflows from investment funds, but most of the year-on-year decline observed in the value of total assets in the first quarter was due to negative valuation effects.

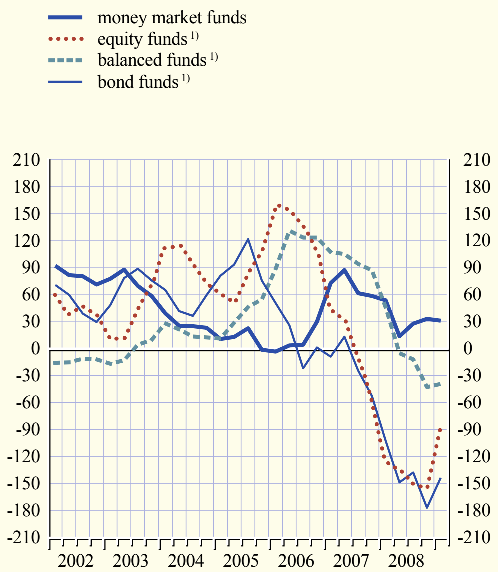
Data provided by EFAMA[3] for the net sales of different types of investment fund in the first quarter point to net annual outflows from equity, bond and mixed/balanced funds being somewhat smaller than in the previous quarter (see Chart 14). At the same time, the outflows remained much stronger

2 It should be noted that a number of unsupervised investment funds were included in the reporting sample in December 2008, resulting in an increase in total assets of around €120 billion. Thus, the annual growth rates in the fourth quarter of 2008 and the first quarter of 2009 understate the actual decline in the value of total assets.

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

Chart 14 Net annual flows into investment funds (by category)

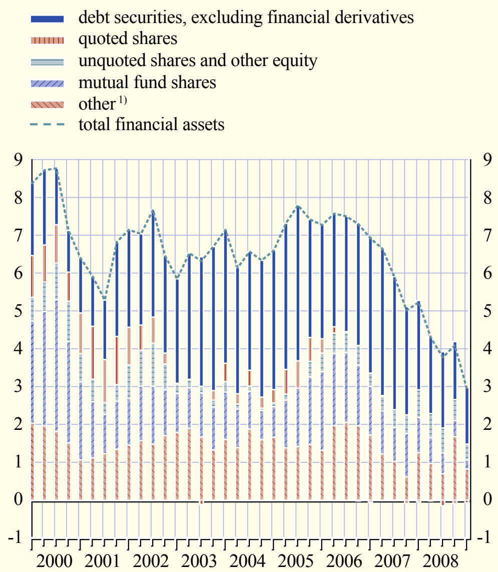
(EUR billions)



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, other accounts receivable and financial derivatives.

for equity and bond funds than for mixed/balanced funds. Money market funds remained the only fund category with positive annual flows, with those flows broadly unchanged from the previous quarter. Overall, developments in the first quarter suggest that investment in investment funds may have benefited to some extent from improvements in investor confidence.

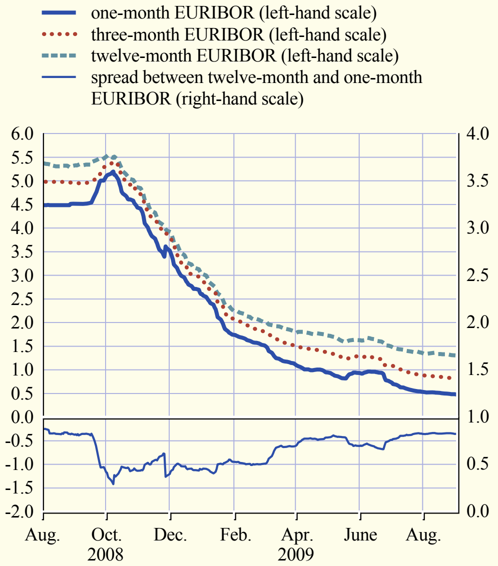
The annual growth rate of financial investment by insurance corporations and pension funds declined to 2.9% in the first quarter of 2009, down from 4.1% in the previous quarter (see Chart 15). This decrease was broadly based across the various investment instruments and was most visible in deposits and loans (included in “other” financial investment), which had witnessed a particularly strong increase in the previous quarter. The slowdown in the growth of financial investment mirrors the weaker flows of funds from the household sector in the form of insurance technical reserves.

2.3 MONEY MARKET INTEREST RATES

Money market rates have continued to decline over the past three months, with low levels of volatility. More specifically, declines have been observed across all maturities for both secured and unsecured market rates, although to a lesser extent than in previous months. Spreads between secured and unsecured market rates have also declined further, albeit remaining elevated by comparison with the levels observed prior to the onset of the financial market turmoil in August 2007.

Chart 16 Money market interest rates

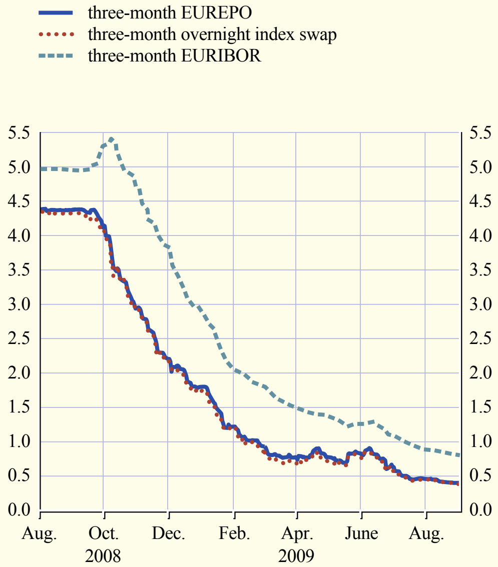
(percentages per annum; spread in percentage points; daily data)



Sources: ECB and Reuters.

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

(percentages per annum; daily data)



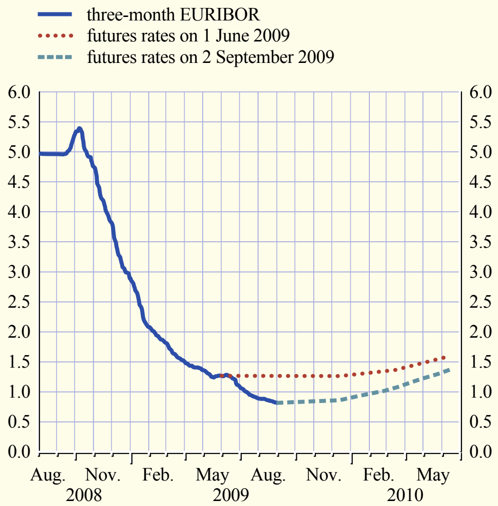
Sources: ECB, Bloomberg and Reuters.

Over the past three months unsecured money market interest rates have continued to decline across all maturities. This decline has primarily reflected the unwinding of tensions in money markets and the further stabilisation of money market conditions in the context of the ECB's enhanced credit support measures (including, in particular, the one-year longer-term refinancing operation conducted on 24 June). On 2 September the one-month, three-month, six-month and twelve-month EURIBOR rates stood at 0.48%, 0.81%, 1.08% and 1.30% respectively – i.e. 45, 46, 38 and 32 basis points lower than the levels observed on 1 June. Overall, the spread between the twelve-month and one-month EURIBOR rates – an indicator of the slope of the money market yield curve – increased by 13 basis points in that period, rising from 69 basis points on 1 June to 82 basis points on 2 September (see Chart 16).

The spread between the unsecured EURIBOR and secured rates (such as the EUREPO or those derived from the EONIA swap index) continued to decline in that period, although at a more moderate

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.

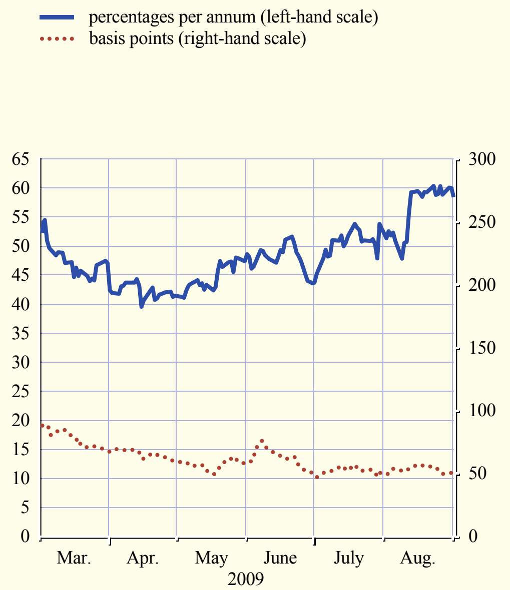
pace than in previous months. At the three-month maturity, that spread stood at 42 basis points on 2 September, implying a modest decline by comparison with the 49 basis points observed on 1 June. Overall, notwithstanding their continued decline following the peaks recorded in September 2008, these spreads remain relatively wide compared with the levels prevailing prior to the onset of the financial market turmoil in August 2007 (see Chart 17).

On 2 September the interest rates implied by the prices of three-month EURIBOR futures maturing in December 2009, March 2010 and June 2010 stood at 0.865%, 1.055% and 1.370% respectively, representing decreases of around 40, 31 and 23 basis points respectively by comparison with the levels observed on 1 June (see Chart 18). The implied volatility derived from options on three-month EURIBOR futures contracts maturing in December 2009 has increased slightly over the past three months (see Chart 19).

Following high levels of volatility at the beginning of June, the EONIA then declined significantly, largely as a consequence of the one-year longer-term refinancing operation on 24 June, which was conducted with a fixed rate tender procedure and full allotment (see Chart 20). As of 24 June the EONIA was relatively stable at levels less than 10 basis points above the rate on the deposit facility. That level reflects the abundance of liquidity in the money market, which is being absorbed in part by considerable daily recourse to the deposit facility (see Box 3).

Chart 19 Implied volatility derived from options on three-month EURIBOR futures maturing in December 2009

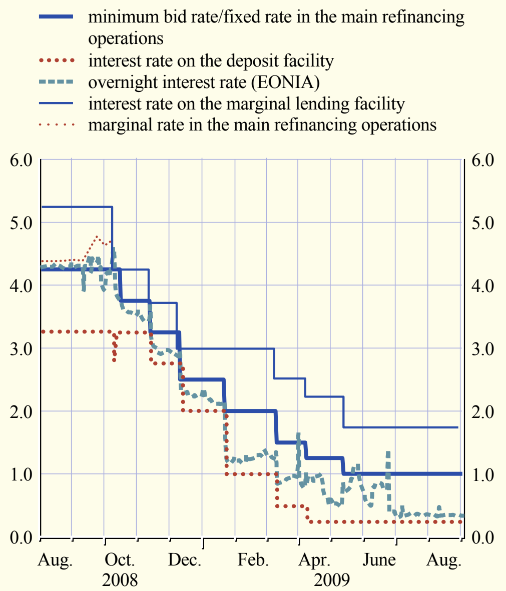
(percentages per annum; basis points; daily data)



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

Chart 20 ECB interest rates and the overnight interest rate

(percentages per annum; daily data)



Sources: ECB and Reuters.

Box 3

LIQUIDITY CONDITIONS AND MONETARY POLICY OPERATIONS IN THE PERIOD FROM 13 MAY TO 11 AUGUST 2009

This box describes the ECB's liquidity management during the three reserve maintenance periods ending on 9 June, 7 July and 11 August 2009 respectively. Those maintenance periods saw the ECB continue to apply the enhanced credit support measures introduced in October 2008 in response to the intensification of the financial market turmoil. In particular, refinancing operations in euro were carried out at a fixed rate with full allotment against an extended range of collateral and for a wider variety of maturities, including maturities of one maintenance period, three months and six months. In addition, the first one-year longer-term refinancing operation was conducted on 24 June, and in early July the Eurosystem made its first purchases under its covered bond purchase programme.

With regard to the provision of liquidity in foreign currencies, the Governing Council of the ECB decided to continue its US dollar liquidity-providing open market operations until at least the end of September 2009. The ECB's provision of Swiss francs to counterparties via open market operations was also extended until the end of October 2009. Finally, in June the ECB carried out a transaction under a pre-existing swap agreement with Sveriges Riksbank.

The one-year longer-term refinancing operation saw very strong demand by counterparties and resulted in the allotment of €442 billion. Consequently, the EONIA fell to a level around 10 basis points above the deposit rate of 0.25%, which remained unchanged over the period under review. On 3 July the EONIA reached a record low of 0.328%. The spread between the three-month EURIBOR and the three-month EONIA swap rate – which indicates the level of credit and liquidity risk – also declined steadily in the period under review, averaging around 48 basis points, broadly the same as that observed prior to the severe pressures experienced by various large banking groups in early 2008.

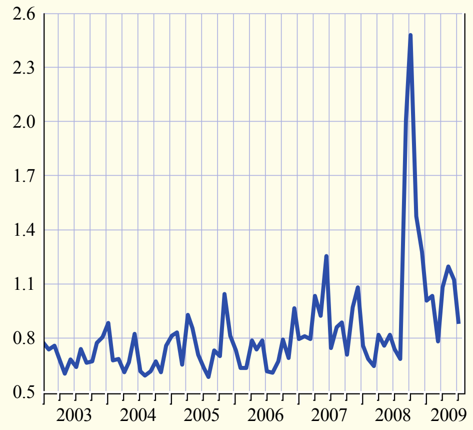
Liquidity needs of the banking system

In the three maintenance periods under review, banks' average daily liquidity needs – defined as the sum of autonomous factors, reserve requirements and excess reserves (i.e. current account holdings in excess of reserve requirements) – totalled €598 billion, €14 billion less than the average for the previous three maintenance periods.

Average excess reserves were marginally lower than they had been in the previous three maintenance periods, recording a decline of €0.1 billion (see Chart A). Average autonomous factors fell to €380.2 billion (see Chart B), down from €391.6 billion in the previous three maintenance periods,

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

(EUR billions; average level in each maintenance period)



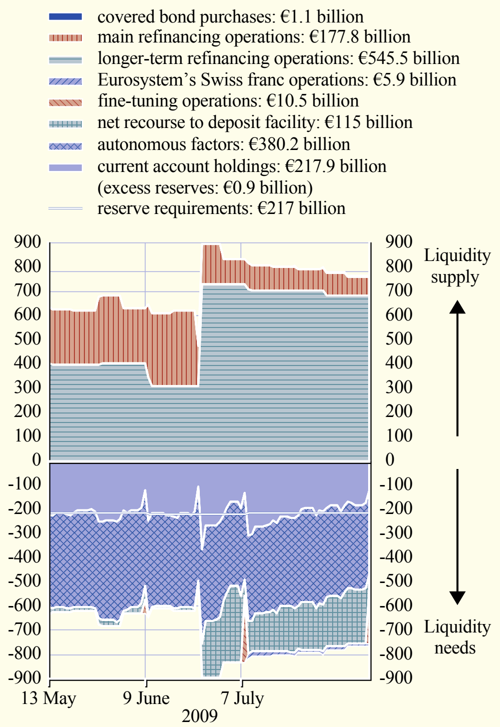
Source: ECB.

reflecting the technical reclassification of the Eurosystem's Swiss franc operations, which as of 6 July 2009 were regarded as open market operations rather than autonomous factors. The resulting decline in autonomous factors was partly offset by an increase in banknotes in circulation and, to a lesser extent, increased government deposits. Finally, average reserve requirements fell by €2.4 billion to stand at €217 billion.

As a result of the very strong demand in the first one-year longer-term refinancing operation, daily average recourse to the deposit facility increased significantly to stand at €115 billion in the period under review. This was 81% higher than the average for the previous three maintenance periods, which had seen average recourse to the deposit facility decline gradually further following its peak of €235.5 billion in the maintenance period ending on 20 January 2009. Looking at the situation in more detail, daily recourse to the deposit facility in the maintenance periods ending on 9 June, 7 July and 11 August averaged €22.3 billion, €119.7 billion and €185.1 billion respectively.

Chart B Liquidity needs of the banking system and liquidity supply

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



Source: ECB.

Moreover, in July and August the level of participation in the Eurosystem's liquidity-absorbing fine-tuning operation carried out on the last day of the maintenance period was significantly higher (see Chart B). These two operations saw the absorption of an average of €264 billion, compared with an average of €89 billion in the previous three maintenance periods. The use of the marginal lending facility averaged €0.8 billion in the period under review.

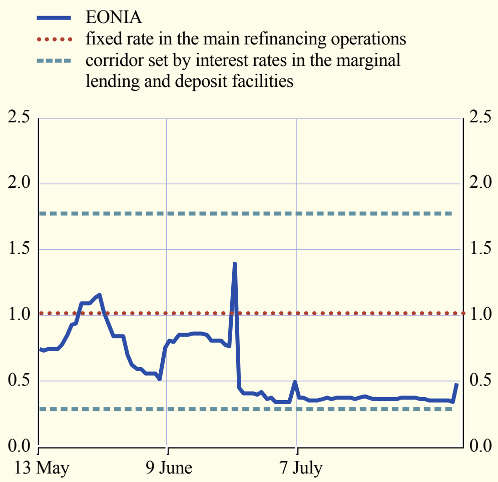
Liquidity supply and interest rates

Initially, the volume of outstanding open market operations declined further, continuing the trend observed since the beginning of 2009. However, this came to a halt on 25 June, when the first one-year longer-term refinancing operation was settled. This operation brought the volume of outstanding refinancing operations in euro to a new record high of €896.5 billion, €40 billion more than the previous peak at the end of 2008. In addition, given that around two-thirds of the amounts maturing in other longer-term refinancing operations have been renewed since 25 June, longer-term refinancing operations represented around 90% of all outstanding Eurosystem open market operations at the end of the period under review (see Chart B), with the one-week main refinancing operations only accounting for around 10%. Indeed, given the significant liquidity surplus, the allotment volumes in those weekly main refinancing operations declined considerably, averaging €94.1 billion in the maintenance period ending on 11 August, 60% lower than the average for the two previous maintenance periods.

The first purchases under the Eurosystem's covered bond purchase programme were conducted on 6 July. Under this programme, a daily average of €220 million worth of covered bonds were purchased during the period under review, and the total value of settled purchases stood at €5.9 billion on 11 August. By 2 September (the cut-off date for this issue of the Monthly Bulletin) the total value of purchases had reached €9.6 billion. Further information on the covered bond purchase programme is available on the ECB's website.

Chart C The EONIA and the ECB interest rates

(daily interest rates in percentages)



Source: ECB.

The ECB's key interest rates have been left 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%. With the use of the deposit facility declining, the EONIA remained volatile in the first half of the period under review, averaging 0.82% (see Chart C). However, since the end of June, following the settlement of the first one-year longer-term refinancing operation, the EONIA has hovered around the 0.35% level as a result of the ample supply of liquidity.

Throughout the period under review, the EONIA was higher on the last day of the maintenance period, when the ECB carried out its regular liquidity-absorbing fine-tuning operation. However, it did not increase at the end of the month, as had been the case in previous maintenance periods.

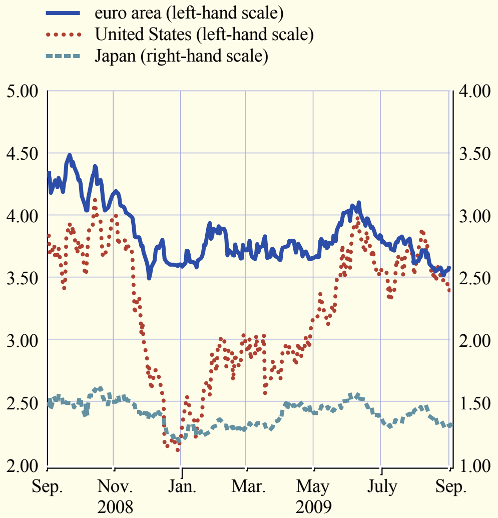
2.4 BOND MARKETS

Over the last three months, conditions in global bond markets continued to reflect improvements in market sentiment. However, long-term government bond yields seem to embody a more cautious assessment of the growth outlook than that reflected in stock price developments over the same period and may have also been affected by strong demand from the banking sector and institutional investors globally, despite strong issuance. Indeed, notwithstanding positive surprises in recent economic data, long-term government bond yields in the euro area were on 2 September 45 basis points lower than their end-May levels, while they remained broadly unchanged in the United States. The level of euro area long-term break-even inflation rates compared with end-May declined by 10 basis points to stand at 2.1%. As regards corporate bond markets, the continued trend of lower risk aversion was reflected in the further narrowing of corporate bond spreads in particular for lower investment-grade and speculative-grade bonds.

From the end of May 2009 to 2 September 2009, the level of euro area ten-year government bond yields declined by around 45 basis points to stand at 3.6%, notwithstanding positive surprises in some recent economic data releases (see Chart 21). Long-term government bond yields in the United States, despite displaying strong swings over the same period, remained overall broadly unchanged, standing at 3.3% on 2 September 2009, 15 basis points lower than at the end of May. Accordingly, US and euro area ten-year nominal government bond yields converged and the interest rate differential narrowed by 20 basis points. In Japan, ten-year government bond yields declined slightly, standing at 1.3% on 2 September. Overall, bond investors thus seem to be adopting a more cautious stance on the growth outlook compared with expectations embodied in equity markets. At the same time, supply and demand factors, such as sustained buying of government bonds by the banking sector and institutional investors globally, may have supported bond prices, despite strong issuance.

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.

Situations in which purchases of government debt securities and short-term interest rates move in opposite directions are indeed a regular feature of the euro area interest rate cycle (this issue had already been highlighted in the box entitled "Recent developments in MFIs' purchases of debt securities issued by the euro area general government sector" published in the June 2009 issue of the Monthly Bulletin). Over the recent past, developments in bond yields have also been partly driven by "liquidity effects", i.e. investors' willingness to pay a premium for assets which they expect can be liquidated at a low cost at any moment in time. More details on this are provided in Box 4.

Box 4

NEW EVIDENCE ON CREDIT AND LIQUIDITY PREMIA IN SELECTED EURO AREA SOVEREIGN YIELDS

Since the onset of the financial crisis, government bond markets have undergone dramatic swings prompted by a flight to safe and liquid assets associated with fluctuations in risk appetite and risk perceptions. In particular, euro area sovereign spreads across national issuers widened earlier this year to the highest levels since the introduction of the euro and then narrowed significantly in recent months.[1] As the policy implications of these developments depend on the underlying causes, it is important to disentangle the effects of perceived changes in sovereign credit quality from other influences, typically referred to as "liquidity effects". The latter effects reflect investors' willingness to pay a premium for assets which they expect can be liquidated at

1 For further recent analysis of developments in euro area sovereign bond spreads, see the Monthly Bulletin boxes entitled "A comparison of the developments in euro area sovereign bond spreads and US state bond spreads during the financial turmoil" (July 2009), "How have governments' bank rescue packages affected investors' perceptions of credit risk?" (March 2009) and "Recent widening in euro area sovereign bond yield spreads" (November 2008), as well as the Monthly Bulletin article entitled "The impact of government support to the banking sector on euro area public finances" (July 2009).

a low cost at any moment in time. This box presents new evidence on separating the impact of flight-to-quality and flight-to-liquidity phenomena based on German and French government-guaranteed agency bonds.

Credit risk premia can be approximately controlled for by comparing the yields of bonds with similar credit quality. Specifically, in line with earlier studies for the United States and Germany, it is assumed that the credit risk of agency bonds backed by a full and explicit government guarantee is equal to the sovereign credit risk.[2] Such government-guaranteed agency bonds can thus help to disentangle credit and liquidity premia in the sovereign market. Since the credit risk component of agency yields is assumed to be the same as that of bonds issued directly by the guaranteeing government, any differences between agency and government bond yields should reflect liquidity effects.

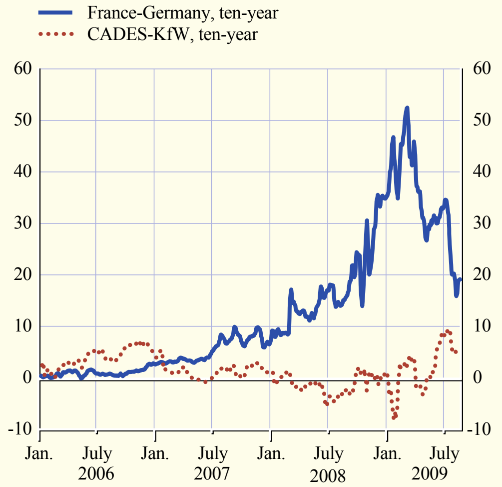
Focusing on the two largest euro area countries, this analysis uses bonds issued by the German *Kreditanstalt für Wiederaufbau* (KfW) and the French *Caisse d'Amortissement de la Dette Sociale* (CADES). While the objectives and core activities of these institutions differ, both of them have an explicit and full debt guarantee from the respective governments. Furthermore, KfW and CADES are the largest euro area agencies in terms of issuance volume and, unlike for other agencies, the number of outstanding bonds is sufficient to estimate reliable yield curves.

Chart A presents the ten-year French-German sovereign and agency spreads. The results are qualitatively the same for other maturities. It is striking that although a pronounced peak was observed for the French-German sovereign spread earlier this year, the agency spread between CADES and KfW remained remarkably stable with an absolute divergence of less than 10 basis points. Charts B and C show the four yield curves on two dates: on 9 March 2009, when the ten-year sovereign spread peaked (at 54 basis points), and most recently. Even on the day when the wedge between the French and German sovereign curves was wide, the agency curves still almost coincided. This clearly suggests that the elevated sovereign spread reflected liquidity factors rather than significant changes in the relative perceived credit quality of the sovereign issuers. Moreover, the close correspondence between the German and French agency curves suggests that differences in liquidity premia between the two agency issuers have been modest, unlike between the sovereign issuers.

The development of the premium paid for liquidity in each of the sovereign markets can

Chart A Zero coupon sovereign and agency yield spreads

(daily data in basis points; five-day moving averages)

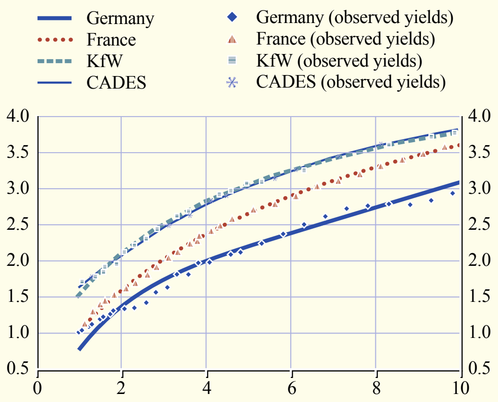


Sources: Bloomberg and ECB calculations.

2 A similar logic was exploited in Longstaff (2004) for the United States (using agency bonds issued by the Resolution Funding Corporation) and, more recently, in Schwarz (2009) for Germany (using KfW bonds); see F. A. Longstaff (2004), "The Flight to Liquidity Premium in U.S. Treasury Bond Prices", Journal of Business, 77, pp. 511-526, and K. Schwarz (2009), "Mind the Gap: Disentangling Credit and Liquidity in Risk Spreads", working paper, Columbia University.

Chart B Par yield curves on 9 March 2009

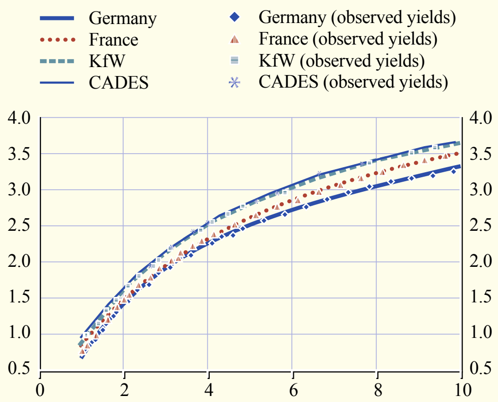
(percentages per annum)



Sources: Bloomberg and ECB calculations.
Notes: The legend symbols refer to the yield-to-maturity on the individual bonds used in the estimation of the respective curves. The pronounced inverse humps on the German government bond curve mainly represent effects related to the German bond futures market.

Chart C Par yield curves on 28 August 2009

(percentages per annum)



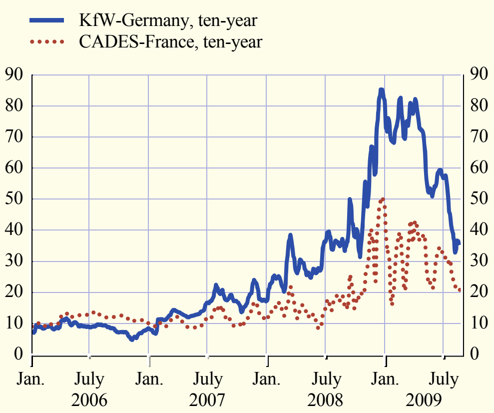
Sources: Bloomberg and ECB calculations.

be assessed by comparing sovereign and agency yields for the same country. Chart D shows that, for both countries analysed here, a surge in these premia was observed in late 2008/ early 2009. However, the peak was much higher for Germany than for France, likely reflecting the benchmark status of the ten-year German government bond and positive liquidity spillovers from the highly liquid market for German government bond futures.[3] At the same time, the chart confirms that agency and government bonds are not regarded as close substitutes in times of crisis, which may in part be related to different investor bases.

The evidence presented in this box is in line with the flight-to-liquidity interpretation of the developments in sovereign bond markets (as opposed to the flight-to-quality interpretation), which stresses investors' increased preference for assets with the lowest liquidity risk. In particular, the analysis shows that the striking increase in the French-German government bond yield spread should not necessarily be attributed to relative changes in the perceived credit quality of these countries, but rather could reflect changes in liquidity premia. Although this analysis cannot be extended to most other euro area countries due to a lack of

Chart D Zero coupon yield spreads between agency and sovereign bonds

(daily data in basis points; five-day moving averages)



Sources: Bloomberg and ECB calculations.

3 For a detailed analysis of such liquidity spillovers, see J. Ejsing and J. Sihvonen (2009), "Liquidity premia in German government bonds", ECB Working Paper No 1081. The consistently narrow yield spread between CADES and KfW suggests that agency-specific events do not account for the differences between sovereign and agency yields in the two countries.

government-guaranteed agency bonds, it is plausible that liquidity effects have significantly affected government bond yields in other euro area countries as well. For some of these countries, however, the observed large swings in yield spreads have also been strongly influenced by developments in fiscal fundamentals, such as expected budget deficits and debt ratios.[4]

4 See the box entitled "The determinants of long-term sovereign bond yield spreads in the euro area" in the above-mentioned article in the July 2009 issue of the Monthly Bulletin, and the references therein.

Market participants' uncertainty about short-term developments in bond yields, as measured by implied bond market volatility, declined over the last three months in both the euro area and the United States, although the large volatility gap between the United States and the euro area which emerged during the course of May remained, pointing to somewhat greater uncertainty about future developments in US government bond yields compared with euro area government bond yields. While there are signs suggesting that conditions in bond markets are normalising on both sides of the Atlantic, current levels of volatility remain above those levels seen prior to the beginning of the financial turmoil in the third quarter of 2007.

In the United States, at the beginning of the review period, investors' focus shifted from an improvement in the US economic outlook to concerns over the speed and sustainability of the recovery. As a result, US long-term government bond yields experienced sharp increases, followed by subsequent equally sharp declines during June. Economic data releases which suggested an improving economic outlook, together with concerns over the absorption of large government bond supply, contributed to push US government bond yields up slightly during the course of July. However, the release of mixed, and on balance more negative, economic data during the course of August contributed to the reversal of those gains.

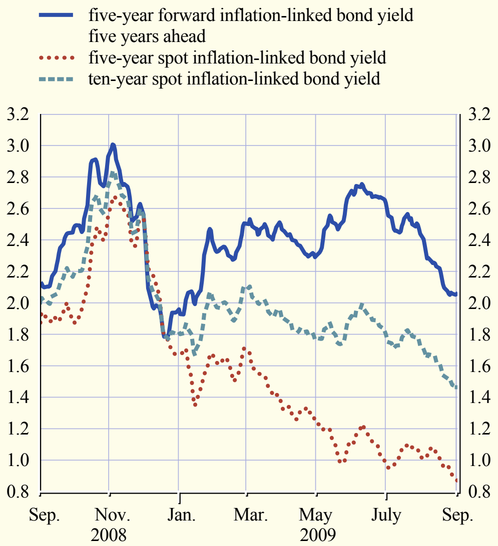
Developments in euro area government bond markets were broadly in line with those seen in the United States for much of the review period, but nevertheless resulted in a significant decline in yields. In more detail, government bond yields rose at the beginning of June in line with the increase in risk appetite. However, this increase was reversed during the second half of June following the release of some disappointing economic indicators. The decline in yields was only interrupted in mid-July when, following a number of positive euro area data releases, investor confidence increased. This improvement was, however, short-lived and during most of August euro area government bond yields declined in tandem with US Treasury yields.

Yields on long-term inflation-linked government bonds in the euro area were in early September below their levels at the end of May (see Chart 22). On 2 September the euro area ten-year inflation-linked bond yield stood at about 1.5%, i.e. about 40 basis points lower than at the end of May 2009. The decline in shorter-term real yields was milder, and the euro area real yield curve therefore flattened somewhat.

In general, developments in inflation-linked bond markets appear to have stabilised over the past three months after the tensions observed following the collapse of Lehman Brothers in September 2008. Euro area break-even inflation rates, which have in the past displayed significant volatility, appear to have been more stable over the past three months and are back to levels more in line with those observed before summer 2008 (see Chart 23). At the end of the review period five and ten-year spot break-even inflation rates stood at around 1.7% and 2.1% respectively, about 10 basis points lower than in late May 2009. A further sign of the ongoing normalisation in inflation-

Chart 22 Euro area zero coupon inflation-linked bond yields

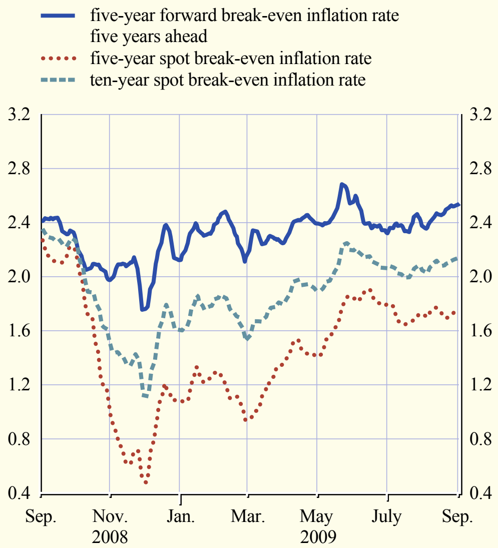
(percentages per annum; five-day moving averages of daily data; seasonally adjusted)



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.

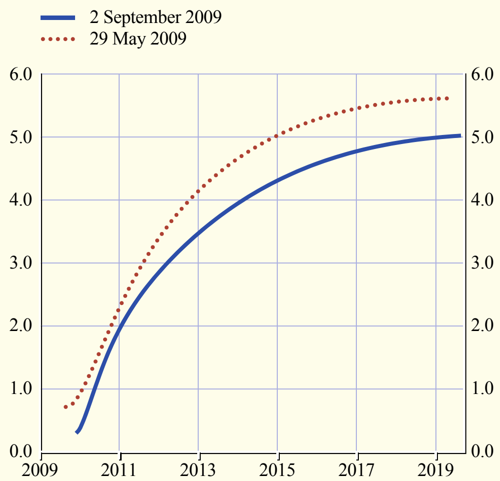
linked bond markets is the narrowing of the gap between comparable long-term forward break-even inflation rates in the bond and swap markets. The five-year forward break-even inflation rate five years ahead and the five-year forward inflation-linked swap rate five years ahead both stood at 2.6% on 2 September. Despite some improvement in market conditions in recent months, inflation-linked bond markets are likely to remain affected by some liquidity distortions. In particular, inflation-linked bond yields may still incorporate a significant premium to compensate for the lower liquidity of inflation-linked bonds vis-à-vis their nominal counterparts. Consequently, some caution is still warranted when interpreting developments in these indicators. With these caveats in mind, euro area inflation expectations, as reflected in index-linked bond prices, remain well anchored over the medium to long term despite some declines over short-term horizons.

Between end-May and 2 September the implied forward overnight interest rate curve for euro area government bonds flattened somewhat (see Chart 24). Uncertainties surrounding growth prospects over the medium to long term remained high. The flattening of the forward curve ten years from now broadly reverses the steepening seen in the previous three months.

The reappraisal of risk continued in the euro area, with corporate bond spreads declining between end-May and 2 September at a similar pace to that observed in the preceding three months. Corporate bond spreads for both financial and non-financial corporations and across rating categories in those sectors all narrowed considerably over the review period, reaching levels roughly in line with those observed in the summer of 2008 prior to the collapse of Lehman Brothers, reflecting the continuing trend of lower risk aversion. However, corporate bond spreads remain above those observed prior to the start of the financial turmoil in the third quarter of 2007, but these spreads may have been excessively compressed during the credit boom preceding the financial crisis.

Chart 24 Implied forward euro area overnight interest rates

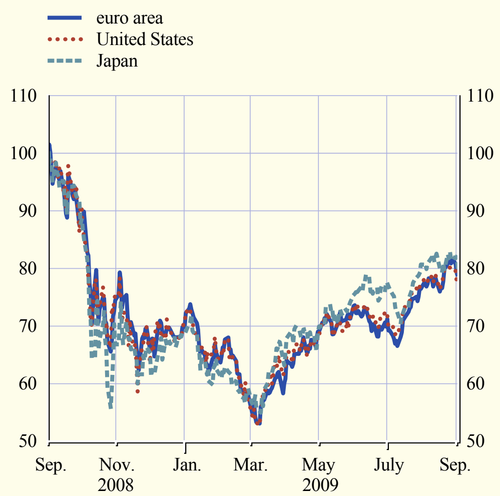
(percentages per annum; daily data)



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.

Chart 25 Stock price indices

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



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

2.5 EQUITY MARKETS

Over the last three months, major stock markets around the world continued on the upward trend that started in early March 2009. These developments reflected rising risk appetite driven by changes in market sentiment, with many market participants revising upwards their growth prospects for the world economy over the coming quarters. Against this background, stock market uncertainty, as measured by the implied volatility derived from option prices, continued to decline over the last three months, reaching levels last seen in the summer of 2008.

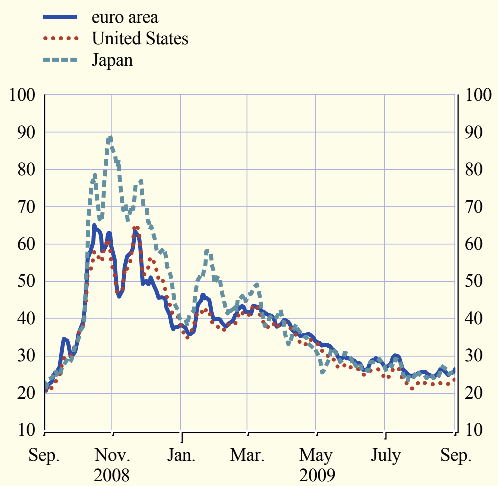
In the euro area, stock prices, as measured by the Dow Jones EURO STOXX index, increased by 10% between end-May and 2 September (see Chart 25). Over the same period, stock prices in the United States and Japan, as measured by the Standard & Poor's 500 index and the Nikkei 225 index, both increased by 8%. This is a continuation of the trend that emerged at the end of the first quarter of 2009 and reflects an increase in risk appetite driven by changes in market sentiment. In particular, growth prospects for the world economy over the coming quarters have been revised upwards by many market participants, notably in the most recent period for the euro area.

In line with these developments, stock market volatility, as measured by the implied volatility extracted from stock options (see Chart 26), continued to decline in recent months. Current levels of stock market volatility are in line with levels last seen in the summer of 2008, suggesting that the surge in uncertainty following the Lehman Brothers bankruptcy has been largely reduced. Stock market developments are, however, still affected by uncertainties surrounding the likely pace of the recovery. Despite the recent improvements, stock prices in the euro area remain around 30% lower than the 2008 average.

Positive developments in stock prices since end-May have been spread across sectors both in the euro area and the United States. Gains in financial sector stock prices have been particularly strong both in the euro area and the United States, with increases of as much as 19% and 11% respectively between end-May and 2 September. The positive developments in euro area financial sector stock prices are partly a reflection of a more positive market assessment of the capitalisation of euro area banks and thus of their ability to withstand the current economic slowdown. Moreover, many euro area banks reported favourable results in their income statements for the second quarter of 2009. Overall, and despite the gains observed over the past three months, euro area financial sector stocks remain 50% lower than before the financial crisis started. Turning to non-financial sectors, over the last three months, shares in the consumer goods and industrial sectors also recorded large increases, while more defensive sectors, such as utilities and healthcare, underperformed (see Table 3).

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.

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

(percentages of end-of-period prices)

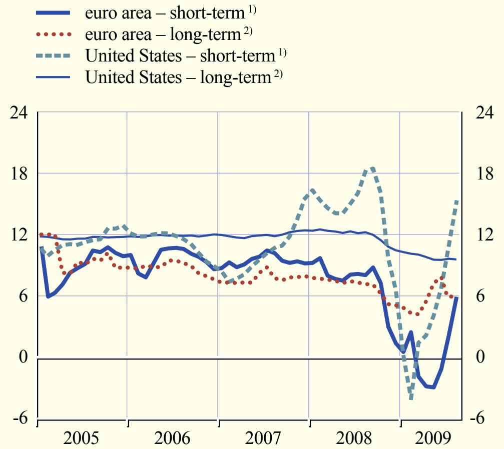
	EURO STOXX	Basic materials	Consumer services	Consumer goods	Oil and gas	Financial	Health-care	Industrial	Tech-nology	Tele-communi-cations	Utility
Share of sector in market capitalisation *(end-of-period data)*	100.0	7.8	6.2	11.7	7.5	27.8	3.9	12.0	4.6	8.0	10.5
Price changes *(end-of-period data)*											
Q2 2008	-7.3	7.9	-13.9	-14.7	12.7	-14.8	-0.2	-7.0	-10.7	-5.8	0.6
Q3 2008	-12.1	-25.0	-5.9	0.1	-22.9	-11.1	-6.3	-17.4	-9.9	-1.3	-14.6
Q4 2008	-21.2	-26.0	-7.7	-19.1	-17.8	-35.0	-9.2	-18.5	-22.8	-2.1	-13.5
Q1 2009	-14.0	-13.6	-8.3	-11.5	-5.9	-20.1	-7.4	-14.0	-9.5	-8.8	-21.0
Q2 2009	16.4	19.8	3.3	17.7	9.7	34.2	3.9	18.0	15.8	0.0	9.0
July 2009	9.4	14.0	5.6	12.8	1.2	13.1	7.1	11.6	3.5	7.7	4.2
August 2009	5.7	1.7	4.6	-1.1	2.7	11.4	0.8	7.4	6.0	1.8	8.1
31 May 2009 - 2 Sep. 2009	10.3	7.6	3.3	10.2	-1.5	19.0	3.7	13.1	3.9	10.5	7.3

Sources: Thomson Financial Datastream and ECB calculations.

Recent positive changes in market sentiment are also reflected in earnings developments during the past three months on both sides of the Atlantic (see Chart 27). For companies listed in the Dow Jones EURO STOXX index, there was an upward revision in earnings expectations 12 months ahead, which turned positive in July and August following several months in negative territory. These positive earnings expectations for the overall index are the result of strong earnings expectations for the financial sector companies, while those for non-financial firms, although improving, still remain in negative territory. For the United States, the rebound in earnings expectations 12 months ahead for companies listed in the Standard & Poor's 500 index also reflects a much stronger improvement in financial earnings. As regards longer-term earnings expectations, for euro area companies they were also revised upwards compared with the beginning of the second quarter of 2009. In contrast, for the United States long-term earnings expectations were revised downwards slightly.

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 in the Dow Jones EURO STOXX index for the euro area and in the Standard & Poor's 500 index for the United States.
1) "Short-term" refers to analysts' earnings expectations 12 months ahead (annual growth rates).
2) "Long-term" refers to analysts' earnings expectations three to five years ahead (annual growth rates).

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

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

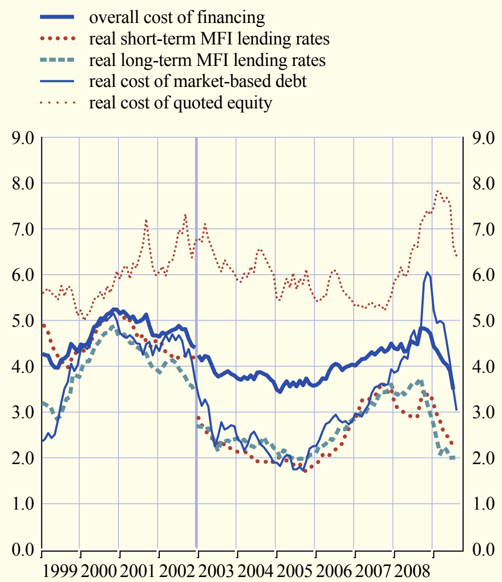
FINANCING CONDITIONS

The real cost of external financing for euro area non-financial corporations – as calculated by weighting the cost of different sources of financing on the basis of their amounts outstanding, corrected for valuation effects[4] – declined to 3.9% in the second quarter of 2009, which was 32 basis points lower than in the first quarter of 2009 (see Chart 28). Both bank lending rates and market-based debt financing costs decreased in real terms during the period. The cut of 50 basis points in key ECB interest rates in the course of the second quarter of 2009 further contributed to the fall in real short-term MFI interest rates, which declined by 36 basis points in the same period, while MFIs' real long-term rates dropped by 9 basis points. Amid surging stock markets and some general easing of uncertainty, the real cost of

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

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.

equity decreased by 26 basis points, while the cost of market-based debt fell by around 90 basis points. Taking a longer-term perspective, the level of the real overall cost of financing for non-financial corporations in the euro area was at similar levels to those before the outbreak of the financial turmoil in summer 2007, although market-based debt financing costs remained more elevated.

In order to enable the monetary policy transmission to work effectively, it is important that changes in key ECB interest rates influence bank lending rates both for households and corporations. Developments in banks' short-term funding costs are, in normal times, affected primarily by movements in the short-term money market rates (EURIBOR), while banks' longer-term lending rates normally mainly reflect movements in government bond yields. As seen in Table 4, bank lending rates on new loans to non-financial corporations at shorter maturities decreased by around 40 and 30 basis points between March and June 2009 for small and large loans respectively. At the same time, short-term money market rates dropped by around 40 basis points, partly reflecting some further normalisation of conditions in the interbank markets. Data

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

(percentages per annum; basis points)

	2008 Q2	2008 Q3	2008 Q4	2009 Q1	2009 June	2009 July	Change in basis points up to July 2009[1] 2008 April	2009 April	2009 June
MFI interest rates on loans									
Bank overdrafts to non-financial corporations	6.67	6.91	6.26	5.10	4.58	4.34	-220	-42	-24
Loans to non-financial corporations of up to €1 million									
with a floating rate and an initial rate fixation of up to one year	6.16	6.34	5.38	4.03	3.64	3.57	-246	-25	-7
with an initial rate fixation of over five years	5.43	5.64	5.32	4.75	4.50	4.32	-88	-28	-18
Loans to non-financial corporations of over €1 million									
with a floating rate and an initial rate fixation of up to one year	5.35	5.62	4.28	2.83	2.56	2.37	-293	-17	-19
with an initial rate fixation of over five years	5.52	5.64	4.76	3.87	3.70	3.89	-150	-12	19
Memo items									
Three-month money market interest rate	4.94	5.03	3.26	1.63	1.22	0.98	-380	-44	-24
Two-year government bond yield	4.72	4.09	2.62	1.74	1.68	1.40	-246	-32	-28
Five-year government bond yield	4.75	4.21	3.29	3.00	3.14	2.86	-114	-13	-28

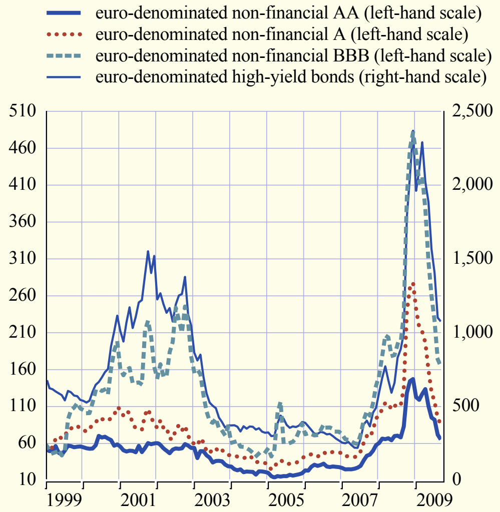
Source: ECB.
1) Figures may not add up due to rounding.
Note: Quarterly figures are end-of-period data.

for July 2009 confirm the declining trend in short-term lending rates.

Movements in long-term bank lending rates were more pronounced than in corresponding long-term government bond yields and continued their declining path broadly in line with past pass-through behaviour[5]. While bank interest rates on small long-term loans to non-financial corporations declined by around 25 basis points, bank lending rates on loans to non-financial corporations of over €1 million dropped on average by around 20 basis points in June 2009. This is in line with the results reported by the July 2009 bank lending survey[6] according to which the net percentage of banks reporting a tightening of credit standards for loans to enterprises was somewhat higher for loans to large enterprises than for loans to small and medium-sized enterprises. In July 2009 developments were somewhat mixed across bank interest rates on small and large loans.

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 government bond yields.

Corporate bond spreads (measured as the difference between the yields on corporate bonds and the yields on government bonds) contain useful information on the conditions of euro area corporations' market-based debt financing. In the second quarter of 2009 spreads declined across all rating classes and continued to decline also in July and August, falling in some cases back to levels that prevailed before the bankruptcy of Lehman Brothers. More specifically, the overall declines during this period were more pronounced for bonds with low credit ratings and, in particular, for speculative-grade bonds. For instance, euro area high-yield bonds dropped by more than 700 basis points and BBB-rated bonds by 160 basis points, while AA-rated bonds declined by a lesser amount, namely around 30 basis points (see Chart 29). The differences in the yield declines across the credit spectrum might be related to lower risk perceptions and risk aversion in the markets along with some improvement in economic expectations.

FINANCIAL FLOWS

Most indicators of euro area non-financial corporations' profitability point towards a further contraction in the second quarter of 2009. The annual growth rate of earnings per share for listed non-financial corporations in the euro area declined from -22.6% in March 2009 to -31.3% in August 2009 (see Chart 30). Looking ahead, available data on earnings expectations over the next 12 months provided by financial market analysts have been revised upwards, albeit remaining in negative territory.

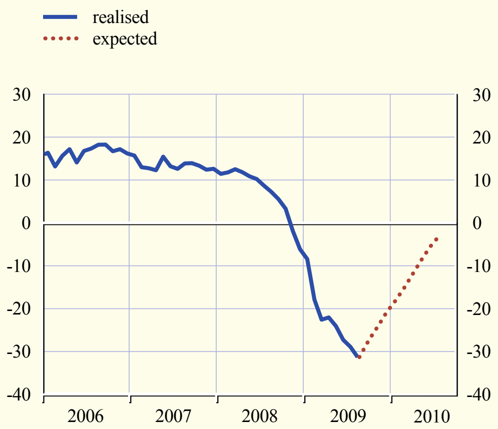
The real annual rate of growth of non-financial corporations' external financing (including MFI loans, debt securities and quoted shares) declined to 1.9% in the second quarter of 2009, from 2.1% in the

5 See the article entitled "Recent developments in the retail bank interest pass-through in the euro area" in the August 2009 issue of the Monthly Bulletin.

6 For a detailed description of the July 2009 bank lending survey results, see Box 2 in the August 2009 issue of the Monthly Bulletin.

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

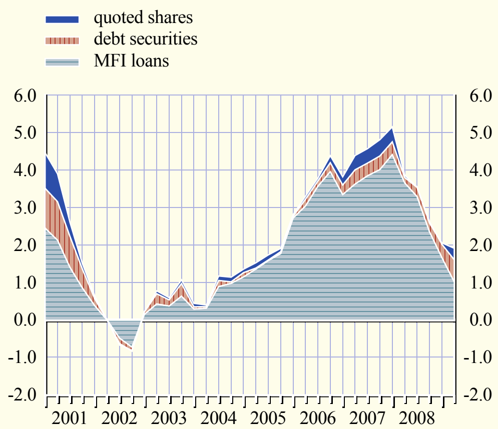
(percentages per annum; monthly data)



Sources: Thomson Financial Datastream and ECB calculations.

Chart 31 Breakdown of the real annual growth rate of external financing to non-financial corporations [1)]

(annual percentage changes)



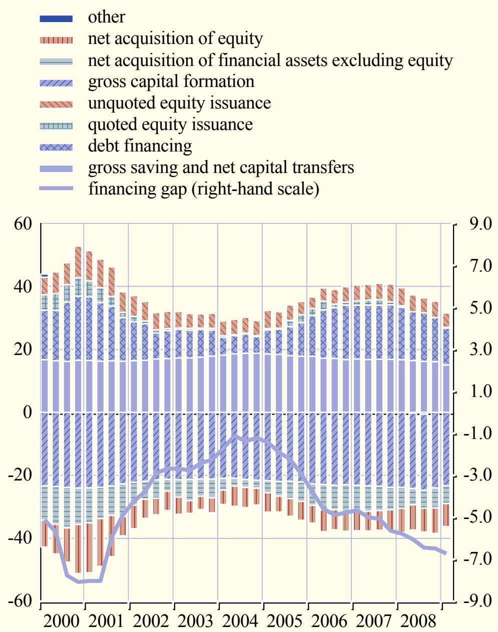
Source: ECB.
1) The real annual growth rate is defined as the difference between the actual annual growth rate and the growth rate of the GDP deflator.

preceding quarter (see Chart 31). The decline was mainly related to the strong reduction in the real annual growth rate of MFI loans, which stood at 1% in the second quarter (after 1.7% in the first quarter), thus contributing significantly less to external financing. The contribution of financing from the issuance of quoted shares increased slightly, as well as the contribution of financing via debt securities.

Chart 32 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 first quarter of 2009. These broader measures show that euro area firms have made significantly more outlays, on aggregate, for real and financial investment than could be covered by funds generated internally. This net figure is generally referred to as the "financing gap" and has broadly increased in magnitude since mid-2004. In the first quarter of 2009 the financing gap stood at 6.7% of the total value added in the non-financial sector. As shown by the chart, most of the internal and external funds were used to finance real investment (gross fixed capital formation), whereas financial investment made up a smaller part.

Chart 32 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.

Net acquisition of financial assets including equity declined in the first quarter of 2009, as non-financial corporations again reduced their net purchases of quoted equity and further drew down liquid assets.

The annual growth rate of loans to non-financial corporations decelerated further to 2.8% at the end of the second quarter of 2009, continuing the trend that started in the second half of 2008 (see Table 5). In July 2009 the annual growth rate of loans to non-financial corporations declined further to 1.6%, mainly driven by a further contraction in short-term lending. The brisk deterioration in real economic activity since the beginning of this year appears to have translated into a sharp slowdown in overall lending business, with the decline being particularly pronounced for lending at shorter maturities. As regards the maturity structure of MFI lending, the annual growth rates for loans with maturities of up to one year, over one year and up to five years and over five years stood at -8.4%, 6.1% and 5.5% respectively in July 2009. By comparison, in March 2009, the growth rates had stood at -0.3%, 11.1% and 8.2% respectively.

The Eurosystem's bank lending survey helps to identify factors that contribute to non-financial firms' demand for loans. As can be seen in Chart 33, two factors – namely fixed investment and merger and acquisition (M&A) activity – were reported to be the main contributors to lower demand for loans.

Looking forward, credit growth is expected to continue to slow down. In fact, though the recent round of the bank lending survey indicates some reduction in pressures constraining banks' loan supply, particularly as regards banks' cost of funds and balance sheet constraints, empirical evidence suggests that the dynamics of loan growth typically respond to a change in credit standards with a lag in the order of three to four quarters, and loans to non-financial corporations typically

Table 5 Financing of non-financial corporations

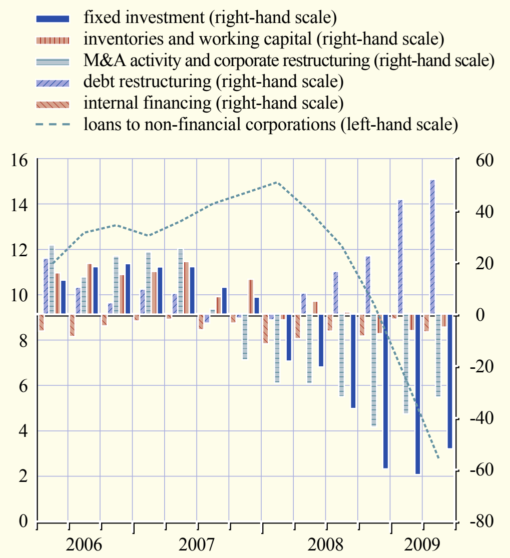
(percentage changes; end of quarter)

	Annual growth rates				
	2008 Q2	2008 Q3	2008 Q4	2009 Q1	2009 Q2
MFI loans	**13.7**	**12.2**	**9.6**	**6.3**	**2.8**
Up to one year	12.1	9.9	6.9	-0.3	-5.4
Over one and up to five years	19.9	17.6	14.0	11.1	7.4
Over five years	12.4	11.4	9.5	8.2	5.8
Debt securities issued	**7.4**	**3.4**	**5.9**	**7.1**	**9.0**
Short-term	22.3	9.4	14.3	16.3	-11.2
Long-term, *of which:* 1)	4.8	2.2	4.4	5.5	13.1
Fixed rate	3.5	2.6	5.2	6.8	17.8
Variable rate	12.6	2.6	4.5	1.9	-0.9
Quoted shares issued	**1.0**	**0.1**	**0.0**	**-0.1**	**0.4**
Memo items 2)					
Total financing	3.9	3.8	3.5	3.1	-
Loans to non-financial corporations	9.9	9.4	8.3	6.5	-
Insurance technical reserves 3)	0.3	0.4	0.0	0.1	-

Sources: ECB, Eurostat and ECB calculations.
Notes: Data shown in this table (with the exception of the memo items) are reported in money and banking statistics and in securities issuance statistics. Small differences compared with data reported in financial accounts statistics may arise, mainly as a result of differences in valuation methods.
1) The sum of fixed rate and variable rate data may not add up to total long-term debt securities data because zero coupon long-term debt securities, which include valuation effects, are not shown.
2) Data are reported from quarterly European sector accounts. Total financing of non-financial corporations includes loans, debt securities issued, shares and other equity issued, insurance and technical reserves, other accounts payable and financial derivatives.
3) Includes pension fund reserves.

Chart 33 Loan growth and factors contributing to non-financial corporations' demand for loans

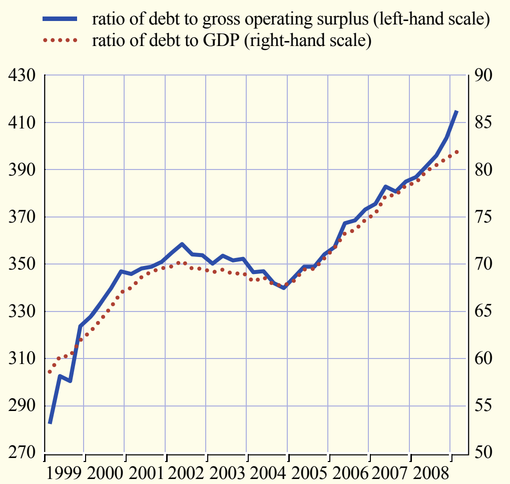
(annual percentage changes; net percentages)



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 July 2009 bank lending survey.

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 up to the second quarter of 2009.

tend to lag the business cycle substantially. In addition, a subdued outlook for investment in the face of low capacity utilisation, reduced M&A activity and the relatively high level of euro area firms' leverage might reduce demand for funds going forward, while pressures on cash flows and reduced liquidity buffers may imply an enhanced need for recourse to external financing.

In addition to financing via MFI loans, firms can also tap capital markets directly for funds. Recent data on the issuance of debt securities by non-financial corporations suggest a further increase in market-based debt financing, with the annual growth rate increasing to 11.3% in the second quarter of 2009, compared with 9% in the first quarter. The trend towards higher debt securities issuance points to some substitution effects compensating for the marked slowdown in bank-based financing. Moreover, data from commercial providers show signs of a broader use of debt securities issuance across rating classes and sectors, notably by lower-rated issuers and in cyclical sectors. The revival in the high-yield market seems to reflect the increase in global risk appetite as well as the decline in credit spreads.

The annual rate of growth of quoted shares issued by non-financial corporations increased in the second quarter of 2009 to 1.5%, supported by the positive performance of stock markets.

FINANCIAL POSITION

The ongoing strong expansion of debt financing by non-financial corporations, together with a decline in gross operating surplus and GDP, resulted in a further slight increase in companies' ratios of debt to GDP and debt to gross operating surplus in the second quarter of 2009 (see Chart 34). Reflecting the significant declines in bank lending and market interest rates, the interest burden of non-financial corporations continued to fall in the second quarter of 2009, reaching levels recorded just before the start of the financial turmoil (see Chart 35). Overall, the high level of debt and the associated interest burden mean that non-financial firms remain vulnerable to the ongoing uncertainty and potential further shocks.

2.7 FINANCIAL FLOWS AND FINANCIAL POSITION OF THE HOUSEHOLD SECTOR

In the second quarter of 2009 the financing conditions facing households were characterised by further decreases in bank lending rates and a decline in the tightening of credit standards for bank loans. However, the dynamics of household borrowing remained subdued, probably reflecting the ongoing weakness of economic activity and continued uncertainty surrounding the economic outlook and housing market prospects. Households' subdued borrowing led to the stabilisation of their level of indebtedness, while their interest payment burden eased further.

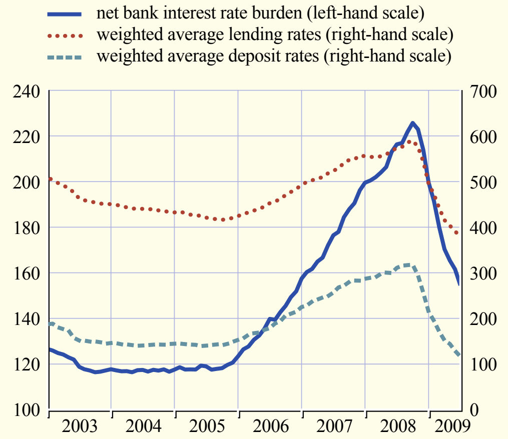
FINANCING CONDITIONS

Following further reductions in the ECB's key interest rates, MFI interest rates on loans to households for house purchase continued to decline in the second quarter of 2009 (see Chart 36). That decline was, however, concentrated primarily in short-term lending rates, particularly rates on loans with a floating rate and an initial rate fixation period of up to one year. Indeed, in June the rate on such loans reached a new low, standing approximately 270 basis points below the peak observed in October 2008. By contrast, long-term lending rates remained broadly unchanged in the second quarter of 2009. As a result, the term structure of interest rates on loans for house purchase remained characterised by a positive spread between the rates on loans with long (i.e. over ten years) and short (i.e. up to one year) initial rate fixation periods.

The second quarter of 2009 also witnessed a further decline – albeit considerably smaller for most initial rate fixation periods – in MFI interest rates on consumer credit. That decline

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

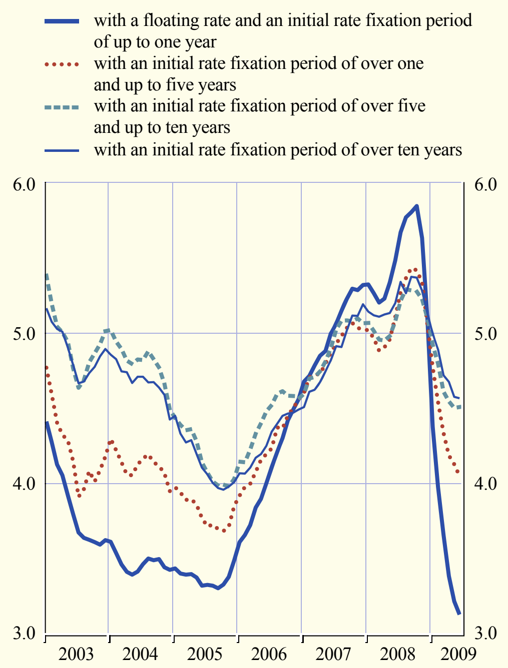
(basis points)



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.

was especially large for short-term rates (i.e. rates on loans with a floating rate and an initial rate fixation period of up to one year) and long-term rates (i.e. rates on loans with an initial rate fixation period of over five years). Nevertheless, rates on loans with an initial rate fixation period of over one and up to five years remained at a level markedly lower than those on other types of consumer credit.

Spreads between short-term rates on new loans for house purchase and comparable market interest rates declined somewhat in the second quarter, while the corresponding spread for long-term rates narrowed more markedly. In the case of consumer credit, spreads for short-term rates remained broadly unchanged in the second quarter, while those for long-term rates declined substantially. Overall, the fact that spreads have tended to decline indicates that MFI rates on loans to households have been adjusting to the declines in market rates following the sharp reduction in the ECB's key interest rates.

The results of the July 2009 bank lending survey suggest that the net percentage of banks reporting a tightening of credit standards declined further in the second quarter, both as regards loans for house purchase and as regards consumer credit and other loans. Housing market prospects, expectations regarding general economic activity and a less negative assessment of the risk posed by the collateral demanded remained the principal factors contributing to this decline in the second quarter. As regards loans for house purchase, the net tightening of margins declined in the second quarter, both for loans of average risk and for riskier loans, while the net tightening of non-price terms and conditions remained broadly unchanged. By contrast, for consumer credit and other lending, banks continued to increase their margins, but non-price terms and conditions became less stringent. Finally, while, on balance, banks assessed demand for consumer credit and other lending as remaining negative in the second quarter, demand for loans for house purchase was considered slightly positive for the first time since the second quarter of 2006.

FINANCIAL FLOWS

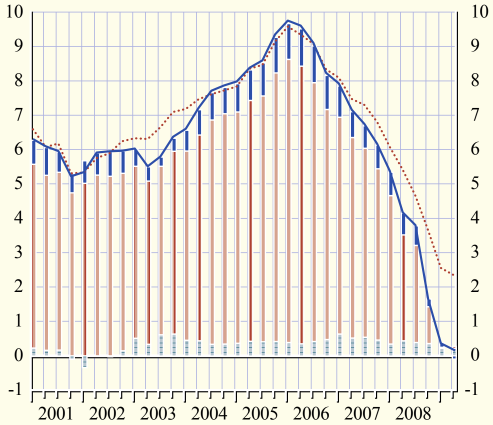
The annual growth rate of total loans granted to households moderated further to stand at 2.6% in the first quarter of 2009 (the most recent quarter for which data from the euro area accounts are available), down from 3.7% in the previous quarter. The growth rate of non-MFI lending to households remained very strong, standing at 18.2% in the first quarter of 2009. To a large extent, however, these developments do 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 in the fourth quarter of 2008. Data on MFI loans point to the downward trend in the annual growth rate of total loans to households continuing in the second quarter of 2009 (see Chart 37), while monthly flows showed some signs of levelling off.

In July 2009 the annual growth rate of MFI loans to households remained at zero, unchanged from the second quarter, having stood at 0.9% in the first quarter. The short-term dynamics measured by the three-month annualised growth rate also remained close to zero in July. However, the monthly flow of loans to households, albeit small, remained positive in July (even before correcting for the impact of securitisation), indicating that the earlier downward trend may have come to a halt.

The continued subdued developments in borrowing are in line with the marked slowdown observed in housing markets, the weakness of economic activity and the uncertainty regarding income prospects. Moreover, the fact that the level of household indebtedness remains high relative to previous cycles may also be having a dampening impact on borrowing.

Chart 37 Total loans granted to households

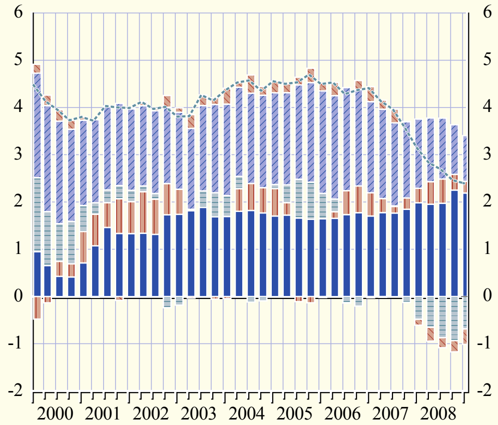
(annual percentage changes; contributions in percentage points; end of quarter)



Source: ECB.
Notes: Total loans comprise loans to households from all institutional sectors, including the rest of the world. For the second 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, other accounts receivable and financial derivatives.

The decline in the annual growth rate of MFI loans to households reflects developments in both borrowing for house purchase, which is the largest sub-component of loans to households, and consumer credit. The annual growth rate of loans for house purchase turned slightly negative again in July, standing at -0.2% in that month, unchanged from the second quarter and down from 0.7% in the first quarter. The annual growth rate of consumer credit declined further in July, standing at -1.1% in that month, down from -0.3% and 1.3% in the second and first quarters respectively.

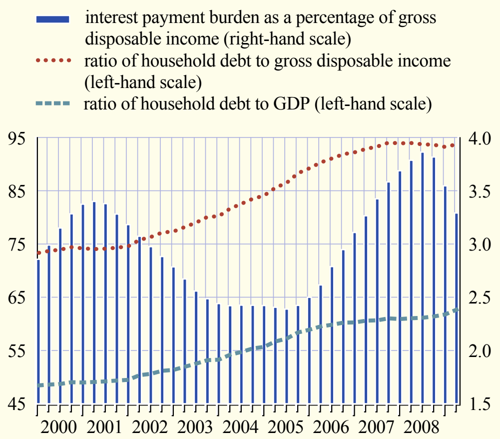
Turning to the asset side of the euro area household sector's balance sheet as recorded in the euro area accounts, the annual growth rate of total financial investment continued to decline, standing at 2.4% in the first quarter of 2009, down from 2.5% and 2.7% in the fourth and third quarters of 2008 respectively (see Chart 38). This decline was driven mainly by continuing (though weakening) net sales of shares and mutual fund shares and a decline in the contribution of investment in debt securities and insurance products. At the same time, households' investment in deposits continued to make the largest contribution, despite moderating slightly, reflecting households' preference for safe and liquid assets given the uncertainty surrounding future economic developments. Deposits accounted for 37.5% of households' portfolios in the first quarter of 2009, approximately 7 percentage points more than in the second quarter of 2007, prior to the onset of the turmoil. At the same time, in the first quarter of 2009 the flow of investment in life insurance rebounded following the downward trend observed in the previous eight quarters.

FINANCIAL POSITION

The continued subdued developments in household borrowing have led to the stabilisation of household indebtedness in recent quarters. Households' debt-to-disposable income ratio has remained slightly below 94% since the beginning of 2008, having peaked at the end of 2007, and is estimated to have increased only marginally in the second quarter of 2009 (see Chart 39). This estimated marginal increase is related to real activity and income decelerating more markedly than debt. Similarly, households' debt-to-GDP ratio is estimated to have increased slightly in the first half of this year. At the same time, the household sector's interest payment burden is estimated to have declined further to stand at 3.3% of disposable income in the second quarter, down from 3.5% in the previous quarter. This reflects the impact of declining bank lending rates, 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

According to Eurostat's flash estimate, annual HICP inflation in the euro area was -0.2% in August, compared with -0.7% in July. This development is in line with previous expectations and largely reflects base effects resulting from the movements in global commodity prices a year ago. Owing to these base effects, annual inflation rates are projected to turn positive again within the coming months. Looking further ahead, inflation is expected to remain in positive territory, with overall price and cost developments staying subdued in the wake of ongoing sluggish demand in the euro area and elsewhere. According to the ECB staff macroeconomic projections of September 2009, annual HICP inflation in the euro area is seen to range between 0.2% and 0.6% in 2009, and between 0.8% and 1.6% in 2010. Risks to the inflation outlook are broadly balanced.

3.1 CONSUMER PRICES

The process of disinflation that is characterising the euro area has continued in the summer of 2009. Headline HICP inflation, which had peaked at 4.0% in July 2008, became negative in June and reached -0.7% in July. The drop in inflation was driven mainly by the sharp decline in the energy and food components of euro area HICP, which has reflected strong downward base effects in recent months. HICP inflation excluding energy and food products decreased as well, but the downward movement followed a smoother path and was mainly driven by the economic slowdown.

According to Eurostat's flash estimate, euro area annual HICP inflation was -0.2% in August, up from -0.7% in July (see Table 6). Although official estimates of the breakdown of the August HICP have not yet been published, available evidence suggests that the increase in the annual rate of change in the HICP has reflected an upward base effect in the energy price component, which stemmed from the decline in crude oil prices in late summer 2008. As anticipated, base effects linked to the large swings in oil prices over the last two years have heavily influenced the profile of annual HICP inflation, and will continue to do so. While these base effects dampened euro area inflation up to July 2009, they are expected to turn annual inflation rates positive again in the coming months.

Table 6 Price developments

(annual percentage changes, unless otherwise indicated)

	2007	2008	2009 Mar.	2009 Apr.	2009 May	2009 June	2009 July	2009 Aug.
HICP and its components								
Overall index [1]	2.1	3.3	0.6	0.6	0.0	-0.1	-0.7	*-0.2*
Energy	2.6	10.3	-8.1	-8.8	-11.6	-11.7	-14.4	.
Unprocessed food	3.0	3.5	2.4	1.6	0.7	0.0	-1.1	.
Processed food	2.8	6.1	1.6	1.2	1.0	1.1	0.8	.
Non-energy industrial goods	1.0	0.8	0.8	0.8	0.8	0.6	0.5	.
Services	2.5	2.6	1.9	2.5	2.1	2.0	1.9	.
Other price indicators								
Industrial producer prices	2.7	6.1	-3.2	-4.8	-5.9	-6.5	-8.5	.
Oil prices (EUR per barrel)	52.8	65.9	36.5	39.0	42.8	49.5	46.5	51.1
Non-energy commodity prices	9.2	4.4	-29.1	-23.8	-22.8	-22.7	-22.9	.

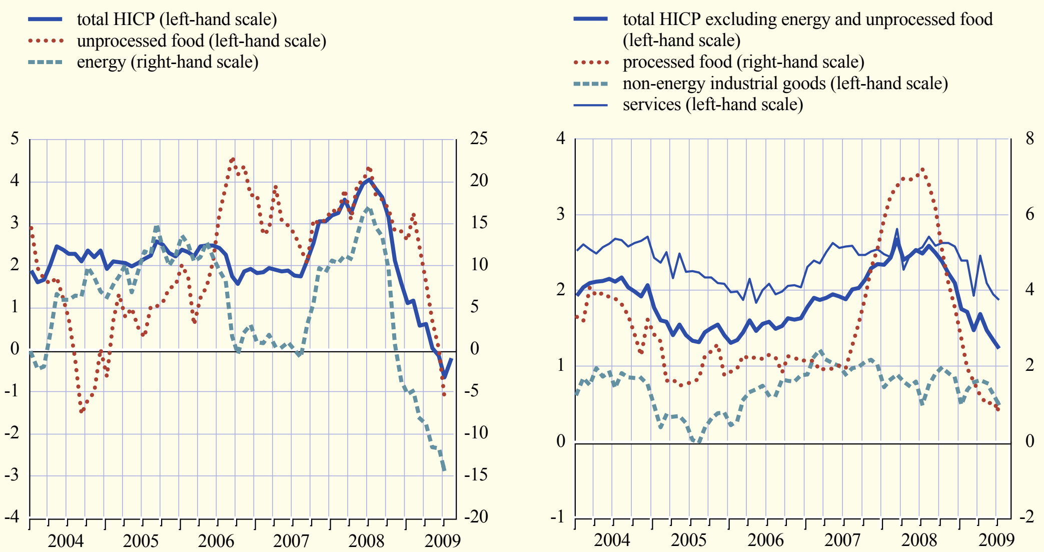
Sources: Eurostat, HWWI and ECB calculations based on Thomson Financial Datastream data.
1) HICP inflation in August 2009 refers to Eurostat's flash estimate.

At the sectoral level, the volatility of the energy and food components of the euro area HICP has been closely linked to the volatility of global commodity prices. Movements in the energy components of the HICP reflect the combined effects of changes in prices of oil-rich energy items (such as petrol, diesel and heating fuel), which are driven mainly by global crude oil prices and are also affected by varying refining margins, and changes in prices of non-oil energy HICP items (such as electricity and gas), which tend to follow crude oil prices with a lag. In July 2009 the annual rate of change in energy prices declined to -14.4%, after growth of over 17% a year earlier. The very significant decline in HICP energy inflation over the last 12 months reflected primarily reductions in the annual rates of change in prices of liquid fuels for transport and heating, as well as – to a lesser extent – movements in electricity and gas prices. However, further declines in the latter category of goods are likely to occur in the coming months (see Chart 40).

Food price inflation has eased progressively from the peak reached in the middle of 2008, by and large following the profile of the energy component. The progressive easing in food price inflation in the euro area can be traced back essentially to downward base effects, stemming from the sharp increase in commodity prices up to July 2008 and their subsequent fall, and to weak consumer demand. The downward base effects have been particularly relevant in determining the changes in the annual inflation rates of HICP food components in recent months. The annual rate of change in the unprocessed food component of the euro area HICP stood at -1.1% in July 2009. A progressive easing of inflationary pressures was observed in most items of this HICP component, especially in those that are more exposed to commodity price developments, such as meat prices. In addition, the annual rate of change of this component was influenced by sharper-than-usual seasonal drops in fruit and vegetable prices in the summer season. The annual rate of change in processed food prices declined to 0.8% in July 2009, down from the peak of 7.2% reached 12 months earlier. For this component, too, changes in the prices of items that are more exposed to commodity price developments, such as cereals, dairy products, and oil and fats, were what largely drove the fall in the annual rate of inflation.

Chart 40 Breakdown of HICP inflation: main components

(annual percentage changes; monthly data)



Source: Eurostat.

The annual rate of change in non-energy industrial goods prices has been on a moderately downward path since the beginning of the year and stood at 0.5% in July 2009, slightly below the 2008 average of 0.8%. The decline in non-energy industrial goods price inflation took place in a context of weak consumer demand, declining prices at the producer level and, more recently, summer sales. Recent developments in non-energy industrial goods price inflation were largely driven by a diminishing contribution from durable goods, particularly cars. The annual rate of change in euro area car prices stood at -0.7% in July, and reflected heavy discounting. Inflation in the semi-durable goods sub-component, by contrast, decreased only little. This latter component, which accounts for a large proportion of non-energy industrial goods, largely mirrors movements in prices of clothing and footwear. The annual rate of change in non-durable goods prices has also declined modestly in recent months, after having increased for a number of years on account of a combination of rising administered prices, which affect the price of water supplies, for instance, and commodity prices.

Services price inflation has also continued to ease slightly during recent months, reaching 1.9% in July 2009. Overall, services price inflation currently stands well below the average of the last two years, around 2.5%, and closer to the average for the period 2005-06, i.e. the period prior to the oil and food price shocks. In recent months, developments in services price inflation have continued to be driven by declining contributions of the personal and recreational services component and, to a lesser extent, the transport services component, which had been sizeable until the third quarter of 2008. Weak consumer demand is likely to have led to cuts in consumers' non-necessary expenses, while strong price competition among firms is likely to have encouraged the pass-through to consumers of past reductions in input costs, especially those linked to energy and food prices. As regards transport services, the reduced contribution of this component reflected almost entirely developments in the passenger air transport item of the HICP. This was most likely due to the difficulties of the air transport sector as a result of depressed demand for business and holiday-related air transport services. Moreover, the downward trend observed in the annual growth rate of prices of communication and housing services continued as well, even though it appears to have slowed down somewhat.

Overall, excluding all food and energy items, or about 30% of the HICP basket, HICP inflation, which had remained broadly stable from early 2007 until the end of 2008, has exhibited some downward movement since the beginning of the year. In July 2009 the annual rate of change in this aggregate stood at 1.3%, about 0.5 percentage point below the annual average in 2007 and 2008. The further fall in HICP inflation excluding food and energy reflected mainly weakness in the macroeconomic environment. Box 5 explores the links between economic activity and inflation, and addresses why inflation is not falling more strongly in response to the sharp drop in economic activity.

Box 5

THE LINKS BETWEEN ECONOMIC ACTIVITY AND INFLATION IN THE EURO AREA

Euro area activity has fallen sharply over the past few quarters and is expected to remain weak in the near term, suggesting that the balance of demand relative to the potential supply, or the degree of economic slack in the economy, has widened – possibly substantially. At the same time, the profile of headline HICP inflation has been affected by movements in commodity prices, while HICP excluding energy is expected by virtually all available forecasts to follow an only slowly declining path this year and next. This box tries to shed light on the question why inflation is not falling more strongly in reaction to the sharp decline in economic activity.

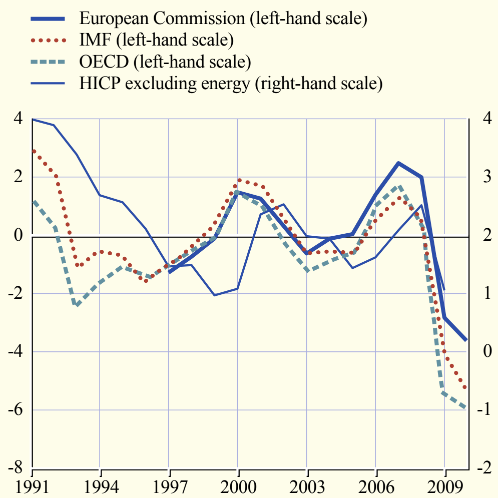
Although inflation is ultimately a monetary phenomenon, the balance between aggregate output and the supply potential is a key determinant of inflationary pressures in the short run. The pressure of demand on resources – the intensity with which companies use existing staff and capital, and the degree of tightness in the labour market – affects firms' production costs, their pricing power and their pricing decisions.

A standard framework for understanding these links is the so-called Phillips curve. In its original formulation, the Phillips curve presented a simple short-term relationship between inflation and the unemployment rate. Modern variants acknowledge that the potential supply can also vary over time and, therefore, relate inflation to deviations of economic activity from its potential level – the output gap.[1] They also acknowledge the influence of firms' and workers' expectations in price and wage-setting behaviour. They thus include measures of inflation expectations – either forward-looking (for example, expectations expressed in surveys) or more backward-looking (i.e. expectations expressed in terms of past inflation), reflecting that expectations can also form adaptively in response to recent developments in inflation. Finally, models of inflation also attempt to capture the influence of some supply-side factors such as changes in oil and other commodity prices. Since changes in these prices tend to pass through to headline HICP inflation fairly rapidly, abrupt movements can have a significant effect on inflation in the short run. That has been very apparent over the past few years, when the surge and decline of global commodity prices – particularly food and energy prices – was a driving factor behind the sharp rise and fall in euro area HICP inflation.

Over the past two decades, however, fluctuations in spare capacity have been relatively muted. That can make it difficult to use the Phillips curve framework to determine the impact on inflation precisely, and in particular to be confident how inflation might be affected by the current output gap in the euro area. However, historical experience tends to suggest that movements in the economic slack have played a fairly modest role in the inflation process in the euro area. As can be seen in the chart, the relationship between the output gap and price developments has been mixed in the past, and, on average, relatively large changes in the output gap are

Selected measures of the euro area output gap and HICP inflation excluding energy

(annual percentage changes; annual data)



Sources: European Commission, IMF, OECD and Eurostat.
Notes: Estimates of output gaps in 2009 and 2010 are projections. Data for the HICP excluding energy in 2009 are based on available monthly observations.

1 For more information on the various measures available, see the article entitled "Potential output growth and output gaps: concept, uses and estimates" in the October 2000 issue of the Monthly Bulletin. A related concept is capacity utilisation (discussed in more detail in Box 6 of this issue of the Monthly Bulletin), which measures spare capacity within firms. The output gap is a broader measure that summarises the extent to which current economic activity is above or below sustainable aggregate supply capabilities.

needed to affect euro area inflation.[2] That is one reason why euro area inflation might be expected to remain reasonably resilient despite the sharp deterioration in activity.

A further issue that clouds the assessment of the inflation-output relationship via the Phillips curve is that output gaps are difficult to measure precisely.[3] The overall supply capacity of the economy is unobserved and must be estimated, which inevitably introduces uncertainty. The chart, which shows the output gap estimates of various international institutions, illustrates that uncertainty – although the measures have tended to move broadly together, there have been periods of disagreement about the extent to which demand has outpaced supply.

Moreover, judgements about the potential of the economy and the degree of economic slack are particularly uncertain in real time. These concerns may be especially valid in the current circumstances, where it remains unclear how much of the abrupt slowdown in activity reflects the negative impact of supply-side factors that would significantly lower potential output. Indeed, it is possible that the current downturn has also involved a decline in the supply potential – either a downward shift in the level of potential, or slower future growth, or both. Such a downward shift in the level may have resulted from, for instance, the abrupt adjustment of excess capacity that had accumulated prior to the financial crisis through the scrapping of physical capital or a stronger discounting of previous investment. In the current environment, this argument may, for example, be relevant for the construction, automobile or financial sectors. Furthermore, very large increases in unemployment and the downsizing of some sectors may lead to an upward shift in the level of structural unemployment. To the extent that these factors imply that the euro area's potential output is lower, this would suggest that the degree of economic slack is smaller than shown by the estimates in the chart and that the disinflationary forces in the euro area are likely to be more muted than would be the case for a solely demand-driven slowdown.[4]

There are a number of other explanations why inflation is expected to remain relatively resilient despite the significant downturn in demand. A key factor, which is captured in the Phillips curve framework, is that inflation expectations play a strong role in shaping inflation developments. Over the past year, inflation expectations in the euro area have remained well anchored, with measures of medium-term inflation expectations staying close to 2%.

A further consideration is that some structural features of the economy may imply significant non-linearities or asymmetries in the response of prices to changes in activity. For example, firms may be more reluctant to move prices down than up, workers may particularly resist reductions in nominal wages, contracts may be re-negotiated at infrequent intervals, or wages indexed to past price developments.[5] These types of wage and price rigidities would mute the disinflationary response to the deterioration in economic conditions.

Overall, there are thus a number of reasons why inflation is expected to remain relatively resilient despite the sharp deterioration in economic conditions recorded in the euro area until recently.

2 See, for instance, A. Musso, L. Stracca and D. von Dijk, "Instability and nonlinearity in the euro area Phillips curve", *Working Paper series*, No 811, ECB, September 2007, as well as G. Fagan and J. Morgan, *Econometric models of the euro area central banks*, Edward Elgar Press, 2005.
3 See the box entitled "The (un)reliability of output gap estimates in real time" in the February 2005 issue of the Monthly Bulletin.
4 For a more detailed discussion, see Box 4, entitled "Potential output estimates for the euro area", in the July 2009 issue of the Monthly Bulletin.
5 For more on price-setting in the euro area, see the article entitled "Price-setting behaviour in the euro area" in the November 2005 issue of the Monthly Bulletin.

The projected slack in the economy is expected to play a minor role in the inflation process in the euro area in the coming quarters. Significant uncertainty remains about the degree of slack in the economy and the role of the output gap in shaping the inflation profile. In particular, it is unclear how much of the abrupt slowdown in activity reflects the negative impact of supply-side factors that might have lowered potential output. It is possible that the current downturn has also involved a decline in the supply potential, which would imply a smaller output gap and weaker disinflationary forces. Moreover, the Phillips curve framework underscores that, while economic slack may contribute to movements of inflation in the short run, well-anchored inflation expectations are also a crucial determinant of the inflation process.

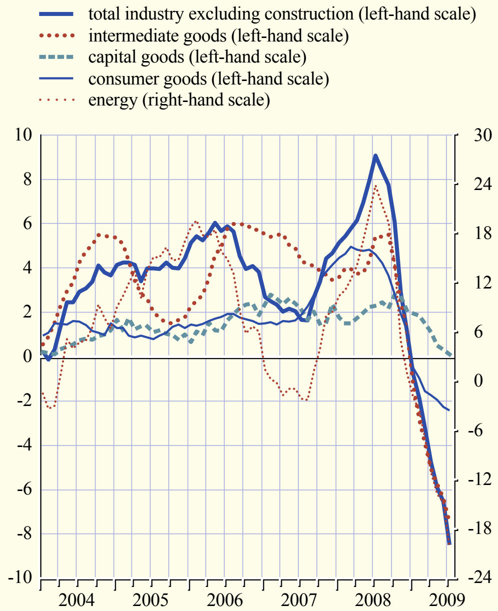
3.2 INDUSTRIAL PRODUCER PRICES

Supply chain price pressures have abated further in recent months and remain very subdued. The annual rate of change in industrial producer prices (excluding construction), which had turned negative at the beginning of the year, has continued to decrease at a sustained pace in recent months. All components have contributed to this further decline in the annual rate of change in industrial producer prices, but prices of energy and intermediate goods had a particularly marked impact on account of low demand for industrial products and downward base effects. The decline in producer price inflation was initially driven mainly by prices of energy and intermediate goods; it subsequently became more broad-based, with components in the later stages of the production process also recording negative annual rates of change. This development of the annual rate of change in consumer goods prices at the producer level suggests ongoing downward pressures on the non-energy industrial goods component of the HICP.

The annual rate of change in industrial producer prices fell to -8.5% in July 2009, down from growth in excess of 9% 12 months earlier. Excluding energy (and construction), annual producer price inflation fell to -4.0% in July, with all components contributing to this further decrease. The annual rates of change for all components reached unprecedented negative levels, with the exception of the capital goods component, which remained marginally positive (see Chart 41). Despite this development in the annual rates of change, the short-term dynamics of the energy and intermediate goods components seem, on balance, to have reversed in the last few months, most likely in response to the overall rise in oil and industrial raw material prices on a monthly basis, and on account of a stabilisation of demand at low levels. Therefore, the short-term dynamics signal that, on the whole, downward pipeline price pressures are diminishing. Moreover, strong base effects stemming from the reversal – initiated in August 2008 – of the surge in crude oil prices will push up the annual rate of change in producer prices in the coming months.

Chart 41 Breakdown of industrial producer prices

(annual percentage changes; monthly data)

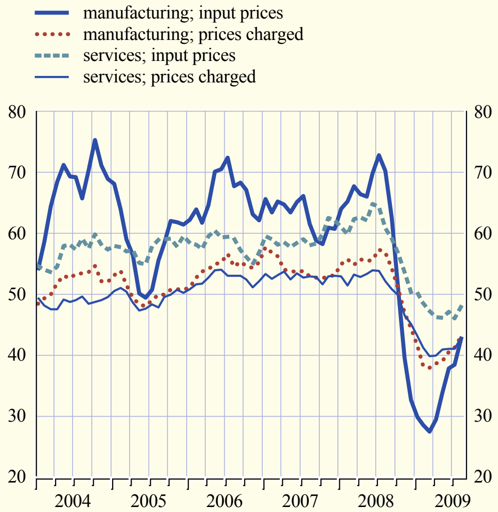


Sources: Eurostat and ECB calculations.

Survey-based information on the price-setting behaviour of firms over recent months has also indicated that downward price pressures are moderating (see Chart 42). With regard to the Purchasing Managers' index (PMI), the input price index and the index for prices charged in the manufacturing sector have been moving upward since April 2009, most likely on account of month-on-month increases in commodity prices and diminishing pressures to decrease prices so as to stimulate sales. In August 2009 both indices increased substantially, with the input price index returning to levels not seen since October 2008 and the index for prices charged reaching the highest level in the year. In the services sector, downward price pressures have stabilised in recent months. Compared with the manufacturing sector, this sector has experienced a lesser decline in the indices since the third quarter of 2008. Especially the index for input prices has diminished substantially less markedly, most probably because – in contrast to that for the manufacturing sector – it includes labour costs, which have been more resilient than the other input costs. The August figures, if confirmed by hard data in the coming months, indicate that downward pressures are moderating quickly. However, notwithstanding these recent increases, all the indices remain below 50, the theoretical no-change mark, and still signal that prices are, on average, declining in comparison with the previous month, although at a significantly slower pace than in recent months.

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.

3.3 LABOUR COST INDICATORS

Labour cost growth, which peaked at the end of 2008, is showing clear signs of decline. This reflects both lower wage growth and lower hours worked. These developments have caused some differences in the pace of decline in the annual rates of growth in negotiated wages, hourly labour costs and compensation per employee (see Chart 43 and Table 7).

Table 7 Labour cost indicators

(annual percentage changes, unless otherwise indicated)

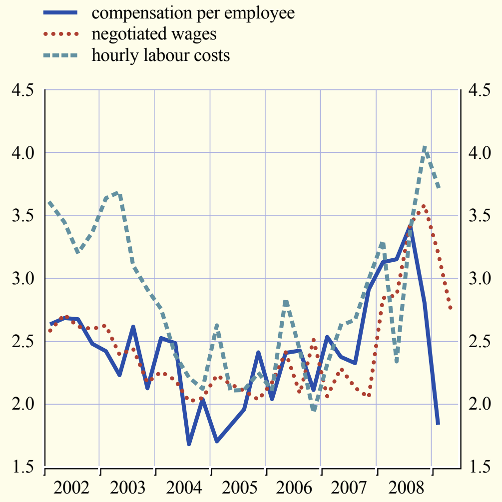
	2007	2008	2008 Q2	2008 Q3	2008 Q4	2009 Q1	2009 Q2
Negotiated wages	2.1	3.2	2.9	3.4	3.6	3.2	2.7
Total hourly labour costs	2.7	3.3	2.3	3.4	4.0	3.7	.
Compensation per employee	2.5	3.1	3.2	3.4	2.8	1.8	.
Memo items:							
Labour productivity	0.9	-0.1	0.3	-0.1	-1.7	-3.6	.
Unit labour costs	1.6	3.2	2.8	3.5	4.5	5.6	.

Sources: Eurostat, national data and ECB calculations.

The annual rate of growth of negotiated wages in the euro area, the only labour cost indicator available thus far for developments in the second quarter of 2009 as a whole, dropped from 3.2% in the first quarter of 2009 to 2.7% in the second quarter. This fall is the largest quarterly decline recorded since 1996. It is likely that this drop reflected workers' reduced bargaining power as a consequence of the sharp downturn in activity, the large increase in unemployment and the steep fall in inflation. At 2.7% in the second quarter of 2009, however, the annual rate of growth of negotiated wages remains equal to, or higher than, that registered in any other quarter from 1996 to 2007. Therefore, annual negotiated wage growth in the euro area remains elevated on the back of the sharp increases recorded in 2008. As this indicator captures agreed wage increases through concluded collective agreements, its rather resilient trend can largely be attributed to the length of collective wage agreements (approximately two years) in the euro area. Indeed, a large number of labour contracts were concluded before HICP inflation started to decline and before economic activity started to shrink in the euro area. Considering that negotiated wages react to changes in economic conditions with a lag, it appears that further falls in this indicator are likely.

Chart 43 Selected labour cost indicators

(annual percentage changes; quarterly data)



Sources: Eurostat, national data and ECB calculations.

The indicator of negotiated wages reflects the main component of wages that is agreed in advance, but does not cover developments in other compensation components, such as employers' social security contributions and flexible elements of pay, like bonuses. Instead, developments in these components are reflected in the other two indicators used to monitor labour cost developments in the euro area, namely hourly labour costs and compensation per employee. The main difference between these indicators relates to the fact that labour costs are calculated at an hourly rate, whereas compensation per employee monitors the costs on a per-employee basis.

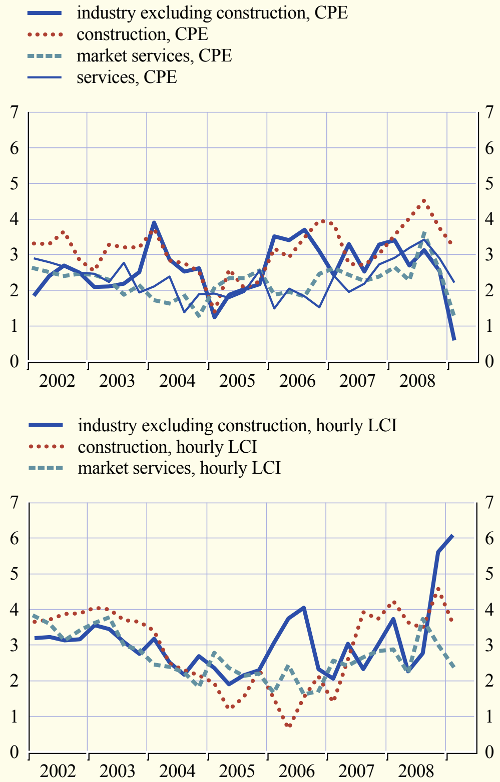
The annual growth rate of hourly labour costs in the euro area decreased somewhat to 3.7% in the first quarter of 2009, from 4.0% in the fourth quarter of 2008. The still strong growth in hourly labour costs is largely due to past wage agreements, as well as to the impact of various measures taken to reduce the number of hours worked per employee as the reduction in hours worked is often accompanied by a less than proportional decrease in labour remuneration, as is the case in Germany, for example, with its use of flexible time accounts.[1] Due to the fact that the industrial sector is impacted most strongly by such adjustment measures, hourly labour costs in this sector increased more in the first quarter of 2009, namely by 6.1%, compared with 3.6% in the construction sector and 2.4% in the services sector (see Chart 44).

1 See also the box entitled "Labour market adjustments during the current contraction of economic activity" in the June 2009 issue of the Monthly Bulletin.

The annual growth rate of compensation per employee fell to 1.8% in the first quarter of 2009, down from 2.8% in the fourth quarter of 2008. The steep decline in the growth rate of compensation per employee in the first quarter of 2009 was also driven by shorter working hours, cuts in flexible pay elements and, in particular, strong downward developments in Germany, Italy, the Netherlands and Belgium. Those developments occurred in parallel with the short-time working schemes in place in these countries, which are used extensively to reduce the number of hours worked per employee. The sectoral decomposition indicates that the slowdown in compensation-per-employee growth in the first quarter was driven primarily by developments in market-related services (including trade, transport, communications, financial and business services) and industry (excluding construction). More muted declines were observed in the construction and non-market services sectors.

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".

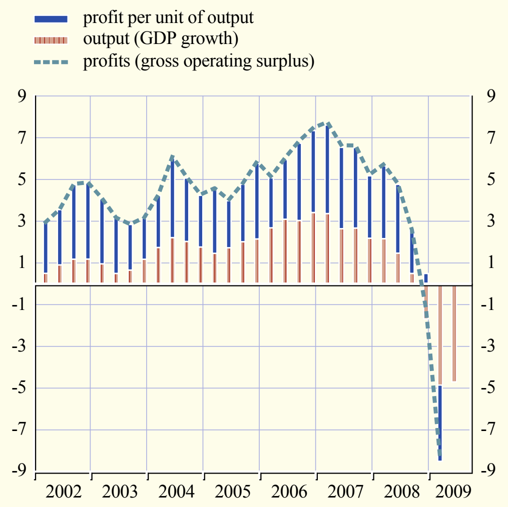
Productivity in terms of output per employee dropped rapidly from -1.6%, year on year, in the last quarter of 2008 to -3.6% in the first quarter of 2009, as employment fell less sharply than the contraction in economic activity. Despite the easing in compensation per employee, the accelerated drop in productivity, in turn, led to a strong surge in unit labour cost growth from 4.5% in the fourth quarter of 2008 to 5.6% in the first quarter of 2009, thus marking a new record high since the start of EMU. Productivity in terms of output per hour, however, declined much less, as the adjustment in employment in the current downturn has taken place more in terms of hours worked than in numbers of employees due to the special schemes implemented in many euro area countries (see Section 4.2).

3.4 CORPORATE PROFIT DEVELOPMENTS

In the first quarter of 2009 euro area corporate profit declined by 8.3%, year on year, a sharp steepening of the downward adjustment observed since mid-2007. The substantial contraction observed in the first quarter was the strongest on record and was brought about by a fall in economic activity (volume) and a decline in unit profits (margin per unit of output) – see Chart 45. The latter have declined mainly on account of high unit labour cost growth, as demand was weak, so that it was difficult for companies to pass on these costs to final prices, and despite an easing of external price pressures as a result of mainly oil and non-oil commodity prices.

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

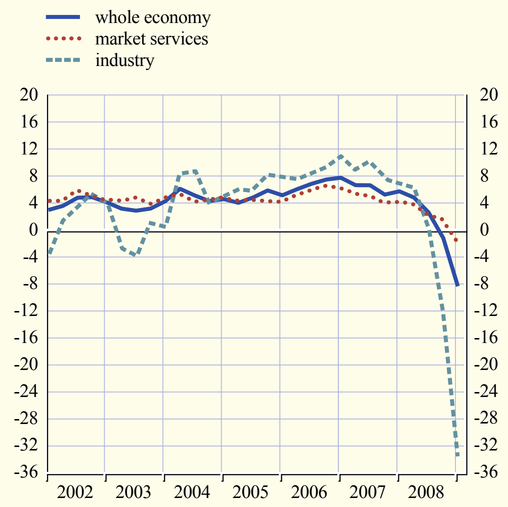
(annual percentage changes; quarterly data)



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.

As for the main branches of activity (industry and market services), the contraction in profits was particularly severe for industry, more than 33%, year on year, in the first quarter of 2009 (see Chart 46). This more marked contraction in comparison with other branches owes much to a more pronounced decline in activity in industry, due to its greater cyclicality, as well as a stronger rise in unit labour costs. A year-on-year fall in profits in industry was last observed in the middle of 2003. In addition, there was also a decline in annual year-on-year profits in market services in the first quarter of 2009; this was the first drop on record since the data series was begun in 1996.

Looking beyond available national accounts data, the ongoing contraction in economic activity and the elevated level of unit labour costs are likely to put additional downward pressure on corporate profits in the remainder of 2009. Weak corporate profits in the euro area are likely to have negative repercussions for the employment and investment outlook.

3.5 THE OUTLOOK FOR INFLATION

Over the short term, the outlook for annual HICP inflation will continue to be shaped by base effects relating to energy price movements in 2008. Owing to these base effects, annual inflation rates are projected to turn positive again within the coming months.

Looking further ahead, inflation is expected to remain positive, with overall price and cost developments staying subdued in the wake of ongoing sluggish demand in the euro area and elsewhere. Indicators of inflation expectations over the medium to longer term remain firmly anchored in line with the Governing Council's aim of keeping inflation rates below, but close to, 2% over the medium term.

This outlook is consistent with the ECB staff macroeconomic projections of September 2009. In these projections, annual HICP inflation in the euro area is seen to range between 0.2% and 0.6% in 2009 and between 0.8% and 1.6% in 2010, revised slightly upward from the Eurosystem staff macroeconomic projections of June 2009, reflecting mainly upward revisions to energy prices. Risks to the inflation outlook are broadly balanced. These risks relate, in particular, to the outlook for economic activity, as well as to higher than expected commodity prices. Furthermore, increases in indirect taxation and administered prices may be stronger than currently expected on account of the need for fiscal consolidation over the coming years.

4 OUTPUT, DEMAND AND THE LABOUR MARKET

Following the strong negative growth rates observed around the turn of the year, according to Eurostat's first estimate, economic activity in the euro area declined only slightly in the second quarter of 2009, contracting by 0.1% compared with the previous quarter. Survey indicators for the third quarter of 2009 support the view that the euro area economy is stabilising further. In the near term, the euro area should continue to benefit from a recovery in exports, the significant macroeconomic stimulus under way and the measures taken so far to restore the functioning of the financial system. In addition, the inventory cycle is expected to contribute positively. However, uncertainty remains high and the persistent volatility in incoming data warrants a cautious interpretation of available information. Overall, the recovery is expected to be rather uneven, given the temporary nature of some of the supporting factors and the ongoing balance sheet correction in the financial and non-financial sectors of the economy, both inside and outside the euro area. The risks to this outlook remain broadly balanced.

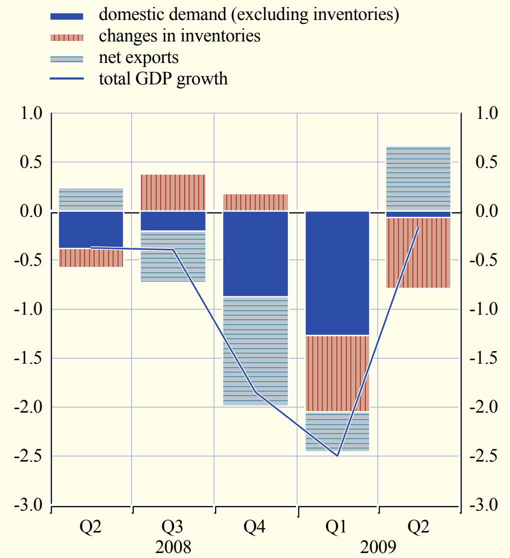
This assessment is broadly in line with the September 2009 ECB staff macroeconomic projections for the euro area. According to these projections, average annual real GDP growth will range between -4.4% and -3.8% in 2009 and between -0.5% and +0.9% in 2010. Compared with the June 2009 Eurosystem staff macroeconomic projections, this implies an upward revision of the ranges for both 2009 and 2010, reflecting mainly the recent, more positive developments and information. Forecasts by international organisations are broadly in line with the September 2009 ECB staff projections.

4.1 REAL GDP AND DEMAND COMPONENTS

The pace of the contraction in euro area activity slowed markedly in the second quarter of 2009, partly as a result of the somewhat better than expected performance of exports. According to Eurostat's first estimate, published on 2 September, euro area real GDP contracted by 0.1% (quarter on quarter) in the second quarter, after a 2.5% decline in the first quarter. This second quarter GDP release confirms the view that an inflection point in the decline in euro area activity was reached in the first quarter (see Chart 47). Survey data suggest continued weak, albeit stabilising, euro area growth in the third quarter of 2009.

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 moderation in the decline in euro area real GDP in the second quarter can partly be attributed to the fact that exports have stabilised after the collapse in world trade in the last quarter of 2008 and the first quarter of 2009. Domestic demand also fell less in the second quarter compared with the previous two quarters. The expenditure breakdown for the second quarter confirms this picture. At the same time, inventories continued to make a significant negative contribution to growth in the second quarter. The following sub-sections discuss demand developments in more detail.

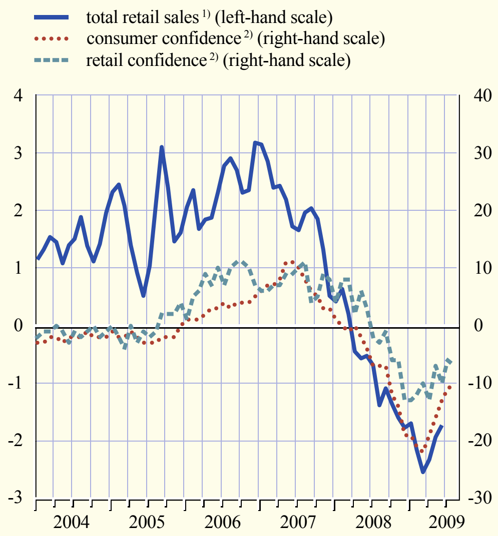
PRIVATE CONSUMPTION

Household spending stabilised in the second quarter of 2009 after contracting sharply in the previous two quarters. According to Eurostat's first estimate, private consumption growth stood at 0.2% (quarter on quarter) in the second quarter of 2009. Both survey-based indicators and data on household spending indicate that private consumption is likely to remain relatively subdued throughout the rest of the year.

Data show that retail trade confidence and consumer confidence have increased over the past few months, after reaching historically low levels in the spring (see Chart 48). A closer look at consumer confidence reveals that the upturn in the overall index since the trough reached in March mainly emanates from an improvement in consumers' assessment of the general economic situation and also slightly less pessimistic views on the unemployment situation. Households' perceptions concerning their financial position and savings improved only slightly over the same period.

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.

Regarding quantitative data on consumer spending, recent dynamics in retail trade point to a bottoming-out of the downward path observed since mid-2008. On a quarterly basis, retail trade dropped by 0.2% in the second quarter of 2009, compared with a fall of 0.6% in the first quarter. Looking at the sub-components reveals that the decline in retail sales in the second quarter mainly emanated from the non-food component. This contraction may partly reflect substitution effects away from other less indispensable products towards car purchases. Indeed, the impact of fiscal incentives for car purchases in some countries is visible in the data on car registrations, which show a quarterly growth rate of 12.3% in the second quarter of 2009. The growth rate of sales of food products hovered in positive territory in the second quarter.

Turning to the determinants of private consumption, households' real disposable income has remained relatively resilient during the downturn in economic activity. Consumers' real disposable income has been supported by three main factors. First, the typical stickiness of wages (largely attributed to the length of collective wage agreements) in the context of the sharp contraction in activity has provided support. Second, labour hoarding and government-subsidised adjustments in working hours have also supported employment and thus disposable income. Third, the drop in headline inflation is an additional factor contributing to the resilience of real disposable income. Looking ahead, the growth rate of households' real disposable income is expected to be more subdued, mainly owing to a combination of slower wage growth and higher labour shedding (see Section 4.2). However, expected low inflation in the coming months is likely to act as a countervailing factor.

Wealth effects, emanating from changes in financial asset prices and real estate prices, have also influenced aggregate consumption, both directly (in the case of households that own such assets) and indirectly, via confidence channels. Since the financial market turmoil erupted two years ago, developments in euro area financial and real estate assets have had an adverse impact on households' wealth (and have also contributed to a higher savings ratio). Since the start of 2009 euro area stock markets have recovered significantly, while in many countries the prices of residential property have declined. Although these developments may have an impact on consumption (through the above-mentioned direct and indirect channels) the real economic impact of short-term fluctuations in the prices of financial assets and real estate should not be overestimated. In fact, available empirical evidence indicates that the propensity to consume out of changes in financial and real estate wealth is relatively small in the euro area.

Changes in consumers' propensity to save are also an important determinant for gauging consumption dynamics. Reflecting the rise in economic and financial uncertainty, the household saving ratio increased during 2008 and early 2009. Financial market and macroeconomic uncertainty, which is still elevated, and the decline in wealth, as well as conditions in the labour market, will probably contribute to a greater propensity to save in the second half of 2009. High levels of saving are to be expected for countries that have witnessed very sharp labour market deterioration or a sharp decline in house prices, or where households are highly indebted.

To sum up, consumption is projected to remain relatively subdued in the rest of 2009 mainly on account of an expected further deterioration in the labour market. Consumption may, however, prove to be stronger than anticipated. This scenario may arise from stronger than anticipated effects stemming from the extensive macroeconomic stimulus being provided or if confidence improves more quickly than is currently expected. At the same time, there is a possibility that households may decide to further increase their savings in anticipation of a more restrictive fiscal policy in the future. Finally, there is uncertainty about the extent to which private consumption will be affected when the current incentive schemes to purchase new cars expire.

INVESTMENT

As in previous episodes of economic slowdown, fixed capital formation has been one of the main drivers of the current sharp contraction in economic activity. Both business and construction investment have contracted sharply since early 2008 on account of weaker demand, low business confidence, negative earnings growth, historically low capacity utilisation and tight lending standards. In the second quarter of 2009 investment contracted by 1.3% (quarter on quarter). This decline was, however, smaller than the decline seen in the first quarter when investment fell by 5.3%.

Looking ahead, business investment (mainly in assets intended for use in the production of goods and services) will be heavily influenced by consumer demand and the overall cost of financing, but also by firm-specific factors, such as leverage and the ability to access financing (either directly in the markets or by tapping banks for funds). First, domestic demand is expected to stabilise but remain relatively weak and will thus provide only limited support to investment. Thus, weak demand and low capacity utilisation will probably dampen firms' need to invest in assets used in production. The expenditure breakdown of euro area real GDP reveals that the steep fall in exports came to a halt in the second quarter of 2009. All else being equal, an upturn in global demand should provide some support to euro area investment, given that external demand mainly consists of demand for goods, the production of which requires more capital.

Second, various measures of firms' cost of financing indicate that costs will be lower throughout 2009 (see Section 2). The expected further normalisation in financial markets will probably contribute to keeping financing costs low in the near future and will thereby help to mitigate the expected contraction in investment. Third, firm-specific factors, such as leverage and the ability to access financing, are also crucial factors in investment dynamics. Various indicators suggest that leverage among euro area non-financial firms is currently relatively high, seen from a historical perspective (see Chart 34 in Section 2). Moreover, evidence from the latest bank lending surveys show a significant cumulative net tightening of credit standards on loans and credit lines to non-financial corporations in a context of subdued net flows of credit. However, the latest survey revealed that in the second quarter of 2009 the net percentage of banks reporting a tightening of credit standards applied to loans and credit lines to enterprises broadly halved from that observed in the first quarter (see Box 2 in the August 2009 issue of the Monthly Bulletin).

Construction investment, which includes residential and commercial building, accounts for about half of total investment and developments in construction therefore have a significant influence on aggregate investment. In addition to the above-mentioned factors (consumer demand, the overall cost of financing and firm-specific factors), construction investment is also determined by developments in the prices of residential and commercial property. Looking ahead, possible further corrections in the prices of both residential and commercial property, together with subdued prospects for housing and commercial building demand, are likely to dampen construction investment in the foreseeable future.

All in all, euro area aggregate investment is expected to remain weak and will probably continue to contract in the second half of 2009 as a result of low capacity utilisation combined with weak external and domestic demand and subdued prospects for the euro area housing markets.

GOVERNMENT CONSUMPTION

Following growth of 0.7% in the first quarter of 2009, public consumption increased by 0.4% (quarter on quarter) in the second quarter. Government consumption is likely to continue to provide some support to domestic demand in the second half of 2009, as it typically consists of public expenditure on collective services, such as defence, justice, health and education, and tends to be less exposed to cyclical developments than other components of demand. Support for demand emanating from government consumption is also expected to be positive in 2010, albeit lower.

However, government consumption is not expected to be affected by the current fiscal stimulus packages. In the period 2009-11, more than half of the fiscal support for GDP growth is expected to stem from government investment, with the remaining support stemming from transfers to households and changes in labour taxes.

INVENTORIES

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

Inventories made a positive contribution to euro area GDP growth in the second half of 2008 as firms initially increased stocks. This may have been because firms were surprised by the speed and extent of the slowdown in global and domestic demand. Data for the first and second quarters of 2009 show that this trend was reversed and inventories made a negative contribution to euro area GDP growth. Looking ahead, anecdotal evidence suggests that the pace of destocking should slow and some firms may even start to build up inventories. As a result, inventories will probably contribute positively to euro area GDP growth in the second half of 2009. The size of that contribution, however, remains uncertain. If demand picks up quickly and firms revise their expectations about future prospects, they may wish to react relatively rapidly. On the other hand, the prevailing high level of uncertainty about domestic and external demand may cause firms to be relatively cautious in adjusting inventories, which would mean that the positive contribution from inventories would be fairly moderate.

TRADE

The expenditure breakdown of real GDP in the second quarter of 2009 confirms that the steep fall in euro area exports observed in the previous two quarters has come to an end. In the second quarter euro area exports declined by 1.1%, compared with contractions of 7.2% and 8.8% recorded in the last quarter of 2008 and the first quarter of 2009 respectively. Imports dropped by 2.8% in the second quarter, following contractions of 4.7% and 7.8% in the previous two quarters. Consequently, in the second quarter of 2009 net trade made a positive contribution to euro area real GDP growth for the first time since the second quarter of 2008.

Indicators increasingly suggest that the current global recession is bottoming out, supported by strong global stimulus measures and improving financing conditions in key market segments (see Section 1). During the collapse in world trade in late 2008 and early 2009, demand for euro area capital goods was particularly affected. It is likely that the recent signs of improved global demand may also lead to some recovery in demand for capital goods, which should support export-exposed euro area firms. However, as the euro area recovery is expected to lag the global upturn in economic activity somewhat, import growth is expected to be slightly more sluggish than export growth.

4.2 OUTPUT, SUPPLY AND LABOUR MARKET DEVELOPMENTS

From a value added perspective, and consistent with developments in industrial production, the industrial sector continued to contract in the second quarter of 2009, while the quarterly growth rate of value added in the services sector bounced back to positive territory after contracting in the previous two quarters.

Conditions in the labour market have continued to deteriorate (see the labour market section below). The euro area unemployment rate rose to 9.5% in July, an increase of 0.1 percentage point compared with the previous month. In the first quarter of 2009 employment growth contracted by 0.9% quarter on quarter.

SECTORAL OUTPUT

Euro area output fell markedly in the latter part of 2008 and the first quarter of 2009 and stabilised in the second quarter. As a consequence, spare capacity within the economy increased and capacity pressures within businesses abated very quickly. By July capacity utilisation in the industrial sector had fallen to a new record low of 69.5%, far below its long-term average level and also well below the trough reached during the recession in the 1990s. Capacity utilisation is at record low levels in all the main industrial groupings, but is lowest in the intermediate and capital goods industries. According to the European Commission's industrial and services sector surveys, firms report that insufficient demand is by far the largest impediment to growth while the importance of financial constraints, although rising somewhat recently, appears relatively small (see Box 6).

Box 6

RECENT DEVELOPMENTS IN EURO AREA CAPACITY UTILISATION AND FACTORS LIMITING ECONOMIC ACTIVITY

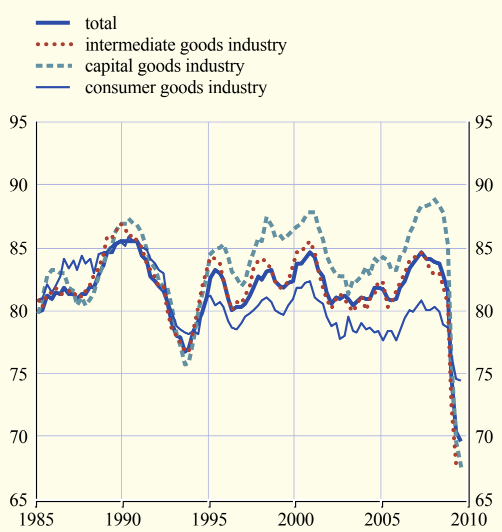
The euro area economy has recorded a sharp decline in GDP in the current recession. Measured from its peak in the first quarter of 2008 to the second quarter of 2009, at 5.0% the decline in GDP is about twice as large as in the previous most severe recession since 1970. Activity across all economic sectors has been significantly affected, but, as in previous recessions, industrial activity has been hit hardest. While Eurostat's first full release of national accounts for the second quarter of 2009 shows a sharp moderation in the pace of the decline in GDP, value added data point to a notable fall in industrial activity in that quarter, albeit of a smaller magnitude than in the previous two quarters. This box discusses how capacity utilisation in the euro area industrial sector has developed in the wake of the sharp decline in activity in that sector. Based on survey data from the European Commission, it also examines which factors have limited euro area activity in the recent past.

Capacity utilisation in the euro area industrial sector

The capacity utilisation rate, an indicator of the amount of economic slack in the industrial sector, has fallen to record lows repeatedly over the past few quarters in the euro area (see Chart A). Following exceptionally steep declines in January and April 2009, capacity utilisation continued to decrease in July 2009, although at a more moderate pace, in line with the recent deceleration in the pace of the decline in industrial activity. In July the rate of capacity utilisation in the euro area stood at 69.5%, which is significantly below its long-term average of 81.6% since the series began in 1985 and also far below the trough it reached in the 1992-93 recession.

Chart A Capacity utilisation in industry and in the main industrial groupings

(percentages of full capacity)



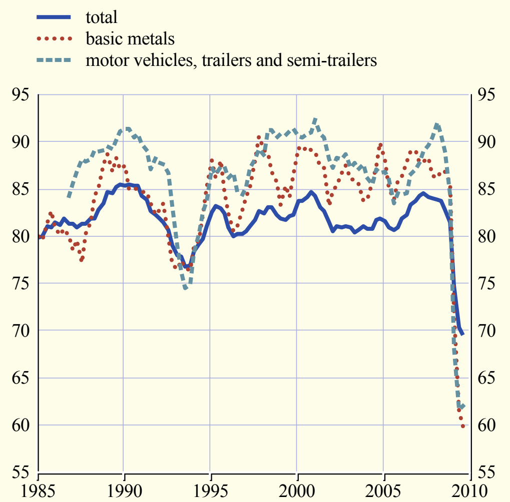
Source: European Commission.

There are significant differences in capacity utilisation across the main industrial groupings. By far the steepest fall (from a record high in January 2008) was recorded in the capital goods industry where capacity utilisation declined by more than 20 percentage points, to stand at a record low of 67.6% in July 2009. Capacity utilisation in the intermediate goods industry fell to a similarly low value, albeit from a somewhat lower level recorded prior to the recession. In the consumer goods sector, capacity utilisation also reached a record low in July. However, reflecting the typically smaller cyclical movements in consumer goods production, the amount of spare capacity in this sector has increased less than in the other two main industrial groupings.

Some industries within the main industrial groupings display even more pronounced under-utilisation of resources. The largest spare

Chart B Capacity utilisation in manufacturing of basic metals and of motor vehicles, trailers and semi-trailers

(percentages of full capacity)



Source: European Commission.

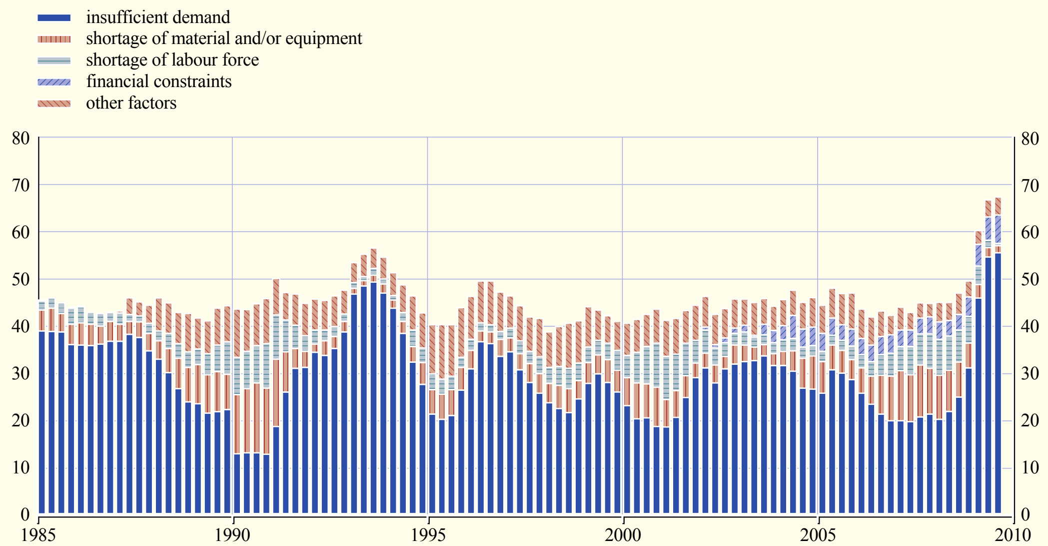
capacities were recorded in manufacturing of basic metals and of motor vehicles, trailers and semi-trailers (see Chart B). The capacity utilisation rates in these industries fell to levels of around 60% in July and, despite the car scrapping premiums that have been introduced in several euro area countries, capacity utilisation in the latter sector has edged up only marginally so far.

Factors limiting euro area activity

The European Commission Business and Consumer Surveys provide information on the factors limiting activity in the euro area. They distinguish between six categories and respondents can flag more than one: insufficient demand, shortage of labour force, shortage of material and/or equipment, financial constraints, other factors limiting activity and none (i.e. no factors limiting activity). Chart C summarises the percentages of replies given to the different limiting factors in the industrial sector (i.e. it excludes the category of no factors limiting production). The chart highlights the fact that, overall, limits to euro area industrial production have risen to unprecedented levels in the current recession and have clearly exceeded those reached in the 1992-93 recession. It indicates that insufficient demand is the factor that has had by far the greatest influence on the fall in production. The importance of

Chart C Limits to industrial production

(percentages)



Source: European Commission.

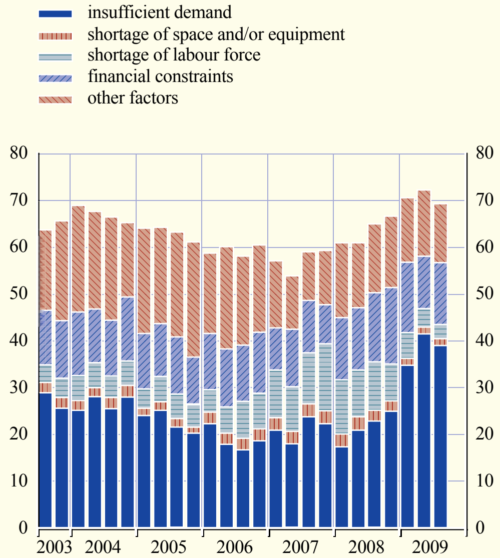
this factor continued to increase substantially in the three months to April 2009, but increased only slightly further in the period to July 2009. Compared with insufficient demand, the importance of all other limiting factors, including financial constraints, appears much more moderate, at least in relative terms. Financial constraints, the second largest impediment to production, however, gained somewhat in relative importance over the three months to July 2009. By contrast, as in the 1992-93 recession, the impact of shortages of labour force and of material and/or equipment has declined to very low levels.

The data on the services sector, which are only available from mid-2003, show that limits to services business have also increased since the start of the recession (see Chart D). While their overall level appears to be less extraordinary, the importance of insufficient demand has risen to record highs and, as in the case of industry, it represents by far the largest impediment to services business, followed by financial constraints and other factors. The relative importance of insufficient demand appears to have decreased somewhat in the three months to July 2009, while that of financial constraints has increased. Financial constraints account for a larger share of limits to services business than for industrial production but it is not clear if this is also the case in absolute terms. Nevertheless, as for industry, it appears that insufficient demand is a much more important limit to services business than financial constraints at present.

The picture is similar for the construction sector, where weather conditions are included in the survey as an additional category of factors limiting building activity. Limits to building activity rose to a very high level at the beginning of 2009, mainly on account of the increasing importance of insufficient demand. Unfavourable weather conditions at the start of the year also played a role (see Chart E). The subsequent decline in total limits to building activity has mainly been

Chart D Limits to services business

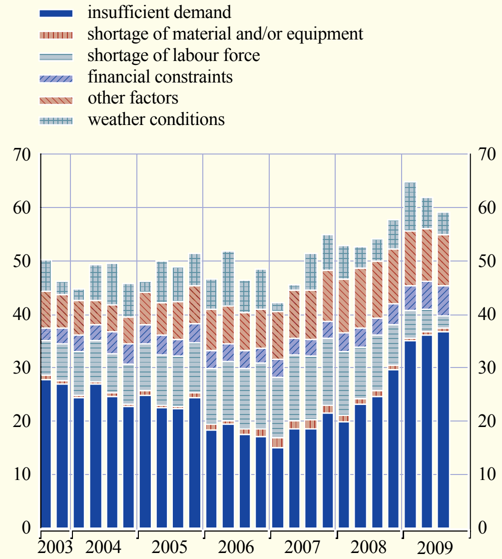
(percentages)



Source: European Commission.

Chart E Limits to building activity

(percentages)



Source: European Commission.

related to weather conditions, while the relative importance of insufficient demand and financial constraints has increased somewhat.

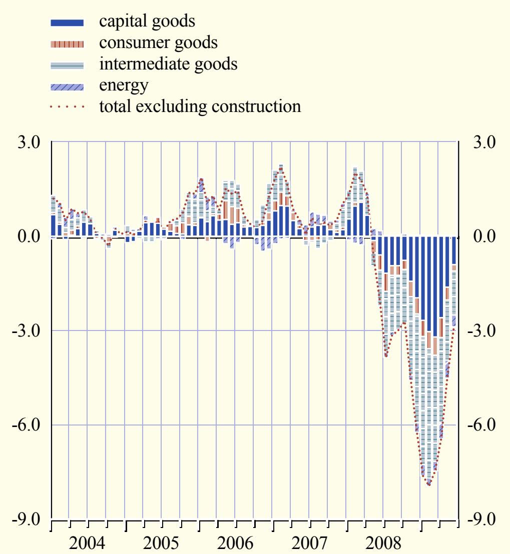
Overall, the sharp recession in the euro area has led to a steep decline in capacity utilisation in the industrial sector to a historically low level of below 70% in July, and some industries have recorded even sharper falls. This illustrates the high degree of vulnerability of some economic sectors at present. It is not clear how normal levels of capacity utilisation will be restored in the future, i.e. through higher demand or lower capacity, the latter implying lower potential output. With regard to the factors limiting economic activity, by far the largest impediment to activity in the current recession in all sectors has been insufficient demand. By comparison, the importance of financial constraints appears relatively small, even though it has increased somewhat recently.

Looking at developments in real GDP in the second quarter of 2009 from a value added perspective reveals some differences across sectors. Activity in the industrial sector (excluding construction) contracted for the fifth consecutive quarter, falling by 2% (see Chart 49). However, in line with the latest data on industrial production, this contraction was much smaller than the steep falls in activity recorded in the last quarter of 2008 and the first quarter of 2009.

Timely data in the form of business surveys confirm that the contraction in industrial activity passed an inflection point in early 2009 (see Chart 50). One of the leading survey indicators, the Purchasing Managers' Index (PMI) for the euro area manufacturing sector, increased in August for the sixth

Chart 49 Industrial production growth and contributions

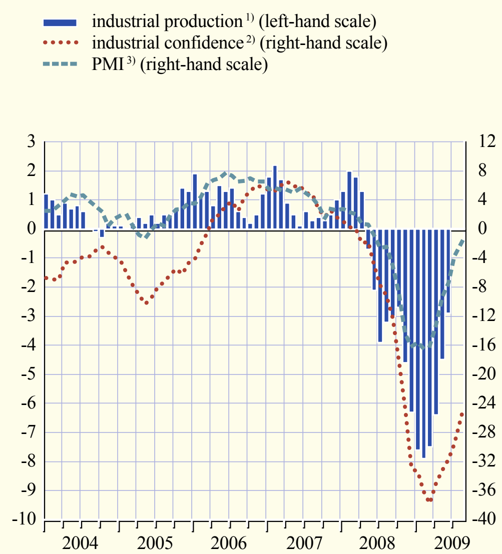
(growth rate and percentage point contributions; monthly data; seasonally adjusted)



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.

consecutive month, reaching a level close to the theoretical no change point of 50. Similarly, the PMI changes in output sub-index (which in principle should be more closely related to industrial activity than the overall composite index) also suggests a brighter outlook for the manufacturing sector. This assessment is confirmed by other industrial confidence surveys and anecdotal evidence.

The construction sector made a slightly negative contribution to euro area real GDP growth in the second quarter of 2009. Relatively large cross-country differences in construction value added can be 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.

Services sector output growth, which had hovered in positive territory since the turmoil began in mid-2007, turned negative in the last quarter of 2008 (in quarter-on-quarter terms) and the decline accelerated in the first quarter of 2009. In the second quarter the quarterly growth rate of services value added bounced back to positive territory, growing by 0.3%.

Looking ahead, the short-term outlook for euro area economic activity remains bleak. Capacity utilisation by manufacturing firms has slumped to the lowest level seen since the European Commission began its survey, and other measures also signal abating capacity pressures.

LABOUR MARKET

Employment growth in the euro area has typically lagged business cycle fluctuations since the mid-1990s. The lags differ across sectors. In the construction sector, which employs many workers on a temporary basis, employment started to fall earlier during the current economic slowdown than in the industrial, services and government sectors, where adjusting the number of employees downwards tends to be more onerous (see Table 8).

One way for firms to hoard labour while adjusting to a drop in demand is to reduce working hours. Indeed, throughout the downturn many euro area countries have implemented special working hour

Table 8 Employment growth

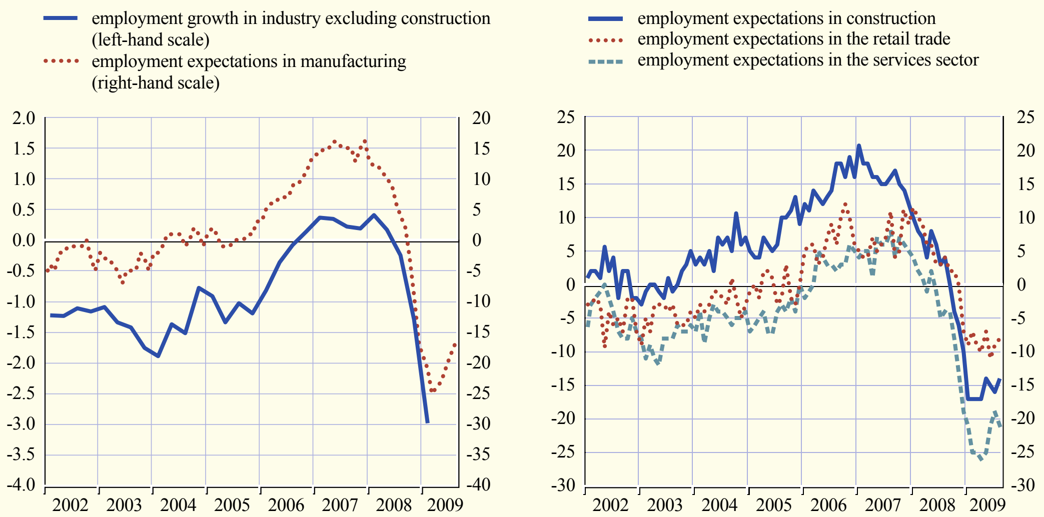
(percentage changes compared with the previous period; seasonally adjusted)

	Annual rates		Quarterly rates				
	2007	2008	2008 Q1	2008 Q2	2008 Q3	2008 Q4	2009 Q1
Whole economy	1.8	0.8	0.4	0.1	-0.2	-0.4	-0.9
of which:							
Agriculture and fishing	-1.4	-1.5	0.7	-1.4	-0.6	0.3	-1.0
Industry	1.4	-0.9	0.1	-0.5	-0.8	-1.4	-1.7
Excluding construction	0.3	-0.2	0.3	-0.2	-0.4	-1.0	-1.4
Construction	4.0	-2.4	-0.4	-1.2	-1.5	-2.2	-2.6
Services	2.1	1.5	0.5	0.3	0.1	0.0	-0.6
Trade and transport	1.9	1.3	0.7	0.1	0.0	-0.4	-1.0
Finance and business	4.0	2.5	1.2	0.2	0.1	-0.6	-1.0
Public administration[1]	1.3	1.2	0.0	0.6	0.1	0.6	0.0

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

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.

schemes. 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 many European governments. In some countries, these schemes take the form of reduced working weeks or even temporary periods of unemployment whereby workers rotate in and out of the production process. Box 7 shows that the economic downturn has not had an equal impact across genders, age bands and types of employment contract. In particular, male workers, employees aged between 15 and 24, low-skilled workers and those employed under temporary contracts appear to have been more exposed to job losses during the economic downturn.

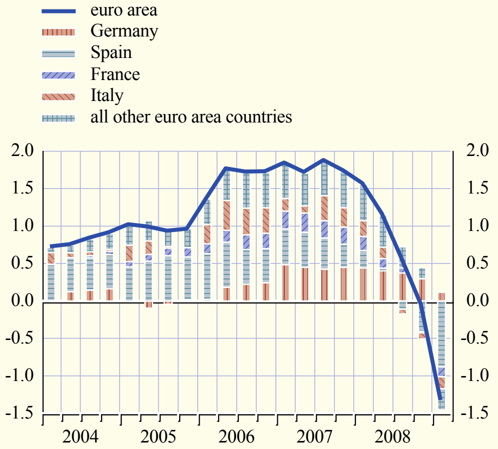
Box 7

THE COMPOSITION OF THE RECENT DECLINE IN EMPLOYMENT IN THE EURO AREA

The current downturn has resulted in a significant deterioration in the euro area labour market. This box looks at the latest developments in euro area employment in more detail, focusing on the country and sectoral dimensions, as well as on different groups of workers. According to national accounts data, the growth of euro area total employment slowed in the course of 2008, falling to 0.9% from 1.8% in 2007, and declined further, to -1.3% year on year, in the first quarter of 2009. Developments in Spain accounted for a major part of this deterioration (see Chart A). So far, the severe economic downturn has mainly hit employment in the construction sector and, to a lesser extent, in the manufacturing sector (which respectively recorded declines in employment of -7.3% and -3% year-on-year in the first quarter of 2009); total employment in market services only began to contract in the first quarter of 2009. In terms of contributions to total employment growth, the construction and manufacturing sectors

Chart A Euro area total employment growth and contributions by country

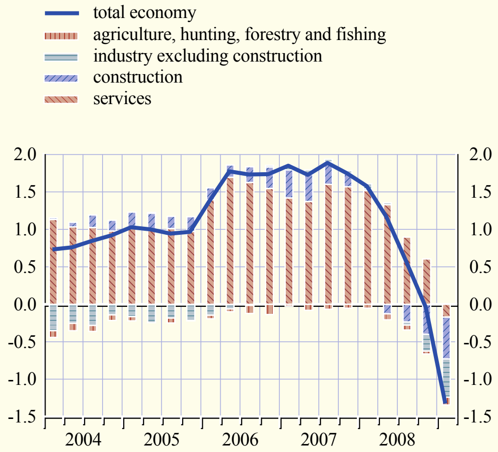
(annual percentage changes; quarterly percentage point contributions)



Sources: Eurostat and ECB calculations.
Note: Bars refer to the contribution of each country or group of countries.

Chart B Euro area total employment growth and contributions by sector

(annual percentage changes; quarterly percentage point contributions)



Sources: Eurostat and ECB calculations.
Note: Bars refer to the contribution of each sector.

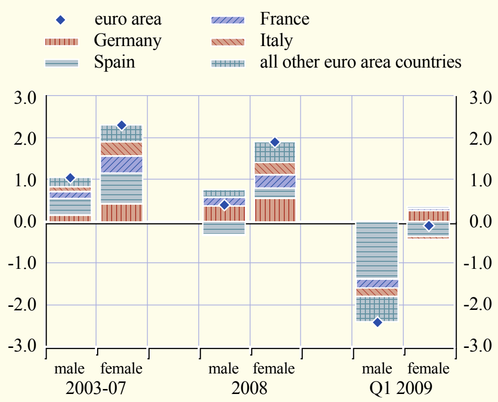
together explained 80% of the overall decline in the euro area employment figures in the first quarter of 2009, while the contribution of the services sector to the total has declined markedly in recent quarters (see Chart B).

The latest adjustment in employment has been unequally distributed across different segments of the workforce. Charts C-F show developments in euro area employment growth according to gender, age band, skill level and contract type, based on information from the European Union Labour Force Survey.[1]

According to these data, the groups of workers who appear to have borne the brunt of the deterioration in employment in recent quarters comprise male workers (Chart C), employees aged between 15 and 24 (Chart D), low-skilled workers (Chart E) and those with temporary contracts (Chart F). The decline in temporary employment was particularly sharp (-0.8% in 2008, followed by a year-on-year decline of -8.7% in the first quarter of 2009). The stronger impact on young and male workers is also apparent from recent data on unemployment rates. Between the first quarter of 2008 and the first quarter of 2009 unemployment among male workers increased by 2 percentage points (to 8.5%), compared with an increase of

Chart C Euro area employment growth by gender

(annual percentage changes; quarterly percentage point contributions)



Sources: Eurostat and ECB calculations.
Note: Bars refer to the contribution of each country or group of countries.

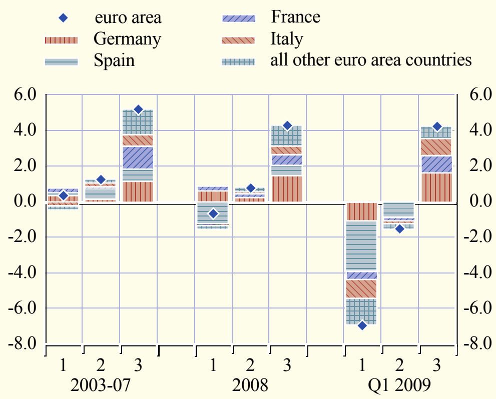
1 Data for Luxembourg in the first quarter of 2009 are currently unavailable.

1 percentage point (to 9.2%) for female workers, and by 3.9 percentage points among workers in the youngest age band (reaching 18.5% in the first quarter of 2009), compared with a 1.3 percentage point increase (to 7.7%) for workers aged 25 and above. Within each group, developments in Spain were the main driver of the deterioration in the euro area labour market performance, particularly in the case of male workers and temporary employment, with Spain accounting for 57% and 60% respectively of the decline in euro area employment for these segments.

The different developments for male and female workers may be related to the interaction of two factors. While there is some evidence that within industries the employment of female workers may exhibit greater cyclicality than the employment of male workers,[2] it appears that this factor may have been outweighed by the fact that a high proportion of men are employed in industries that have been more severely affected by the economic downturn, such as construction and manufacturing. According to the European Union Labour Force Survey, in the euro area over the period 2000-08 on average 71.5% of female workers were employed in services (excluding public administration) and only 12.2% of female workers were employed

Chart D Euro area employment growth by age band

(annual percentage changes; quarterly percentage point contributions)

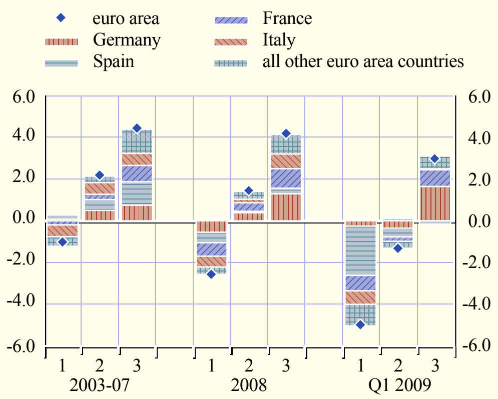


Sources: Eurostat and ECB calculations.
Notes: Bars refer to the contribution of each country or group of countries. 1 refers to workers aged 15-24, 2 refers to those aged 25-54 and 3 refers to those aged 55-64.

2 See, for instance, Shin, D. (2000), "Gender and Industry Differences in Employment Cyclicality: Evidence over the Postwar Period", Economic Inquiry, Vol. 38, No 4, pp. 641-650.

Chart E Euro area employment growth by level of educational attainment

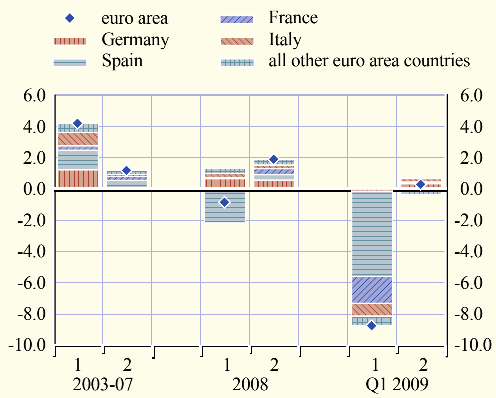
(annual percentage changes; quarterly percentage point contributions)



Sources: Eurostat and ECB calculations.
Notes: Bars refer to the contribution of each country or group of countries. 1, 2 and 3 indicate low, medium and high levels of educational attainment respectively.

Chart F Euro area employment growth by contract type

(annual percentage changes; quarterly percentage point contributions)



Sources: Eurostat and ECB calculations.
Notes: Bars refer to the contribution of each country or group of countries. 1 denotes temporary contracts and 2 permanent contracts.

in industry and construction.[3] By comparison, the corresponding figures for male workers were 49.1% and 34.3% respectively.

The other striking feature of these data is the relative deterioration in the employment prospects for younger workers (aged 15-24) compared with older workers (55-64), with the employment of younger workers recording a particularly sharp decline of -6.9% year on year in the first quarter of 2009. The relatively benign developments for older workers (with employment growth of 4.2% being recorded for this group between the first quarter of 2008 and the first quarter of 2009) may be related to labour market reforms in recent years which have tightened early retirement regulations and encouraged labour market attachment among older workers.

The low impact so far of the decline in employment on workers with permanent jobs reflects, to some extent, the high level of employment protection prevailing in some countries, a factor which could also be expected to hinder the growth of permanent jobs in the recovery. An additional factor may also be the measures taken by several euro area governments to subsidise employment through short-time working schemes. As noted in the box entitled "Labour market adjustments during the current contraction of economic activity" in the June 2009 issue of the Monthly Bulletin, such schemes help protect some of the human capital in a company if a downswing is of a short-term nature. However, if applied over longer periods of time, such schemes may hinder the necessary structural adjustment.

At the same time, the very pronounced negative impact of the downturn on certain groups, such as low-skilled workers and those with temporary contracts (often young people), warrants close attention. The longer people in these groups are out of work, the greater the danger that their skills and general employability will deteriorate, making it harder for them to find work in the future. For this reason, reducing the risk of social exclusion and supporting the labour market attachment of those more vulnerable groups is crucial at the current juncture. Such efforts should include effective active labour market policies and measures to foster lifelong learning to facilitate the reintegration of these workers into the labour market.

3 In this period, male workers represented 77.5% and 92.4% of total employment in industry and construction respectively.

The various schemes to reduce working hours have helped to prevent a sharp drop in employment. Nevertheless, in the first quarter of 2009 employment growth contracted by 0.9% quarter on quarter, which was higher than the 0.4% decline recorded in the last quarter of 2008 (see Table 8).

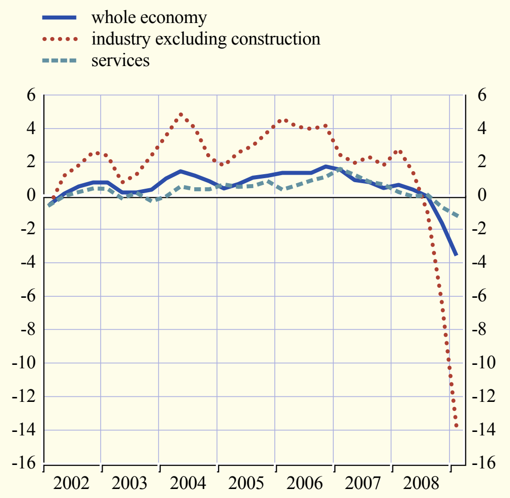
Reflecting widespread labour hoarding in the industrial sector as well as the sharp contraction in economic activity, productivity per employee has declined significantly (see Chart 52).

The latest data on unemployment is consistent with the contraction in employment. The euro area unemployment rate rose to 9.5% in July, an increase of 0.1 percentage point compared with the previous month (see Chart 53). Unemployment was broadly flat in several countries, but continued to rise strongly in others, most notably Spain and France.

Looking ahead, following the sharp contraction in output in late 2008 and early 2009 and the very low level of capacity utilisation, firms may be less able to hoard labour. Thus, further moderate increases in the euro area unemployment rate can be expected in the months ahead.

Chart 52 Labour productivity

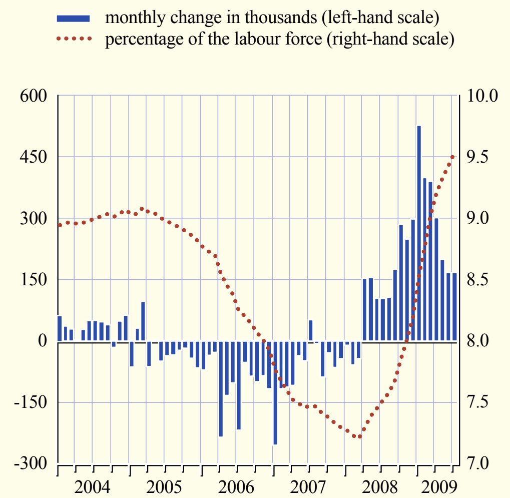
(annual percentage changes)



Sources: Eurostat and ECB calculations.

Chart 53 Unemployment

(monthly data; seasonally adjusted)



Source: Eurostat.

4.3 THE OUTLOOK FOR ECONOMIC ACTIVITY

Following the strong negative growth rates observed around the turn of the year, according to Eurostat's first estimate, economic activity in the euro area declined only slightly in the second quarter of 2009, contracting by 0.1% compared with the previous quarter. Survey indicators for the third quarter of 2009 support the view that the euro area economy is stabilising further. In the near term, the euro area should continue to benefit from a recovery in exports, the significant macroeconomic stimulus under way and the measures taken so far to restore the functioning of the financial system. In addition, the inventory cycle is expected to contribute positively. However, uncertainty remains high and the persistent volatility in incoming data warrants a cautious interpretation of available information. Overall, the recovery is expected to be rather uneven, given the temporary nature of some of the supporting factors and the ongoing balance sheet correction in the financial and non-financial sectors of the economy, both inside and outside the euro area.

This assessment is broadly in line with the September 2009 ECB staff macroeconomic projections for the euro area. According to these projections, average annual real GDP growth will range between -4.4% and -3.8% in 2009 and between -0.5% and +0.9% in 2010. For details, see Box 8.

The risks to this outlook remain broadly balanced. On the upside, there may be stronger than anticipated effects stemming from the extensive macroeconomic stimulus being provided and from other policy measures taken. Confidence may also improve more quickly, labour market deterioration may be less marked than currently expected and foreign demand may prove to be stronger than projected. On the downside, concerns remain relating to a stronger or more protracted negative feedback loop between the real economy and the still strained financial markets, renewed increases in oil and other commodity prices, the intensification of protectionist pressures and a disorderly correction of global imbalances. At the same time, the uncertainty surrounding this outlook remains higher than usual.

Box 8

ECB STAFF MACROECONOMIC PROJECTIONS FOR THE EURO AREA

On the basis of the information available up to 21 August 2009, ECB staff have prepared projections for macroeconomic developments in the euro area.[1] Reflecting the prospects of a slow recovery worldwide, average annual real GDP growth is projected to be negative in 2009, between -4.4% and -3.8%, before moving to between -0.5% and +0.9% in 2010. The currently assumed high level of slack in the euro area economy is expected to dampen inflationary pressures. The average rate of increase in the overall HICP is projected to be between 0.2% and 0.6% in 2009, rising to between 0.8% and 1.6% in 2010.

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 14 August 2009.[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 1.3% for 2009 and 1.6% for 2010. The market expectations for euro area ten-year nominal government bond yields imply an average level of 4.1% in 2009 and 4.3% in 2010. The baseline projection takes into account the recently observed signs of improvement of financial conditions and assumes that, over the projection horizon, short-term bank lending rate spreads vis-à-vis the three-month EURIBOR will narrow further. Similarly, credit supply conditions are assumed to ease gradually over the 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 62.4 in 2009 and USD 78.8 in 2010. The prices of non-energy commodities in US dollars are assumed to fall significantly, by 21.4%, in 2009 but to rise by 17.1% in 2010.

The technical assumptions about bilateral exchange rates remain unchanged over the projection horizon at the average levels prevailing in the two-week period ending on the cut-off date. This implies a EUR/USD exchange rate of 1.38 in 2009 and of 1.43 in 2010, and an effective exchange rate of the euro that appreciates by 0.1% in 2009 and by a further 0.6% in 2010.

Fiscal policy assumptions are based on individual euro area countries' national budget plans as available on 14 August 2009. They include all policy measures that have already been approved by national parliaments or that have been specified in detail by governments and are likely to pass the legislative process.

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 for each variable and each horizon correspond to a model-based 75% probability interval. The method used is documented in "New procedure for constructing ECB staff projection ranges", ECB, September 2008, available on the ECB's website. In view of the prevailing exceptional economic and financial circumstances, the uncertainty surrounding the projections is larger than usual at the current juncture.

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

Assumptions with regard to the international environment

The global economic outlook continues to be driven by the impact of the financial crisis. However, following the unprecedented synchronised plunge in global trade at the turn of the year, global growth is estimated to have turned positive in the second quarter of 2009 and is expected to be slowly gaining momentum. Nevertheless, in view of the widespread need to restructure balance sheets, global growth is projected to remain sluggish over the projection horizon. Overall, world real GDP outside the euro area is projected to fall by 1.2% on average in 2009 but to grow by 2.7% in 2010. Reflecting the significant correction in global trade, foreign demand for euro area exports is expected to fall by 13.0% in 2009, before recovering by 1.7% in 2010.

Real GDP growth projections

Real GDP growth has been negative in the euro area since the second quarter of 2008. Following the strong contraction in activity at the turn of the year, real GDP declined only slightly in the second quarter of 2009. In line with recent short-term economic indicators and surveys, real GDP is expected to continue to stabilise in the second half of the year, before gradually recovering in the course of 2010. The projected improvement is supported by the revival of exports. Domestic demand is expected to benefit from the fiscal impulse measures implemented, a cyclical increase in inventories and the measures taken to facilitate the functioning of the financial system. The recovery is, however, expected to be uneven, given the temporary nature of some of the supporting factors, and rather sluggish, given the weakness of global activity and the high level of uncertainty. Investment, in particular, is expected to decline until mid-2010. Private consumption is projected to be dampened by rising unemployment and weak consumer confidence, even though real incomes are supported by low inflation. Overall, after amounting to 0.6% in 2008, real GDP growth in 2009 is expected to be negative, between -4.4% and -3.8%, before moving to between -0.5% and +0.9% in 2010.

Price and cost projections

Reflecting base effects related to past hikes in commodity prices, average annual HICP inflation is expected to fall to between 0.2% and 0.6% in 2009, from 3.3% in 2008. While these base effects will reverse in the coming months, the weak economic outlook for the euro area is expected

Table A Macroeconomic projections for the euro area

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

	2008	2009	2010
HICP	3.3	0.2 - 0.6	0.8 - 1.6
Real GDP	0.6	-4.4 - -3.8	-0.5 - 0.9
Private consumption	0.3	-1.3 - -0.5	-0.8 - 0.6
Government consumption	1.9	1.4 - 2.0	1.0 - 1.8
Gross fixed capital formation	-0.2	-12.1 - -9.9	-5.2 - -1.2
Exports (goods and services)	0.9	-16.2 - -13.6	-0.6 - 2.4
Imports (goods and services)	1.0	-13.6 - -11.0	-2.3 - 2.1

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 for GDP refer to all 16 countries of the euro area. For the HICP, Slovakia is included as part of the euro area in the projection ranges as of 2009. The average annual percentage changes for 2009 are based on a euro area composition that includes Slovakia already in 2008.

to keep domestic price pressures contained, with inflation projected to be between 0.8% and 1.6% in 2010. The growth of compensation per employee, which registered a strong increase in 2008, is expected to decline significantly in 2009 and to recover slowly thereafter, with contained wage growth in both the public and private sectors as the labour market deteriorates and inflation remains subdued. Lower profit margins are projected to dampen inflation in 2009 before recovering again.

Comparison with the June 2009 projections

Compared with the Eurosystem staff macroeconomic projections published in the June 2009 issue of the Monthly Bulletin, the ranges projected for real GDP growth in both 2009 and 2010 have been adjusted upwards, reflecting the better than expected GDP outturn for the second quarter of 2009 and slightly more favourable prospects for domestic and external demand in the remainder of this year.

The ranges projected for the annual rate of increase in the overall HICP in 2009 and 2010 have also been adjusted slightly upwards with respect to those of June 2009, reflecting mainly upward revisions to energy prices and, to a lesser extent, the upward revisions to the real GDP growth projections.

Table B Comparison with the June 2009 projections

(average annual percentage changes)

	2008	2009	2010
Real GDP – June 2009	0.6	-5.1 - -4.1	-1.0 - 0.4
Real GDP – September 2009	0.6	-4.4 - -3.8	-0.5 - 0.9
HICP – June 2009	3.3	0.1 - 0.5	0.6 - 1.4
HICP – September 2009	3.3	0.2 - 0.6	0.8 - 1.6

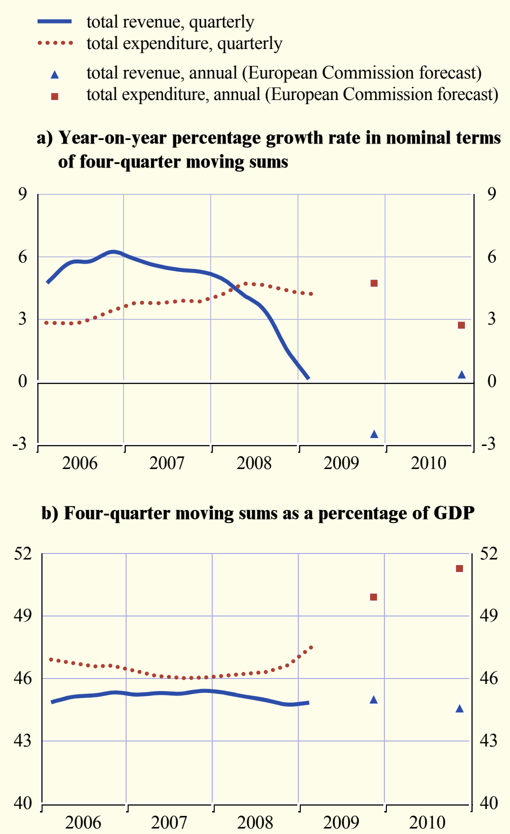
5 FISCAL DEVELOPMENTS

The latest quarterly euro area government finance statistics and developments in several euro area countries broadly confirm the expected sharp deterioration in the fiscal outlook. Given the prospect of rapidly increasing government deficit and debt-to-GDP ratios in 2009 and 2010 and the budgetary risks from substantial state guarantees, it is of crucial importance that governments prepare and communicate ambitious and realistic fiscal exit and consolidation strategies. To reduce the large fiscal imbalances, they should finalise their 2010 budgets and medium-term plans with the aim of swiftly returning to sound and sustainable public finances. In particular, correcting excessive deficits within the set deadlines will require much stronger consolidation efforts than the minimum benchmark of 0.5% of GDP per annum set in the Stability and Growth Pact. Consolidation should start, in any case, no later than the economic recovery, and efforts need to be stepped up in 2011. They can be underpinned by expenditure-based consolidation and credible, well-designed fiscal rules.

EURO AREA FISCAL DEVELOPMENTS IN 2009

The latest quarterly government finance statistics, available up to the first quarter of 2009, confirm that the financial and economic crisis is having a dramatic impact on public finances in the euro area this year, as expected in spring 2009 by the European Commission and other international institutions. Euro area data show that the strong growth in government revenue observed in previous years in the context of a generally favourable macroeconomic environment moderated in 2007 and decelerated markedly in 2008 (in terms of year-on-year growth rates of four-quarter moving sums). Revenue growth was close to zero in the first quarter of 2009 and is projected to turn negative later in the year (see Chart 54a). By contrast, government expenditure, which had previously grown at a more moderate pace than revenue, outpaced it in 2008 and is foreseen to remain more dynamic than revenue in the period ahead. As a result, the gap between expenditure and revenue as ratios to GDP is expected to widen substantially in 2009 (see Chart 54b). The budgetary developments are expected to be driven by the operation of automatic stabilisers in a very weak macroeconomic environment, as well as by the impact of fiscal stimulus measures, revenue shortfalls and the built-in momentum of government expenditure growth. The fiscal stance for the euro area, in terms of the change in the cyclically adjusted primary budget balance, is foreseen to be expansionary in 2009.

Chart 54 Government revenue and expenditure statistics and projections for the euro area

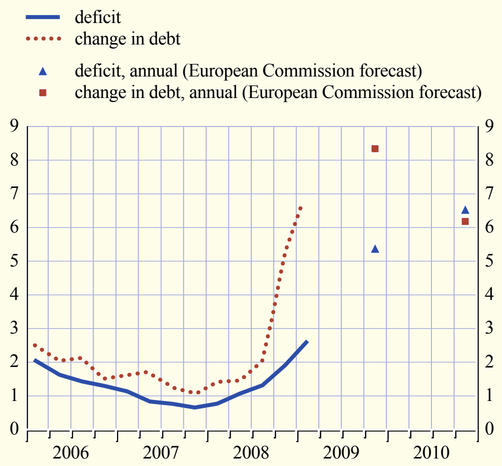


Sources: ECB calculations based on Eurostat and national data, and the European Commission's spring 2009 economic forecast.
Note: The charts show the evolution of general government total revenue and total expenditure in terms of four-quarter moving sums for the period from the first quarter of 2006 to the first quarter of 2009, plus the annual projections for 2009 and 2010 from the European Commission's spring 2009 economic forecast.

The government debt ratio for the euro area is set to rise rapidly, reflecting not only the deterioration in budget balances and the sharp decline in nominal GDP, but also the financing of large off-balance-sheet operations in support of the financial sector (for details, see 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). These off-balance-sheet operations have led government debt to increase much faster than indicated by the government deficit since the third quarter of 2008 in terms of four-quarter moving sums (see Chart 55).

Chart 55 Euro area government deficit and change in debt

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



Sources: ECB calculations based on Eurostat and national data, and the European Commission's spring 2009 forecast.

CURRENT BUDGETARY DEVELOPMENTS AND PLANS FOR 2010 AND BEYOND AT THE COUNTRY LEVEL

Most euro area countries are currently preparing their draft budgets for 2010 and updating their medium-term fiscal plans. As the information on budgetary plans is not yet complete, however, an assessment of the outlook for public finances in the euro area as a whole can only be tentative at this stage. The following review of current budgetary developments and plans is restricted to the largest euro area countries.

In Germany, according to updated fiscal projections published by the Ministry of Finance in July, the general government budget balance is expected to deteriorate significantly, from a roughly balanced position in 2008 to a deficit of 4% of GDP in 2009 and further to 6% of GDP in 2010, broadly in line with the European Commission's spring 2009 forecast. The substantial worsening of the budgetary situation in 2009 and 2010 is mainly attributable to the operation of automatic stabilisers in the context of the severe economic downturn and the implementation of sizeable fiscal stimulus measures (amounting to around 1½% of GDP for 2009 and 2% of GDP for 2010) to stabilise the economy. The government envisages budgetary improvements of 1% of GDP annually from 2011, which should bring the deficit down to 3% of GDP in 2013.

In France, according to the fiscal projections updated by the government in June, the general government deficit is expected to lie within a range of 7-7½% of GDP in 2009 and 2010, increasing significantly from 3½% of GDP in 2008. This expected deterioration in the budget balance is worse than previously projected in the Commission's spring 2009 forecast (which foresaw deficits of 6.6% of GDP in 2009 and 7.0% of GDP in 2010) and results from the operation of automatic stabilisers, discretionary revenue reductions (stemming from, for example, the reduction in the VAT rate for catering and restaurants applicable since 1 July 2009), lower social security contributions and a one-off income tax cut for low income households in 2009. According to the preliminary assumptions underlying the 2010 budget preparations, the government is targeting an average annual consolidation effort of 0.5% of GDP in structural terms from 2010 onwards. The general government deficit is projected to be in the range of 5-5½% by 2012. This stands in stark contrast to the country's commitment at the European level, as France's deadline for correcting its excessive deficit is 2012.

In Italy, the government published new medium-term projections for the period 2009-13 in July, according to which the general government deficit is expected to increase from somewhat below 3% of GDP in 2008 to 5.3% and 5.0% of GDP in 2009 and 2010 respectively, before decreasing to 2.4% by 2013. The projections for 2009 and 2010 are more pessimistic than those contained in the Commission's spring 2009 forecast (4.5% and 4.8% of GDP respectively). In July, the Italian Parliament also converted into law the "anti-crisis" decree issued by the government at the end of June. The package envisages a reduction in corporate taxation in the form of tax incentives for new investments in machinery by enterprises. According to the government, the package will have no effect on the general government net borrowing requirement, as the deficit-increasing stimulus measures will be fully offset by changes in other budget items. The government attributes the projected gradual decline of the deficit in 2010-13 to an expected improvement in the macroeconomic situation and (so far largely unspecified) corrective measures which would amount to 0.4% of GDP in 2011 and 1.2% of GDP each year in 2012 and 2013.

In Spain, government officials indicated in July that, despite recent tax increases on tobacco and fuel, the general government deficit was likely to reach 9.5% of GDP in 2009, nearly 1 percentage point higher than envisaged in the Commission's spring 2009 forecast. The further worsening of the fiscal outlook is expected to be mainly driven by further revenue shortfalls (which reflect at least to some extent an unwinding of the significant revenue windfalls that had been observed in the years preceding the economic downturn), as well as by the robust growth of social payments, the projected impact of cyclical developments and discretionary measures taken in the last two years. These include a tax reform in 2007, a fiscal stimulus package in early 2008 and further stimulus measures in late 2008 and early 2009. There is currently little information as to whether the government expects Spain to meet its commitment at the European level to correct its excessive deficit by the 2012 deadline.

NEED FOR TIMELY FISCAL EXIT AND CONSOLIDATION STRATEGIES

The latest information confirms the European Commission's expectation, put forward in its spring 2009 economic forecast, that all but three euro area countries (Cyprus, Luxembourg and Finland) will have government deficits in excess of the 3% of GDP reference value in 2009 and that all are at risk of breaching the reference value in 2010. The resulting rapidly increasing government debt ratios, in addition to the substantial state guarantees provided to financial and non-financial corporations, pose a severe threat to the sustainability of public finances. These worrying developments reveal the urgent need for all euro area countries to prepare and communicate ambitious and realistic exit strategies from the crisis-related fiscal measures, as well as medium-term consolidation paths which ensure a swift return to sound and sustainable public finances.

In this context, fiscal policies should be guided by the provisions of the Stability and Growth Pact, which should be implemented in a strict manner. It is especially important that the countries with excessive deficits correct them within the deadlines set by the EU Council. In addition to the four euro area countries already subject to excessive deficit procedures – namely Greece (with a deadline for correction in 2010), France, Spain (both with a 2012 deadline) and Ireland (with a 2013 deadline) – Malta was given until 2010 to bring its deficit below 3% of GDP by the ECOFIN Council at its meeting on 7 July. On the same day, the Council invited Belgium to submit, by 20 September at the latest, a complement to its stability programme including a well-founded medium-term budgetary strategy.

In line with the orientations for fiscal policies defined by Eurogroup ministers on 8 June 2009, governments have committed to putting in place robust medium-term exit strategies that will lead to a timely correction of excessive deficits. These strategies are to be presented in the forthcoming round of stability programmes. In addition, Eurogroup ministers affirmed their commitment to fully implement the surveillance framework defined by the Stability and Growth Pact.

Given the sharp budgetary deterioration foreseen for this year and next in most euro area countries, consolidation efforts will need to exceed significantly the minimum benchmark of 0.5% of GDP per annum set in the Stability and Growth Pact. In particular, in countries with high deficit and/or debt ratios, the annual structural adjustment should reach at least 1.0% of GDP in order to ensure a timely correction of excessive deficits and to contain the risks for fiscal sustainability. Structural adjustment should start no later than the economic recovery and consolidation efforts should be stepped up in 2011. In any case, the deadlines for the correction of excessive deficits should be fully adhered to rather than becoming moving targets that are pushed forward.

Looking further ahead, countries should maintain a high pace of consolidation even after correcting their excessive deficits in order to reach their medium-term budgetary objectives as soon as possible. Ambitious efforts to substantially improve fiscal positions after the immediate effects of the crisis have been reversed are warranted, not least because the impact of population ageing on government budgets is already materialising and will strongly intensify in the coming years (for details, see the box entitled "The 2009 Ageing Report: updated projections for age-related public expenditure" in the June 2009 issue of the Monthly Bulletin). Hence, the need to achieve the medium-term objectives is particularly urgent to ensure fiscal sustainability in the medium and long run. This could be facilitated by the adoption of credible, well-designed domestic fiscal rules that promote compliance with European commitments (see Box 9).

Box 9

DOMESTIC FISCAL RULES AND INSTITUTIONS AS A COMPLEMENT TO THE EU FISCAL FRAMEWORK

The Treaty establishing the European Community and the Stability and Growth Pact provide the legal and institutional framework for achieving and maintaining sound public finances in the EU; they should thus also guide Member States' fiscal exit and consolidation strategies aimed at reversing fiscal stimulus measures and swiftly correcting excessive deficits.[1] As highlighted by a large body of literature, domestic fiscal rules could usefully complement the EU fiscal framework for strengthening fiscal discipline and ensuring the sustainability of public finances in the euro area.[2]

Domestic fiscal rules naturally align with national sovereignty, are subject to national parliamentary approval and their implementation may be monitored by independent national

1 For a brief overview of the main provisions of the Treaty and the Stability and Growth Pact, see the box entitled "The legal framework for ensuring sound fiscal policies in EMU" in the March 2009 issue of the Monthly Bulletin. An extensive description and assessment of the EU fiscal rules is provided by R. Morris, H. Ongena and L. Schuknecht, "The reform and implementation of the Stability and Growth Pact", ECB Occasional Paper No 47, 2006.

2 See, for example, L. Schuknecht "EU fiscal rules: issues and lessons from political economy", ECB Working Paper No 421, 2004, and M. Buti, S. Eijffinger and D. Franco, "Revisiting the Stability and Growth Pact: Grand Design or Internal Adjustment?", CEPR Discussion Paper No 3692, 2003.

bodies. This allows governments to reinforce their commitments to budgetary prudence by adopting credible and ambitious fiscal rules, which may be backed by stringent enforcement mechanisms.[3] Thus, while the deficit and debt ceilings of the Treaty and the Stability and Growth Pact, as well as the medium-term budgetary objectives, establish common and consistent benchmarks for fiscal prudence across Member States, national fiscal rules and institutions may reinforce compliance with these EU-wide provisions.

Recent empirical evidence for EU countries suggests that strong domestic fiscal rules do indeed encourage governments to adopt a more prudent fiscal stance.[4] In particular, a broad consensus has emerged that rules-based restrictions on government spending are suitable tools to induce fiscal prudence at the domestic level, since political pressure to deviate from budgetary discipline tends to be especially pronounced on the expenditure side.[5] As a consequence, countries with enforced national expenditure rules should, ceteris paribus, be expected to show stronger compliance with the EU fiscal framework than other EU countries.

In addition to strengthening the budgetary discipline of central governments, domestic fiscal rules are a useful instrument to coordinate fiscal policy between different layers of government: most Member States are characterised by substantial fiscal autonomy at the sub-national government level. This federal structure can give rise to a "common pool" problem, since the consequences of fiscal indiscipline of a sub-national government often spill over to other jurisdictions and affect the general government sector as a whole. Hence, restricting sub-national fiscal policy via domestic rules helps to induce budgetary prudence across layers of government, which is needed to meet the budgetary targets for general government set by the EU fiscal framework.

The overall institutional environment needs to support the implementation of domestic fiscal rules. In particular, the assessment of governments' compliance with the rules may need to be carried out by independent and impartial institutions. Moreover, the power of fiscal rules rests to a large extent on the fact that compliance can be monitored by the public. This calls for simple and quantifiable norms and requires accurate and timely reporting of fiscal plans and developments by governments.

The recent surge in government debt ratios points to another important area in which domestic rules and institutions might provide a useful complement to the EU fiscal framework. In particular, a commitment to explicit targets for debt developments at the domestic level would further strengthen the disciplining role of deficit-oriented fiscal frameworks for two reasons. First, such targets would be highly transparent for voters and thus provide a forceful benchmark against which a government's debt reduction effort can be measured. Second, targeting both deficit and debt would reduce the political incentive to shift activities "off-budget" in order to meet the budgetary constraints imposed by the EU fiscal framework.[6,7]

3 See A. Fatás, J. von Hagen, A. Hughes Hallett, R. Strauch and A. Sibert, "Stability and Growth in Europe: Towards a Better Pact", *Monitoring European Integration 13*, ZEI/CEPR, Bonn/London, 2003.

4 See, for example, X. Debrun, L. Moulin, A. Turrini, J. Ayuso-i-Casals and M. Kumar, "Tied to the mast? National fiscal rules in the European Union", *Economic Policy*, Vol. 23 (4), pp. 297-362, 2008.

5 See, for example, "Public Finances in EMU", European Commission, 2003, 2005 and 2006, and G. Ljungman, "Expenditure Ceilings – A Survey", IMF Working Paper No 282, 2008.

6 For details on the use of stock-flow adjustments as an instrument to meet the restrictions of the EU fiscal framework, see J. von Hagen and G. Wolff, "What do deficits tell us about debt? Empirical evidence on creative accounting with fiscal rules in the EU", *Journal of Banking and Finance*, Vol. 30, pp. 3259-79, 2006.

7 The view that governments should commit to ambitious debt reduction efforts is also reflected in the IMF staff report for the 2009 Article IV consultation on euro area policies concluded on 17 July 2009.

A "quick fix" should not be expected for the challenges faced by public finances in the current environment, in particular given the uncertainty concerning the pace of recovery. However, both theoretical considerations and experience in individual countries suggest that a rigorous implementation of, and adherence to, rules-based fiscal frameworks will be useful in directing fiscal policy towards a sustainable path for public finances.

Beyond its immediate impact, the financial crisis and the severe economic downturn may also affect public finances with a delay. This further pressure derives from three major risks. First, considerable risks associated with the bank rescue operations still affect both the asset and the liability sides of the government balance sheet. On the one hand, loans may not be (fully) repaid or acquired bank assets may have to be sold at a loss in the future and, on the other hand, state guarantees provided to the financial sector are contingent liabilities that may ultimately be called. Second, the true fiscal costs of the financial rescue packages are still subject to considerable uncertainty. In particular, on 15 July Eurostat published a decision which implies that certain public interventions to support financial institutions and markets during the financial crisis will not – at least in the first instance – be statistically recorded in general government accounts. However, irrespective of their inclusion in the general government accounts and the timing thereof, the risks for public finances related to these operations need to be closely monitored in a transparent manner. For this reason, Eurostat also announced its intention to publish, as from October 2009, supplementary tables related to the activities undertaken to support financial institutions (e.g. government guarantees, special purpose vehicles and temporary liquidity schemes). Third, the current sharp contraction in economic activity may be followed by a prolonged period of subdued economic growth, which would result in a lower structural level of tax receipts. To avoid a further rise in deficits, governments therefore need to adjust their expenditures appropriately to the new macroeconomic conditions and, in particular, reverse the sharp rises in government expenditure ratios as soon as possible.

In the light of these budgetary risks, and given that most euro area countries will face significantly higher government debt ratios than before the crisis, debt reduction is necessary and should be achieved preferably by means of expenditure-based consolidation. Past experience in several euro area countries shows that rapid and sizeable debt reductions are possible, and governments could apply the lessons learned from past successes to their future strategies (see Box 10).

Box 10

EXPERIENCE WITH GOVERNMENT DEBT REDUCTION IN EURO AREA COUNTRIES

The financial crisis and the severe economic downturn are contributing to a substantial increase in the government debt-to-GDP ratio in many euro area countries. As this situation is creating serious risks for the sustainability of public finances and will urgently need to be addressed, this box examines past experience with debt reductions in the euro area.

The rising government debt ratios in the euro area countries raise the question of what factors will help to stabilise these ratios and then put them on a steadily declining path. An analysis of successful past experience in various countries provides valuable insights when considering potential policy options for debt reduction in the future. The table below summarises government debt developments in the 11 EU countries that adopted the euro when Monetary Union was established in 1999 and in Greece, which joined in 2001. The table compares the debt ratios for 1991 (the year that the Maastricht Treaty was signed), 1998 (the year before the start of Stage Three of EMU) and 2008, and lists the countries that recorded sizeable reductions in their debt ratios, defined as a total decline of more than 20 percentage points from their peak in the mid-1990s to their most recent trough.

As can be seen from the first three columns of the table, debt ratios followed a different path in the individual countries. Some countries, such as Germany and France, did not manage to fully reverse the rise in their debt ratios during the period under consideration and, as a result, recorded debt ratios in 2008 that were higher than those in 1998. By contrast, other countries, such as Ireland and Belgium, experienced a significant decline in their debt ratios as compared with both 1991 and 1998, albeit from a high starting level.

Five (out of 12) countries – namely Belgium, Ireland, Spain, the Netherlands and Finland – recorded sizeable reductions in their debt ratios, all of which were spread over more than ten years. The first year (t_0) and the last year (t_n) of the debt reduction period are presented in parentheses. Moreover, the peak in the debt ratio in the year prior to the start of the debt reduction period (t_{-1}), the trough in the debt ratio in the year at the end of the debt reduction period (t_n) and the cumulative decline in the debt ratio are listed for these countries. As can be seen, sizeable reductions in the debt ratio range from a decline of around 24 percentage points over a period of 14 years from 1995 to 2008 in Finland to a decline of more than 69 percentage points over the period from 1994 to 2006 in Ireland.

The last three columns of the table provide a breakdown of the total decline in the government debt ratio from peak to trough into three components. First, the primary balance, which

The development of debt in selected euro area countries and sizeable government debt reduction

(as a percentage of GDP)

Country/Period of sizeable debt reduction (t_0 - t_n)	Debt ratio			Debt ratio		Change in debt ratio	Contribution		
	1991	1998	2008	Peak (t_{-1})	Trough (t_n)	(t_n - t_{-1}) 1=-2+3+4 (1)	Primary balance (2)	Snowball effect (3)	Stock-flow adjustment (4)
Belgium (1994-2007)	**127.0**	**117.1**	**89.6**	**134.2**	**84.0**	**-50.2**	**69.4**	**27.7**	**-8.5**
Germany	39.5	60.3	65.9						
Ireland (1994-2006)	**94.5**	**53.1**	**43.2**	**94.1**	**24.9**	**-69.2**	**48.7**	**-38.1**	**17.5**
Greece	75.0	102.6	97.6						
Spain (1997-2007)	**43.4**	**63.2**	**39.5**	**66.8**	**36.2**	**-30.6**	**25.3**	**-11.2**	**5.9**
France	36.0	59.4	68.0						
Italy	98.0	114.9	105.8						
Luxembourg	4.1	7.4	14.7						
Netherlands (1994-2007)	**76.6**	**65.7**	**58.2**	**78.5**	**45.6**	**-32.9**	**35.8**	**8.0**	**-5.1**
Austria	56.3	64.8	62.5						
Portugal	57.7	52.1	66.4						
Finland (1995-2008)	**22.2**	**48.2**	**33.4**	**57.8**	**33.4**	**-24.4**	**64.8**	**0.8**	**39.7**

Source: ECB calculations based on European Commission AMECO database.
Note: The change in the government gross debt-to-GDP ratio can be decomposed as follows:

$$\Delta b_t = -pb_t + \left(\frac{r_t - g_t}{1 + g_t}\right) b_{t-1} + sf_t$$

where t is a time subscript; b is the general government gross debt as a percentage of GDP; pb is the primary balance as a percentage of GDP (fiscal balance excluding interest payments); r is the real interest rate; g is the real GDP growth rate; and sf is the stock-flow adjustment as a percentage of GDP.

in the case of a surplus tends to decrease the debt ratio. Second, the interest rate growth rate differential, known as the snowball effect, indicating that a debt ratio tends to rise (decline) if the GDP growth rate is lower (higher) than the interest rate paid on government debt. Third, the stock-flow adjustment, capturing the effects of the accumulation or sale of financial assets, changes in the value of foreign debt owing to exchange rate changes and remaining statistical adjustments, as well as other residuals.[1]

The following findings emerge from the last three columns in the table. First, primary surpluses contributed significantly to debt reduction in all five countries that recorded a sizeable reduction in their debt ratios. The contribution of primary surpluses was, on average, close to 5 percentage points of GDP per year for Belgium and Finland, around 3.5 percentage points for Ireland and around 2.5 percentage points for the Netherlands and Spain (computed as the total contribution of the primary balance divided by the number of years in the debt reduction period). Second, all five countries benefited from a marked decline in the real interest rate. In Ireland and Spain, real GDP growth was even high enough, on average, to generate a negative snowball effect, which contributed significantly to the reduction of their debt ratios. The strong output growth performance of these countries also contributed to higher primary balances than would otherwise have been achieved. Third, stock-flow adjustments contributed significantly to a higher debt ratio in Finland and Ireland. In the case of Finland, the debt-increasing effect of the stock-flow adjustment can be traced back to financial investments of the general government, including the accumulation of assets in social security funds. In the case of Ireland, equity injections related mainly to the financing of infrastructure (e.g. transport, telecommunications and energy) played an important role. In the remaining countries, the impact of stock-flow adjustments on government debt developments was more limited.

Lessons from the past, lessons for the future

The experience of the past suggests that a reduction in the very high debt ratios that are currently projected for many countries will require substantial fiscal consolidation efforts. Since real GDP growth rates may be relatively subdued in the years to come, the probability of a substantial debt-reducing contribution from the interest rate growth rate differential is low. In addition, the proceeds from the future sale of financial assets acquired by governments during the financial crisis are highly uncertain. Thus, creating significant primary surpluses through fiscal consolidation will be vital. In this regard, the literature shows that expenditure-based consolidations tend to be more durable and growth-friendly than those that are revenue-based.[2] With tax burdens already high, revenue-based consolidation may lack credibility, as economic agents may anticipate that additional tax increases will have to be reversed owing to, for example, their adverse impact on economic incentives, international competitiveness and potential growth.[3] By contrast, expenditure reductions may convince agents that the structural adjustment effort is serious and will produce a lasting improvement in fiscal sustainability. Ambitious expenditure reforms comprising lower government consumption and significant reforms in transfers to households

1 For an overview of approaches to fiscal sustainability, see N. Giammarioli, C. Nickel, P. Rother and J.-P. Vidal, "Assessing fiscal soundness – theory and practice", ECB Occasional Paper No 56, 2007. For an overview of the composition of the stock-flow adjustment, see the article entitled "From government deficit to debt: bridging the gap" in the April 2007 issue of the Monthly Bulletin.

2 See also A. Afonso, "Expansionary fiscal consolidations in Europe: new evidence", ECB Working Paper No 675, 2006, and G. Giudice, A. Turrini and J. in't Veld, "Non-Keynesian Fiscal Adjustments? A Close Look at Expansionary Fiscal Consolidations in the EU", *Open Economies Review*, Vol. 18 (5), pp. 613-630, 2007.

3 See, for example, Task Force of the Monetary Policy Committee of the European System of Central Banks, "Labour supply and employment in the euro area countries – developments and challenges", ECB Occasional Paper No 87, 2008.

helped Finland, Ireland and the Netherlands, in particular, to reduce their primary expenditure ratios relative to revenue ratios and to create significant primary surpluses which underpinned the steady decline in their high debt ratios.[4] In addition, expenditure-based consolidation strategies may affect macroeconomic developments via wages and investment. In particular, if expenditure cuts in the area of public employment lead to a reduction in overall wage pressures in the economy, this may induce firms to hire more workers and raise investment spending, thus supporting long-term growth. This in turn will help debt reduction indirectly via the above-mentioned snowball effect and additional revenue and lower transfer spending.

4 See also S. Hauptmeier, M. Heipertz and L. Schuknecht, "Expenditure Reform in Industrialised Countries – A Case-Study Approach", *Fiscal Studies*, Vol. 28 (3), pp. 293-342, 2007.

6 EXCHANGE RATE AND BALANCE OF PAYMENTS DEVELOPMENTS

6.1 EXCHANGE RATES

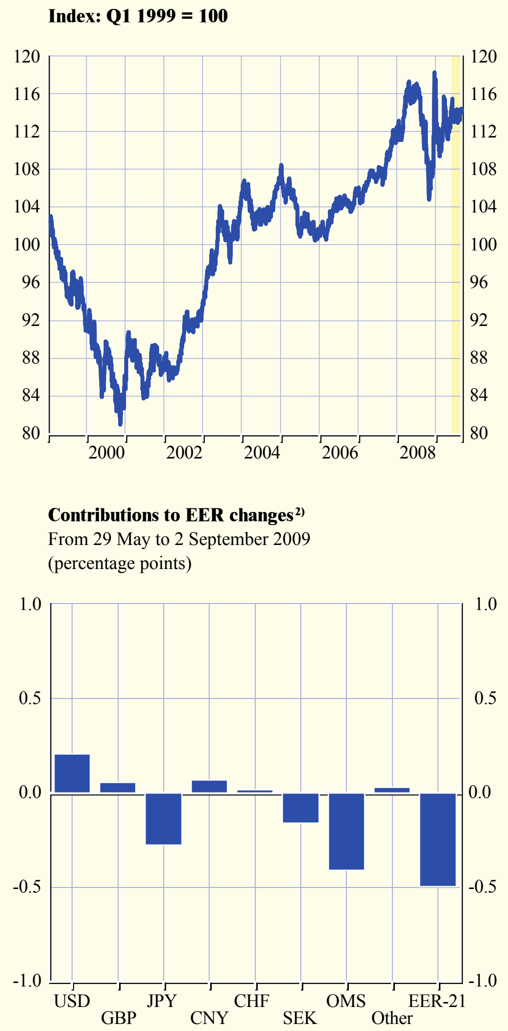
In the first few months of 2009 the high levels of volatility and large swings observed on currency markets after the intensification of the financial crisis in September 2008 started to ease. Since the end of May, the amplitude of the fluctuations of the euro against major currencies has decreased further and the implied volatilities have approached their historical averages. As a result of diminished and mutually offsetting fluctuations in its bilateral exchange rates, the nominal effective exchange rate of the euro remained broadly unchanged over the three months to 2 September 2009.

EFFECTIVE EXCHANGE RATE OF THE EURO

In late 2008 and, to a lesser extent, in early 2009 major currencies were highly volatile and underwent large swings. These developments were partly driven by rapidly changing conditions in global financial markets and uncertainty over economic prospects in various regions of the world. As tensions in financial markets eased in the course of 2009 and particularly from the end of May, so did the fluctuations in the nominal bilateral exchange rates of the euro, with the implied volatilities moving closer to, or reaching, their historical averages.

Chart 56 Euro effective exchange rate and its decomposition [1]

(daily data)

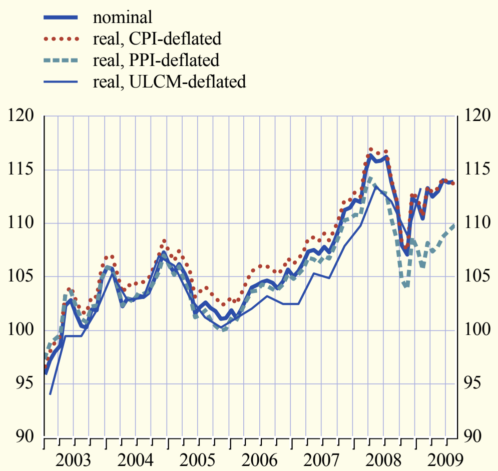


Source: ECB.
1) An upward movement of the index represents an appreciation of the euro against the currencies of 21 of the most important trading partners of the euro area and all non-euro area EU Member States.
2) Contributions to EER-21 changes are displayed individually for the currencies of the six main trading partners of the euro area. The category ''Other Member States'' (OMS) refers to the aggregate contribution of the currencies of the non-euro area Member States (except the pound sterling and the Swedish krona). The category ''Other'' refers to the aggregate contribution of the remaining six trading partners of the euro area in the EER-21 index. Changes are calculated using the corresponding overall trade weights in the EER-21 index.

On 2 September 2009 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 broadly unchanged from its level at the end of May (see Chart 56). The relative stability of the effective exchange rate of the euro in this period reflected counterbalancing movements in bilateral rates as well as a narrowing of fluctuations against major currencies. On the one hand, the euro depreciated vis-à-vis the Japanese yen and the currencies of the EU Member States that joined in 2004 and 2007 and are not participating in ERM II, which appear to have been benefiting from subsiding risk aversion. On the other hand, the euro strengthened slightly against the US dollar, reportedly on the back of positive news regarding the macroeconomic outlook for the euro area and concerns over US fiscal prospects. At the same time, the range of fluctuation in the bilateral euro-dollar exchange rate was relatively narrow. With regard to indicators of international price and cost competitiveness of the euro area, in July 2009

Chart 57 Euro nominal and real effective exchange rates [1)]

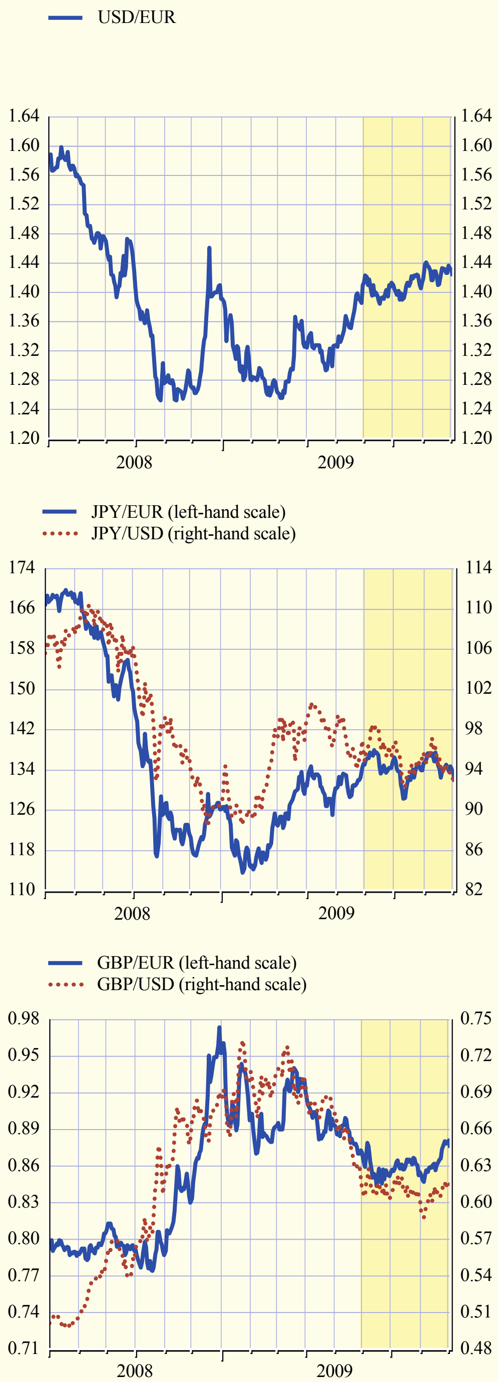
(monthly/quarterly data; index: Q1 1999 = 100)



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 August 2009. In the case of the ULCM-based real EER-21, the latest observation is for the first quarter of 2009 and is partly based on estimates.

Chart 58 Patterns in exchange rates

(daily data)



Source: ECB.
Note: The shaded area refers to the period from 29 May 2009 to 2 September 2009.

the real effective exchange rate of the euro was, on average, around 1.0% stronger than its average 2008 level, based on developments in consumer and producer price deflators (see Chart 57).

US DOLLAR/EURO

Following a period of large swings in key bilateral exchange rates in the second half of 2008 and, to a lesser extent, at the beginning of 2009 – which resulted in an overall weakening of the euro against the dollar amid heightened uncertainty – the euro has tended to strengthen since early March. This appreciation appears to have been partly driven by easing tensions in the financial markets and the resulting decline in risk perceptions. Since the end of May, the euro has strengthened slightly amid concerns over the US fiscal outlook and, more recently, data releases pointing to an improved economic outlook for the euro area (see Chart 58). At the same time, the implied volatility declined further, reaching levels last recorded in the summer of 2008. On 2 September 2009 the euro was trading at USD 1.42, 0.9% higher than at the end of May 2009 and 3.3% below its 2008 average.

JAPANESE YEN/EURO

Over the past year the developments in the EUR/JPY exchange rate mirrored, to some extent, those in the EUR/USD rate. In the second half of 2008 the rapid unwinding of carry-trade positions contributed to a sharp weakening of the euro against the yen. After some fluctuation, the euro started to strengthen in early 2009, mainly against the backdrop of the significant decline in economic activity in Japan. In the following months the implied volatility decreased sharply and the bilateral exchange rate fluctuated between JPY 128 and JPY 138 to the euro, reportedly being affected by changes in the overall risk perception in the financial markets. On 2 September the euro stood at JPY 131.6, 2.7% below the level recorded at the end of May and 13.6% weaker than its 2008 average.

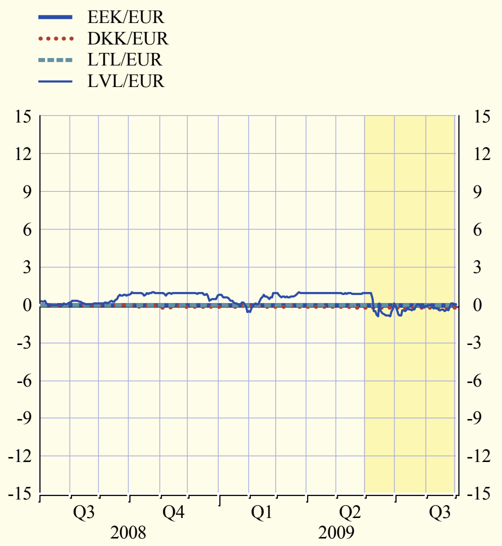
EU MEMBER STATES' CURRENCIES

Over the past three months most currencies participating in ERM II have remained stable against the euro and have continued to trade at, or close to, their respective central rates (see Chart 59). The Latvian lats was supported by receding market concerns over economic developments in Latvia, following the approval of budget amendments in mid-June by the Latvian Parliament. Consequently, the lats mostly traded on the strong side of the +/-1% unilaterally set fluctuation band.

As regards the currencies of the EU Member States not participating in ERM II, uncertainty over the economic outlook in the United Kingdom has continued to contribute to fluctuations in the EUR/GBP exchange rate, although the amplitude of the fluctuations has declined compared with the end of 2008. On 2 September the euro was broadly unchanged against the pound sterling relative to the levels at the end of May. At the same time, the euro has continued to depreciate against the Polish zloty, the Czech koruna and, to a lesser extent, against the Hungarian forint – by 6.9%, 4.2% and 2.2% respectively, between the end of May and 2 September 2009 – possibly because of an improvement in market participants' perception of macroeconomic conditions in these countries. Market concerns over the economic outlook in the Baltic States contributed to some volatility in the exchange rate of the euro vis-à-vis the Swedish krona, but – as market concerns waned following the budget amendments in Latvia – the euro exchange rate weakened against the Swedish currency by 3.3% over the three months to 2 September 2009. However, owing to the developments in late 2008 and early 2009, the currencies of the EU Member States not participating in ERM II continue to be weaker vis-à-vis the euro than they were in the first half of 2008.

Chart 59 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

In late 2008 the euro weakened substantially against the Swiss franc, as the Swiss currency reportedly benefited from capital inflows following the intensification of the financial crisis. After small fluctuations in early 2009, the euro began to weaken again. Around mid-March, following the decision of the Swiss National Bank to intervene in the foreign exchange market to limit the appreciation of the Swiss currency, the euro strengthened sharply to stabilise at around CHF 1.52. Over the last three months the euro has stayed broadly unchanged against the Swiss franc, despite some fluctuations following the reported interventions in the foreign exchange markets by the Swiss National Bank at the end of June. On 2 September the euro was 4.4% weaker against the Swiss franc compared with its average level in 2008.

6.2 BALANCE OF PAYMENTS

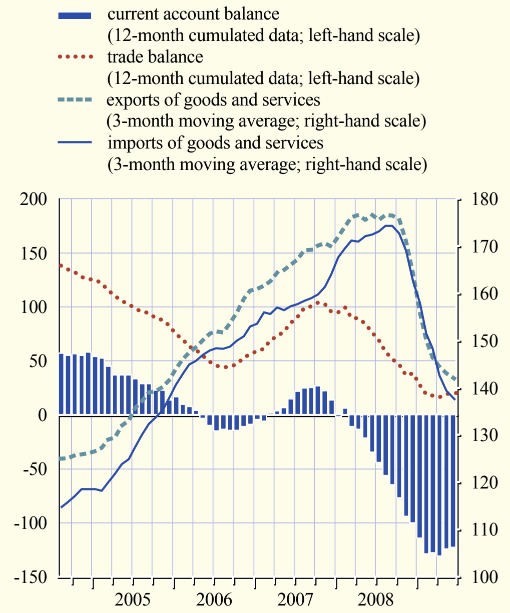
The second quarter of 2009 witnessed a marked moderation in the pace of contraction of extra-euro area trade flows, following their unprecedented decline in the two preceding quarters. In the same period, combined direct and portfolio investment flows rebounded on both the asset side and the liability side. In the year to June 2009 the euro area current account deficit reached €122.6 billion (1.3% of GDP), while combined net inflows of direct and portfolio investment in the financial account surged to €439.0 billion, reflecting higher net inflows of debt instruments.

TRADE AND THE CURRENT ACCOUNT

In the year to June 2009 the euro area current account deficit reached €122.6 billion (in working day and seasonally adjusted terms), corresponding to about 1.3% of GDP. While the current account deficit narrowed towards the end of the 12-month period to June 2009, the cumulated deficit was much higher than in the same period a year earlier (see Chart 60). The deterioration was broad-based, but most pronounced for the goods trade balance, which shifted from surplus to deficit in the year to June 2009 (see Table 9). The sharp slowdown of global economic activity in response to the intensification of the financial crisis in September 2008 acted as a drag on foreign demand for euro area products. Consequently, exports of goods and services declined more sharply than imports in the 12-month period to June 2009, and the goods trade balance recorded a deficit of €9.6 billion. This compares with a surplus of €24.7 billion in the previous 12-month period. At the same time, the surplus in services was almost halved to €28.9 billion. Turning to the other components of the current account, the deficit in the income account widened significantly, mainly because investment receipts – against the backdrop of euro area residents' repatriation of funds – declined more than investment payments to non-euro area residents. Finally, the deficit in current transfers increased slightly.

Chart 60 The euro area current account and trade balances

(EUR billions; monthly data; seasonally adjusted)



Source: ECB.

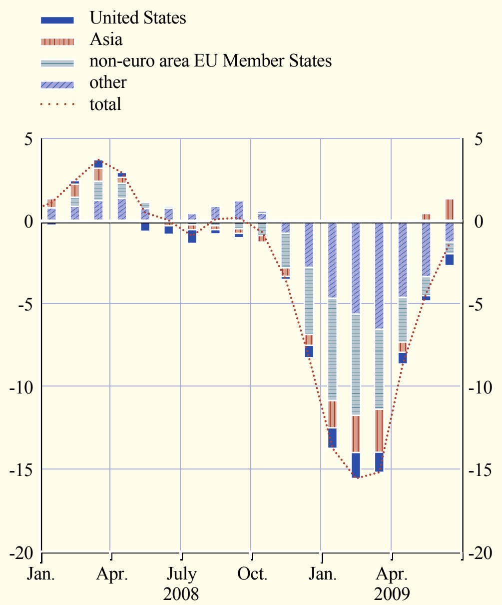
Turning to the most recent developments, the contraction of extra-euro area trade moderated markedly in the second quarter of 2009, especially on the export side. This followed an exceptional downturn in the two preceding quarters and mirrored similar developments in world trade. The stabilisation in euro area exports is probably due mainly to a bottoming-out of overall economic activity in major export markets and to a gradual reactivation of international supply chains in the light of depleted inventories. On the import side, higher energy import prices were an additional factor supporting the stabilisation in trade values. Notwithstanding improvements in the second quarter, euro area trade flows remained well below the pre-crisis levels. In greater detail, the decline in exports of goods and services decelerated to -3.0% quarter on quarter in value terms, down from -10.8% in the first quarter of 2009. The slower contraction of goods exports was only partially offset by a slight acceleration in the fall in services exports. At the same time, there was also a slower retrenchment of imports of goods and services (-7.3% in the second quarter). However, the improvement was less notable than for exports owing to weak imports of services. As a result, imports of goods and services shrank more than exports, in contrast to what was observed in the first quarter of the year.

In terms of broad categories of goods, extra-euro area exports of intermediate goods recorded the most notable improvement in comparison with the first quarter of 2009 (in both value and volume terms). Exports of capital goods continued to fall rapidly, albeit less than in the first quarter. Consumer goods exports, which had responded less markedly to the global demand shock than exports of other types of goods, also moved closer to positive growth in the second quarter of 2009. At the same time, extra-euro area imports showed tentative signs of a gradual stabilisation across all broad categories of goods, albeit less notably than exports.

The geographical breakdown of extra-euro area trade in goods reveals that the deceleration in the pace of decline was broad-based. Imports from the United States were a notable exception, falling significantly more than in the first quarter. On the export side, a key driver of the moderation was the bottoming-out in exports to EU Member States outside the euro area (see Chart 61). Exports to these countries account for more than a third of extra-euro area exports. Against the backdrop of a recovery of economic activity in emerging Asia, quarter-on-quarter growth rates for exports to Asia advanced well into positive territory, contributing to the improvement in overall euro area exports.

Chart 61 Contributions to growth in extra-euro area export values of goods

(three-month on three-month percentage change; monthly data)



Sources: Eurostat and ECB calculations.

Table 9 Main items of the euro area balance of payments

(seasonally adjusted, unless otherwise indicated)

			Three-month moving average figures ending				12-month cumulated figures ending	
	2009 May	2009 June	2008 Sep.	2008 Dec.	2009 Mar.	2009 June	2008 June	2009 June
				EUR billions				
Current account	-0.1	-5.3	-7.8	-14.4	-14.8	-3.8	-34.5	-122.6
Goods balance	2.9	2.2	-0.9	-1.3	-3.5	2.5	24.7	-9.6
Exports	103.5	104.6	134.5	122.2	106.4	104.1	1,570.4	1,401.6
Imports	100.6	102.4	135.5	123.5	109.9	101.5	1,545.7	1,411.2
Services balance	2.9	0.5	3.1	2.8	1.6	2.2	51.4	28.9
Exports	38.6	36.9	41.9	41.9	40.0	38.0	505.4	485.7
Imports	35.6	36.4	38.8	39.1	38.4	35.9	454.0	456.8
Income balance	2.0	-2.8	-2.4	-7.1	-3.8	-1.3	-15.8	-43.6
Current transfers balance	-7.9	-5.2	-7.6	-8.8	-9.1	-7.2	-94.9	-98.3
Financial account [1]	26.6	-7.4	20.6	42.1	49.3	5.6	136.7	352.6
Combined net direct and portfolio investment	62.8	36.7	28.5	42.1	47.0	28.7	-54.7	439.0
Net direct investment	4.8	-8.5	-12.0	-25.9	-12.8	-2.7	-144.1	-160.4
Net portfolio investment	58.0	45.2	40.5	68.1	59.8	31.4	89.5	599.4
Equities	8.5	0.4	-7.5	2.5	7.8	-3.5	2.3	-1.8
Debt instruments	49.5	44.8	48.0	65.6	52.0	34.9	87.2	601.2
Bonds and notes	56.1	54.6	14.7	14.0	46.5	29.5	146.9	314.0
Money market instruments	-6.6	-9.8	33.3	51.5	5.4	5.5	-59.7	287.2
				Percentage changes over previous period				
Goods and services								
Exports	-0.6	-0.4	-0.1	-7.0	-10.8	-3.0	7.7	-9.1
Imports	-0.8	1.9	1.1	-6.7	-8.8	-7.3	8.5	-6.6
Goods								
Exports	-0.6	1.1	0.0	-9.2	-12.9	-2.2	7.1	-10.7
Imports	-1.1	1.8	1.2	-8.8	-11.0	-7.6	8.4	-8.7
Services								
Exports	-0.4	-4.3	-0.5	-0.0	-4.5	-4.9	9.5	-3.9
Imports	-0.1	2.0	0.7	0.6	-1.7	-6.6	8.6	0.6

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.

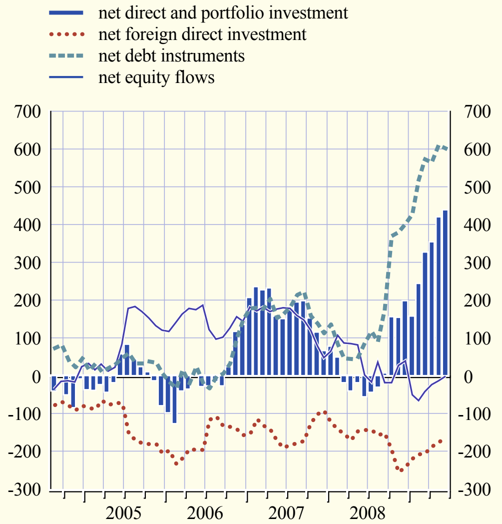
FINANCIAL ACCOUNT

In the 12-month period to June 2009, net inflows of combined direct and portfolio investment increased substantially. They surged to €439.0 billion, compared with net outflows of €54.7 billion in the same period a year earlier (see Table 9). This shift resulted from a significant rise in net inflows of debt instruments in the wake of the financial crisis (see Chart 62).

In greater detail, money market instruments recorded net inflows of €287.2 billion in the year to June 2009, compared with net outflows of €59.7 billion in the previous 12-month period. At the same time, net inflows of longer-term bonds and notes also increased substantially, reaching €314.0 billion. The higher net inflows of both types of debt instrument to the euro area are likely to have been associated mainly with the unfolding dynamics of the financial crisis. In the light of elevated volatility in financial markets, exceptional uncertainty and a subdued economic outlook, investors came to value safe and liquid assets. For the same reasons, euro area residents repatriated funds invested abroad – to a greater extent than non-residents reduced their investment in the euro area – resulting in higher net inflows of portfolio investment. An overall increase in home bias and risk aversion is also likely to have contributed to the fall in direct investment flows – both assets and liabilities – observed in the year to June 2009. Since the euro area's direct investment abroad fell less than direct investment by non-residents in the euro area, net outflows increased somewhat to €160.4 billion in the 12-month period to June 2009. However, this only partially offset the rise in net inflows of portfolio investment.

Chart 62 Euro area combined direct and portfolio investment

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



Source: ECB.

Focusing on the most recent developments, flows of combined direct and portfolio investment rebounded in the second quarter of 2009 on both the asset side and the liability side. As the improvement was more pronounced on the asset side, net inflows of combined direct and portfolio investment were almost halved in the second quarter of 2009 in comparison with the first quarter, recording average monthly net inflows of €28.7 billion. While this was due mainly to lower net inflows of bonds and notes, a shift to net outflows in equity securities also played a role. Net inflows of money market instruments remained almost unchanged compared with the first quarter of 2009, well below the elevated levels observed in the last quarter of 2008. These developments may signal that investors have reassessed their asset allocation in the light of a more favourable market view of both global economic growth and the state of financial markets. As a consequence, investors' preferences for safe and liquid assets seem to have attenuated over the last three months and the repatriation of funds by euro area residents has subsided.

Turning to net direct investment, both euro area residents' foreign direct investment abroad and non-residents' foreign direct investment in the euro area increased in the second quarter of 2009. This possibly reflected global strategies of market consolidation and a less clouded global economic outlook. Direct investment abroad by euro area residents outpaced direct investment in the euro area by non-residents, resulting in average monthly net outflows of €2.7 billion in the second quarter of 2009.

EURO AREA STATISTICS

CONTENTS[1]

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

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

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

Conventions used in the tables

"-"	data do not exist/data are not applicable
"."	data are not yet available
"…"	nil or negligible
"billion"	10^9
(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
2007	6.5	9.9	11.2	-	10.8	18.6	4.28	4.38
2008	2.4	9.7	9.7	-	9.5	18.7	4.64	3.69
2008 Q3	0.7	9.2	9.1	-	9.1	18.2	4.98	4.34
Q4	2.7	8.9	8.2	-	7.4	20.0	4.24	3.69
2009 Q1	5.3	7.2	6.0	-	4.6	26.3	2.01	3.77
Q2	8.0	5.5	4.3	-	2.2	27.9	1.31	3.99
2009 Mar.	5.9	6.2	5.1	5.2	3.1	28.2	1.64	3.77
Apr.	8.3	5.9	4.9	4.6	2.3	28.5	1.42	3.79
May	7.9	5.0	3.7	4.1	1.8	27.9	1.28	4.18
June	9.4	4.9	3.6	3.4	1.5	26.0	1.23	3.99
July	12.2	4.7	3.0	.	0.6	.	0.97	3.74
Aug.	.	.	.	.	.	.	0.86	3.68

2. Prices, output, demand and labour markets [5)]

	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
2007	2.1	2.7	2.7	2.7	3.7	84.1	1.8	7.5
2008	3.3	6.1	3.3	0.7	-1.7	81.8	0.8	7.5
2008 Q4	2.3	3.4	4.0	-1.7	-9.0	78.1	0.0	8.0
2009 Q1	1.0	-2.0	3.7	-4.9	-18.4	72.5	-1.3	8.8
Q2	0.2	-5.7	.	-4.7	-18.6	69.9	.	9.3
2009 Mar.	0.6	-3.2	-	-	-19.2	-	-	9.0
Apr.	0.6	-4.8	-	-	-21.2	70.3	-	9.2
May	0.0	-5.9	-	-	-17.6	-	-	9.3
June	-0.1	-6.5	-	-	-16.9	-	-	9.4
July	-0.7	-8.5	-	-	.	69.5	-	9.5
Aug.	-0.2	.	-	-	.	-	-	.

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 [6)] (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
2007	24.8	46.4	-92.5	159.7	347.2	107.9	109.0	1.3705
2008	-89.0	-6.0	-242.3	441.5	374.2	113.0	113.6	1.4708
2008 Q3	-21.2	-9.0	-35.9	121.5	372.5	114.1	114.3	1.5050
Q4	-28.5	-0.6	-77.7	204.2	374.2	109.1	109.6	1.3180
2009 Q1	-40.8	-10.3	-38.5	179.4	395.7	111.9	112.2	1.3029
Q2	-19.0	10.8	-8.2	94.3	381.5	113.2	113.5	1.3632
2009 Mar.	-6.1	3.3	-20.6	95.7	395.7	113.3	113.4	1.3050
Apr.	-7.4	3.9	-4.5	-9.0	386.3	112.5	112.8	1.3190
May	-11.6	2.2	4.8	58.0	392.2	113.0	113.3	1.3650
June	0.0	4.7	-8.5	45.2	381.5	114.0	114.3	1.4016
July	.	.	.	.	386.5	113.8	113.8	1.4088
Aug.	.	.	.	.	.	113.9	113.7	1.4268

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

1 MONETARY POLICY STATISTICS

1.1 Consolidated financial statement of the Eurosystem
(EUR millions)

1. Assets

	2009 7 August	2009 14 August	2009 21 August	2009 28 August
Gold and gold receivables	232,117	232,118	232,109	232,111
Claims on non-euro area residents in foreign currency	158,023	158,429	158,416	197,249
Claims on euro area residents in foreign currency	60,771	61,288	56,935	59,285
Claims on non-euro area residents in euro	17,535	17,924	17,178	17,358
Lending to euro area credit institutions in euro	761,631	727,458	729,812	712,111
Main refinancing operations	80,785	73,596	76,056	77,530
Longer-term refinancing operations	680,732	653,646	653,645	634,424
Fine-tuning reverse operations	0	0	0	0
Structural reverse operations	0	0	0	0
Marginal lending facility	95	207	62	108
Credits related to margin calls	19	9	48	49
Other claims on euro area credit institutions in euro	24,016	22,607	22,955	22,095
Securities of euro area residents in euro	308,826	311,542	312,553	313,090
Securities held for monetary policy purposes	5,554	7,033	7,926	8,787
Other securities	303,272	304,510	304,627	304,303
General government debt in euro	36,230	36,230	36,230	36,230
Other assets	236,745	234,162	232,176	231,842
Total assets	1,835,895	1,801,757	1,798,364	1,821,371

2. Liabilities

	2009 7 August	2009 14 August	2009 21 August	2009 28 August
Banknotes in circulation	775,034	772,829	768,321	767,167
Liabilities to euro area credit institutions in euro	404,144	375,003	381,326	345,527
Current accounts (covering the minimum reserve system)	182,116	264,188	221,138	202,940
Deposit facility	222,024	110,812	160,184	142,577
Fixed-term deposits	0	0	0	0
Fine-tuning reverse operations	0	0	0	0
Deposits related to margin calls	3	3	4	10
Other liabilities to euro area credit institutions in euro	245	246	222	219
Debt certificates issued	0	0	0	0
Liabilities to other euro area residents in euro	124,622	123,373	125,173	145,255
Liabilities to non-euro area residents in euro	98,339	98,758	91,344	93,391
Liabilities to euro area residents in foreign currency	3,085	3,598	2,984	3,422
Liabilities to non-euro area residents in foreign currency	12,235	12,017	12,818	12,236
Counterpart of special drawing rights allocated by the IMF	5,436	5,436	5,436	46,286
Other liabilities	152,000	149,742	149,986	147,111
Revaluation accounts	187,797	187,797	187,797	187,797
Capital and reserves	72,959	72,959	72,959	72,958
Total liabilities	1,835,895	1,801,757	1,798,364	1,821,371

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 to the deposit and marginal lending facilities and to the main refinancing operations (changes effective from the first main refinancing operation following the Governing Council discussion), unless otherwise indicated.
2) On 22 December 1998 the ECB announced that, as an exceptional measure between 4 and 21 January 1999, a narrow corridor of 50 basis points would be applied between the interest rates for the marginal lending facility and the deposit facility, aimed at facilitating the transition to the new monetary regime by market participants.
3) On 8 June 2000 the ECB announced that, starting from the operation to be settled on 28 June 2000, the main refinancing operations of the Eurosystem would be conducted as variable rate tenders. The minimum bid rate refers to the minimum interest rate at which counterparties may place their bids.
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 tenders [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 tenders	Variable rate tenders			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 6 May	234,197	503	234,197	1.25	-	-	-	7
13	229,565	512	229,565	1.00	-	-	-	7
20	221,324	558	221,324	1.00	-	-	-	7
27	276,814	709	276,814	1.00	-	-	-	7
3 June	227,576	620	227,576	1.00	-	-	-	7
10	302,077	604	302,077	1.00	-	-	-	7
17	309,621	670	309,621	1.00	-	-	-	7
24	167,902	530	167,902	1.00	-	-	-	7
1 July	105,905	405	105,905	1.00	-	-	-	7
8	106,406	397	106,406	1.00	-	-	-	7
15	100,294	389	100,294	1.00	-	-	-	7
22	88,272	396	88,272	1.00	-	-	-	7
29	94,780	382	94,780	1.00	-	-	-	7
5 Aug.	80,785	348	80,785	1.00	-	-	-	7
12	73,596	320	73,596	1.00	-	-	-	7
19	76,056	330	76,056	1.00	-	-	-	7
26	77,530	325	77,530	1.00	-	-	-	7
2 Sep.	72,086	286	72,086	1.00	-	-	-	7
	Longer-term refinancing operations							
2009 10 June	56,780	147	56,780	1.00	-	-	-	28
11	14,536	44	14,536	1.00	-	-	-	91
11	18,202	110	18,202	1.00	-	-	-	182
25	442,241	1,121	442,241	1.00	-	-	-	371
25	6,432	70	6,432	1.00	-	-	-	98
8 July	38,285	86	38,285	1.00	-	-	-	35
9	2,996	28	2,996	1.00	-	-	-	91
9	9,067	56	9,067	1.00	-	-	-	189
30	9,492	68	9,492	1.00	-	-	-	91
12 Aug.	30,686	90	30,686	1.00	-	-	-	28
13	13,024	20	13,024	1.00	-	-	-	91
13	11,875	53	11,875	1.00	-	-	-	182
27	8,321	35	8,321	1.00	-	-	-	91

2. Other tender operations

Date of settlement	Type of operation	Bids (amount)	Number of participants	Allotment (amount)	Fixed rate tenders	Variable rate tenders				Running for (...) days
					Fixed rate	Minimum bid rate	Maximum bid rate	Marginal rate [5)]	Weighted average rate	
	1	2	3	4	5	6	7	8	9	10
2008 2 Oct.	Collection of fixed-term deposits	216,051	65	200,000	4.25	-	-	-	-	1
3	Collection of fixed-term deposits	193,844	54	193,844	4.25	-	-	-	-	3
6	Collection of fixed-term deposits	171,947	111	171,947	4.25	-	-	-	-	1
7	Collection of fixed-term deposits	147,491	97	147,491	4.25	-	-	-	-	1
9	Reverse transaction	24,682	99	24,682	3.75	-	-	-	-	6
11 Nov.	Collection of fixed-term deposits	149,656	117	79,940	-	-	3.75	3.60	3.51	1
9 Dec.	Collection of fixed-term deposits	152,655	95	137,456	-	-	3.25	3.05	2.94	1
2009 20 Jan.	Collection of fixed-term deposits	143,835	103	140,013	-	-	2.50	2.30	2.15	1
10 Feb.	Collection of fixed-term deposits	130,435	119	129,135	-	-	2.00	1.80	1.36	1
10 Mar.	Collection of fixed-term deposits	111,502	119	110,832	-	-	2.00	1.80	1.52	1
7 Apr.	Collection of fixed-term deposits	105,486	114	103,876	-	-	1.50	1.30	1.12	1
12 May	Collection of fixed-term deposits	109,091	128	108,056	-	-	1.25	1.05	0.93	1
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

Source: ECB.

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

1.4 Minimum reserve and liquidity statistics

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

1. Reserve base of credit institutions subject to reserve requirements

Reserve base as at [1]	Total	Liabilities to which a 2% reserve coefficient is applied		Liabilities to which a 0% reserve coefficient is applied		
		Deposits (overnight, up to 2 years' agreed maturity and notice period)	Debt securities up to 2 years' agreed maturity	Deposits (over 2 years' agreed maturity and notice period)	Repos	Debt securities over 2 years' agreed maturity
	1	2	3	4	5	6
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 Mar.	18,269.2	10,015.6	845.4	2,443.0	1,203.2	3,761.9
Apr.	18,447.1	10,085.4	846.1	2,452.5	1,253.3	3,809.8
May	18,487.3	9,972.0	854.6	2,404.7	1,224.1	4,031.9
June	18,518.3	10,003.9	818.8	2,432.6	1,207.0	4,056.0

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 10 Mar.	217.6	218.6	1.0	0.0	2.00
7 Apr.	220.8	221.6	0.8	0.0	1.50
12 May	219.7	220.8	1.1	0.0	1.25
9 June	216.7	217.9	1.2	0.0	1.00
7 July	218.1	219.2	1.1	0.0	1.00
11 Aug.	216.0	216.9	0.9	0.0	1.00
8 Sep.	215.9	.	.	.	.

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) [4]		
	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
2008 9 Dec.	580.5	337.3	457.2	2.7	0.0	200.9	4.9	731.1	107.8	114.3	218.7	1,150.7
2009 20 Jan.	581.3	219.2	613.6	2.9	0.0	238.5	3.3	753.1	99.9	100.6	221.5	1,213.1
10 Feb.	547.4	224.9	551.4	2.1	0.0	175.4	6.1	740.2	102.7	79.3	222.1	1,137.7
10 Mar.	512.7	224.3	472.4	1.6	0.0	95.5	4.0	741.5	110.1	41.4	218.6	1,055.5
7 Apr.	508.0	230.5	443.1	1.1	0.0	57.8	3.7	747.3	139.0	13.3	221.6	1,026.6
12 May	512.4	239.7	426.9	0.7	0.0	42.7	3.1	757.5	141.9	13.7	220.8	1,021.0
9 June	487.9	238.8	400.6	0.7	0.0	22.3	2.1	759.8	141.7	-15.8	217.9	1,000.0
7 July	457.1	221.4	504.9	1.3	0.0	119.7	9.9	763.1	137.9	-65.1	219.2	1,102.0
11 Aug.	433.6	94.1	694.0	0.3	2.8	185.1	22.1	770.8	133.9	-103.9	216.9	1,172.8

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.
4) Starting from 1 January 2009, includes monetary policy operations which were conducted by Národná banka Slovenska before 1 January 2009 and were still outstanding after this date.

MONEY, BANKING AND INVESTMENT FUNDS

2.1 Aggregated balance sheet of euro area MFIs [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	2,046.1	1,031.7	17.8	0.6	1,013.3	268.6	225.1	1.9	41.6	-	17.4	373.7	15.2	339.6
2008	2,982.9	1,809.4	18.6	0.6	1,790.1	350.8	307.9	2.4	40.4	-	14.4	479.8	15.7	312.9
2009 Q1	2,783.6	1,555.3	18.7	0.7	1,535.9	374.1	322.7	2.5	48.9	-	13.9	491.0	15.7	333.5
2009 Apr.	2,710.2	1,479.4	18.1	0.7	1,460.7	378.1	326.5	2.4	49.2	-	14.7	487.5	15.8	334.7
May	2,678.1	1,452.0	18.1	0.7	1,433.2	375.6	322.9	2.5	50.2	-	15.0	488.8	15.8	330.9
June	2,893.4	1,671.5	17.7	0.7	1,653.1	385.4	327.0	2.7	55.7	-	15.0	481.7	16.4	323.4
July (p)	2,734.4	1,500.7	17.7	0.7	1,482.4	391.8	327.8	3.0	60.9	-	15.3	484.3	16.5	325.8
	MFIs excluding the Eurosystem													
2007	29,448.1	16,894.2	954.5	10,139.0	5,800.8	3,890.1	1,196.9	952.9	1,740.3	93.5	1,293.8	4,886.1	205.7	2,184.7
2008	31,841.0	18,053.4	967.6	10,768.2	6,317.6	4,630.8	1,244.7	1,406.3	1,979.8	98.7	1,199.7	4,756.6	211.6	2,890.2
2009 Q1	31,747.5	17,907.6	970.7	10,810.5	6,126.5	4,920.9	1,387.3	1,447.7	2,085.8	104.1	1,185.5	4,545.2	215.1	2,869.0
2009 Apr.	31,862.9	17,907.6	982.4	10,806.9	6,118.3	4,993.8	1,405.1	1,473.1	2,115.6	104.0	1,217.7	4,611.1	214.0	2,814.7
May	31,528.1	17,859.5	974.7	10,804.2	6,080.6	5,042.6	1,422.0	1,477.4	2,143.2	102.6	1,214.7	4,477.0	214.5	2,617.3
June	31,820.7	18,061.6	998.5	10,834.9	6,228.2	5,075.7	1,466.5	1,488.2	2,121.0	95.5	1,198.6	4,430.0	215.2	2,744.1
July (p)	31,722.5	17,956.7	999.2	10,795.7	6,161.7	5,099.4	1,476.7	1,483.9	2,138.8	95.3	1,206.8	4,388.6	216.0	2,759.9

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	2,046.1	697.0	714.7	23.9	19.1	671.8	-	0.1	238.0	66.0	330.3
2008	2,982.9	784.7	1,217.5	68.8	16.6	1,132.1	-	0.1	274.0	383.3	323.4
2009 Q1	2,783.6	768.9	1,114.9	135.6	23.3	956.0	-	0.1	296.4	301.6	301.8
2009 Apr.	2,710.2	781.0	1,046.9	140.3	21.5	885.1	-	0.1	293.2	274.9	314.1
May	2,678.1	783.4	1,053.1	137.2	19.0	897.0	-	0.1	291.5	249.0	300.9
June	2,893.4	785.9	1,257.5	125.1	23.6	1,108.7	-	0.1	283.3	208.0	358.6
July (p)	2,734.4	795.1	1,106.7	126.0	22.5	958.2	-	0.1	286.7	192.5	353.3
	MFIs excluding the Eurosystem										
2007	29,448.1	-	15,098.2	126.9	8,885.4	6,085.8	754.1	4,631.4	1,683.6	4,533.4	2,747.4
2008	31,841.0	-	16,759.8	190.8	9,710.5	6,858.5	825.4	4,848.3	1,767.5	4,396.0	3,244.0
2009 Q1	31,747.5	-	16,609.0	216.2	9,786.2	6,606.6	885.2	4,936.0	1,778.4	4,344.4	3,194.4
2009 Apr.	31,862.9	-	16,646.0	197.2	9,870.7	6,578.1	886.1	4,976.6	1,790.7	4,399.9	3,163.6
May	31,528.1	-	16,569.3	194.4	9,877.2	6,497.7	874.5	5,000.3	1,803.4	4,267.0	3,013.7
June	31,820.7	-	16,792.6	227.5	9,931.2	6,633.8	837.3	4,984.0	1,826.7	4,229.5	3,150.6
July (p)	31,722.5	-	16,625.7	170.2	9,902.2	6,553.3	853.5	5,007.3	1,842.7	4,192.2	3,201.1

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

2.2 Consolidated balance sheet of euro area MFIs [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	22,317.5	11,111.9	972.3	10,139.6	2,376.9	1,422.0	954.9	882.2	5,259.8	220.9	2,465.9
2008	24,107.8	11,755.1	986.2	10,768.8	2,961.4	1,552.6	1,408.8	786.3	5,236.4	227.3	3,141.3
2009 Q1	24,151.4	11,800.5	989.4	10,811.1	3,160.3	1,710.1	1,450.2	770.0	5,036.2	230.8	3,153.5
2009 Apr.	24,236.6	11,808.1	1,000.5	10,807.6	3,207.0	1,731.6	1,475.4	795.5	5,098.5	229.8	3,097.7
May	23,908.3	11,797.7	992.8	10,804.9	3,224.8	1,744.9	1,479.9	792.9	4,965.8	230.2	2,896.8
June	24,075.3	11,851.7	1,016.2	10,835.5	3,284.4	1,793.5	1,491.0	779.3	4,911.7	231.6	3,016.6
July (p)	24,024.1	11,813.3	1,016.9	10,796.4	3,291.5	1,804.6	1,486.9	777.9	4,872.9	232.5	3,036.1
	Transactions										
2007	2,573.3	1,014.8	-9.9	1,024.7	232.2	-46.3	278.5	55.5	781.3	-0.5	490.0
2008	1,611.2	601.2	12.5	588.7	373.0	58.1	314.9	-56.0	-71.2	-2.1	765.7
2009 Q1	-141.8	6.5	2.1	4.3	179.8	142.0	37.8	-4.5	-279.5	2.1	-46.2
Q2	-199.4	72.8	27.3	45.5	135.7	89.6	46.1	4.5	-36.5	0.6	-377.5
2009 Apr.	59.2	7.0	11.3	-4.3	47.4	21.2	26.2	21.2	41.4	-1.1	-56.7
May	-218.0	6.7	-7.4	14.1	29.0	20.7	8.3	-3.3	-50.3	0.4	-201.5
June	-40.6	59.0	23.4	35.6	59.4	47.7	11.6	-13.4	-27.6	1.3	-119.2
July (p)	-60.7	-31.3	0.7	-32.0	-0.6	6.0	-6.5	-6.2	-35.8	0.9	16.4

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
	1	2	3	4	5	6	7	8	9	10
	Outstanding amounts									
2007	22,317.5	638.6	150.8	8,904.5	660.4	2,849.6	1,492.7	4,599.4	3,077.7	-56.5
2008	24,107.8	722.9	259.6	9,727.2	726.3	2,828.2	1,613.7	4,779.3	3,567.3	-117.1
2009 Q1	24,151.4	719.9	351.8	9,809.5	780.8	2,801.3	1,645.3	4,646.0	3,496.2	-99.8
2009 Apr.	24,236.6	729.2	337.5	9,892.2	781.8	2,811.8	1,647.0	4,674.8	3,477.7	-115.7
May	23,908.3	732.0	331.5	9,896.2	771.6	2,806.9	1,658.2	4,516.0	3,314.5	-119.1
June	24,075.3	735.0	352.7	9,954.8	741.5	2,807.5	1,675.7	4,437.5	3,509.1	-138.8
July (p)	24,024.1	745.5	296.2	9,924.7	758.0	2,807.7	1,685.2	4,384.7	3,554.4	-132.5
	Transactions									
2007	2,573.3	45.8	-13.4	838.8	54.5	270.0	150.1	774.5	465.7	-13.1
2008	1,611.2	83.2	106.1	606.8	29.8	-27.8	142.6	64.8	664.9	-59.2
2009 Q1	-141.8	-4.3	89.3	26.3	55.8	-37.3	17.3	-197.5	-84.2	-7.3
Q2	-199.4	15.0	0.9	153.3	-20.2	21.9	33.9	-167.6	-214.4	-22.1
2009 Apr.	59.2	9.3	-14.0	79.6	2.3	5.7	4.3	7.8	-16.1	-19.7
May	-218.0	2.8	-5.9	16.0	0.6	15.7	12.0	-84.5	-188.5	13.8
June	-40.6	3.0	20.8	57.7	-23.1	0.4	17.6	-91.0	-9.8	-16.2
July (p)	-60.7	10.5	-56.5	-29.5	16.2	-1.7	6.0	-53.8	35.4	12.8

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

2.3 Monetary statistics [1]

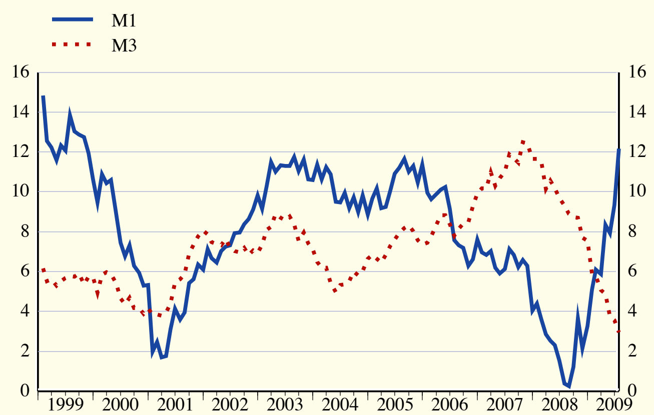
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period, transactions during period)

1. Monetary aggregates [2] and counterparts

	M3: M2: M1	M3: M2: M2-M1	M3: M2	M3: M3-M2	M3	M3 3-month moving average (centred)	Longer-term financial liabilities	Credit to general government	Credit to other euro area residents	Credit to other euro area residents: Loans	Credit to other euro area residents: Memo item: Loans adjusted for sales and securitisation [4]	Net external assets [3]
	1	2	3	4	5	6	7	8	9	10	11	12
Outstanding amounts												
2007	3,837.7	3,518.3	7,356.1	1,308.5	8,664.6	-	5,968.1	2,416.2	12,003.9	10,156.5	-	634.7
2008	3,981.9	4,046.2	8,028.1	1,379.0	9,407.2	-	6,294.3	2,562.1	12,985.7	10,784.6	-	430.0
2009 Q1	4,122.6	3,964.2	8,086.8	1,313.2	9,400.0	-	6,443.8	2,687.5	13,033.2	10,809.0	-	390.1
2009 Apr.	4,199.9	3,961.6	8,161.6	1,314.7	9,476.3	-	6,469.0	2,712.9	13,012.0	10,792.2	-	453.3
May	4,192.4	3,938.3	8,130.7	1,279.7	9,410.3	-	6,501.1	2,721.9	13,020.9	10,793.7	-	499.8
June	4,242.7	3,905.3	8,148.0	1,276.9	9,424.9	-	6,533.4	2,793.0	13,067.4	10,808.9	-	475.7
July (p)	4,340.3	3,857.8	8,198.2	1,247.8	9,445.9	-	6,563.4	2,816.5	13,032.5	10,763.6	-	488.3
Transactions												
2007	148.8	529.7	678.5	224.3	902.8	-	467.1	-59.6	1,362.1	1,028.5	1,119.9	5.0
2008	125.9	487.0	612.9	44.3	657.2	-	174.2	70.6	843.2	587.4	749.3	-137.5
2009 Q1	105.2	-98.5	6.7	-62.3	-55.6	-	115.7	108.9	17.6	-13.6	7.9	-55.1
Q2	139.6	-68.5	71.2	-18.6	52.6	-	107.9	112.1	56.1	20.8	41.3	132.7
2009 Apr.	93.1	-18.2	74.9	2.6	77.4	-	20.2	25.1	-24.9	-17.5	-2.7	63.3
May	-4.0	-16.7	-20.7	-26.0	-46.7	-	56.6	16.7	28.8	18.2	22.6	54.6
June	50.5	-33.5	17.0	4.9	21.8	-	31.1	70.3	52.1	20.1	21.4	14.8
July (p)	97.7	-47.0	50.7	-30.5	20.2	-	25.8	18.4	-35.1	-38.2	-36.1	16.6
Growth rates												
2007 Dec.	4.0	17.9	10.2	20.5	11.6	11.9	8.6	-2.6	12.8	11.2	12.1	5.0
2008 Dec.	3.3	13.7	8.3	3.3	7.5	7.0	2.9	2.9	7.0	5.8	7.2	-137.5
2009 Mar.	5.9	6.4	6.2	-1.1	5.1	5.2	4.2	7.6	4.6	3.1	4.7	-133.8
2009 Apr.	8.3	3.5	5.9	-1.2	4.9	4.6	4.1	7.9	3.6	2.3	3.9	-23.1
May	7.9	2.1	5.0	-3.7	3.7	4.1	4.7	8.2	3.1	1.8	3.3	80.3
June	9.4	0.4	4.9	-4.0	3.6	3.4	5.0	10.7	2.9	1.5	2.7	126.9
July (p)	12.2	-2.6	4.7	-7.0	3.0	.	4.9	10.9	1.8	0.6	1.8	156.2

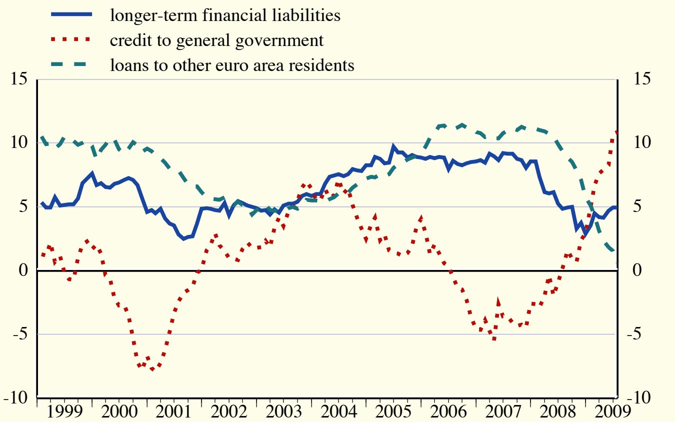
C1 Monetary aggregates [1]

(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) vis-à-vis non-MFI euro area residents excluding central government (M1, M2, 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 from the MFI balance sheet on account of their sale or securitisation.

2.3 Monetary statistics [1]

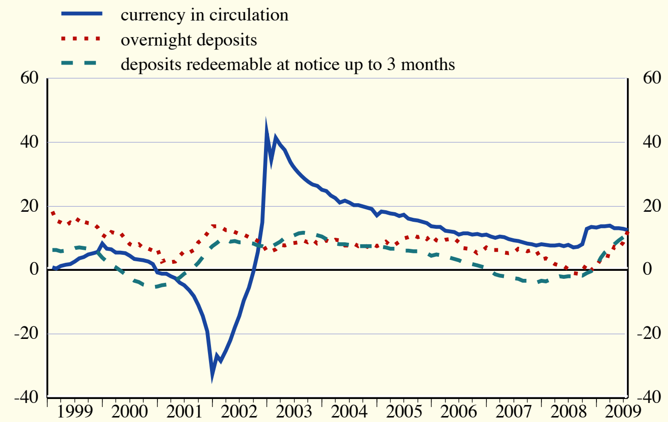
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period, transactions during period)

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

	Currency in circulation	Overnight deposits	Deposits with agreed maturity up to 2 years	Deposits redeemable at notice up to 3 months	Repos	Money market fund shares/units	Debt securities up to 2 years	Debt securities over 2 years	Deposits redeemable at notice over 3 months	Deposits with agreed maturity over 2 years	Capital and reserves
	1	2	3	4	5	6	7	8	9	10	11
					Outstanding amounts						
2007	625.6	3,212.2	1,977.3	1,541.1	307.4	686.2	314.9	2,547.4	119.3	1,814.8	1,486.6
2008	709.9	3,272.0	2,478.8	1,567.4	354.1	756.2	268.8	2,573.1	121.2	1,992.8	1,607.2
2009 Q1	727.5	3,395.2	2,321.7	1,642.5	336.1	780.4	196.6	2,605.5	124.2	2,074.4	1,639.6
2009 Apr.	729.8	3,470.2	2,294.1	1,667.5	337.1	770.3	207.3	2,604.1	125.9	2,090.1	1,649.0
May	730.0	3,462.4	2,257.6	1,680.7	326.1	753.1	200.4	2,599.7	128.2	2,100.1	1,673.2
June	734.2	3,508.5	2,208.9	1,696.3	355.1	738.2	183.6	2,607.9	129.4	2,115.3	1,680.8
July (p)	733.6	3,606.7	2,134.9	1,722.9	331.0	745.0	171.8	2,621.4	130.9	2,130.1	1,681.0
					Transactions						
2007	46.7	102.1	582.3	-52.5	42.2	58.7	123.4	147.5	9.7	160.4	149.5
2008	83.3	42.6	467.2	19.8	48.1	33.2	-37.0	10.8	0.6	20.8	142.0
2009 Q1	16.2	89.0	-173.3	74.8	-18.0	25.6	-69.8	19.2	2.2	76.0	18.2
Q2	6.8	132.8	-123.1	54.6	19.1	-23.4	-14.2	19.3	4.5	39.5	44.6
2009 Apr.	2.3	90.8	-43.9	25.7	0.9	-8.8	10.4	-5.9	1.0	13.1	12.0
May	0.2	-4.3	-30.0	13.3	-10.8	-6.7	-8.5	17.7	2.2	11.6	24.9
June	4.2	46.3	-49.2	15.6	29.0	-8.0	-16.2	7.4	1.2	14.7	7.7
July (p)	-0.6	98.3	-73.8	26.9	-24.1	6.5	-12.9	12.7	1.5	14.8	-3.3
					Growth rates						
2007 Dec.	8.1	3.3	41.3	-3.4	15.8	9.2	63.6	6.2	9.5	9.7	11.4
2008 Dec.	13.3	1.3	23.4	1.3	15.6	4.8	-12.2	0.4	0.5	1.1	9.7
2009 Mar.	13.8	4.3	6.4	6.6	8.0	4.1	-26.7	0.8	3.7	5.0	9.1
2009 Apr.	13.2	7.4	0.5	8.0	3.6	3.2	-20.3	0.2	5.1	5.5	9.1
May	13.1	6.9	-2.7	9.4	1.9	2.7	-27.6	0.5	7.7	5.6	10.5
June	12.8	8.6	-6.1	10.4	5.4	2.7	-33.5	0.4	9.3	6.1	10.8
July (p)	12.5	12.1	-12.1	12.3	-3.3	3.7	-39.5	0.2	10.9	6.9	10.1

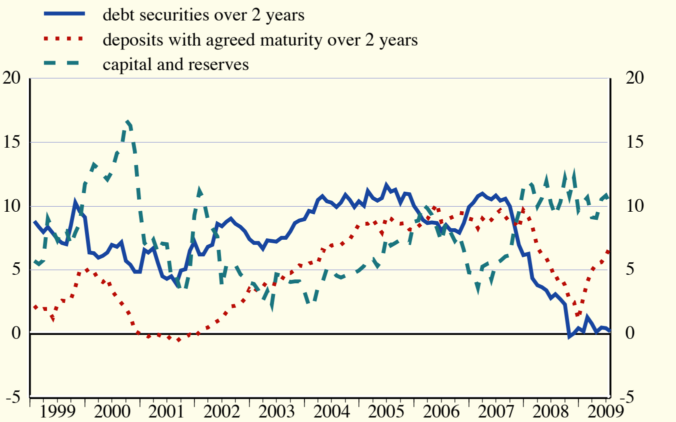
C3 Components of monetary aggregates [1]

(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.

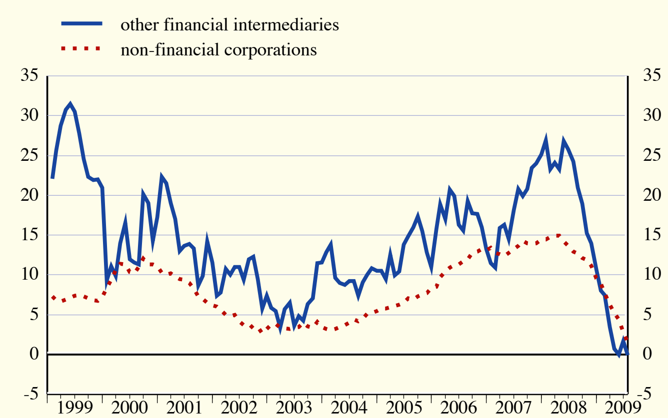
2.4 MFI loans, breakdown [1), 2)]

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

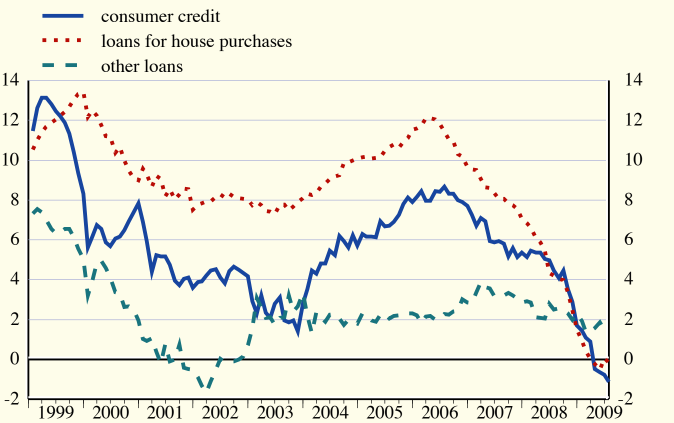
1. Loans to financial intermediaries, non-financial corporations and households

	Insurance corporations and pension funds	Other financial interme-diaries [3)]	Non-financial corporations				Households [4)]			
	Total	Total	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Consumer credit	Loans for house purchase	Other loans
	1	2	3	4	5	6	7	8	9	10
					Outstanding amounts					
2007	107.4	877.5	4,383.4	1,282.6	859.5	2,241.2	4,788.2	616.1	3,419.9	752.2
2008	103.7	974.6	4,824.2	1,383.9	960.8	2,479.4	4,882.1	630.6	3,482.1	769.4
2009 Q1	103.2	970.0	4,847.2	1,339.0	981.0	2,527.3	4,888.6	640.8	3,480.6	767.1
2009 Apr.	101.7	961.2	4,841.5	1,324.1	986.8	2,530.6	4,887.9	635.2	3,482.5	770.2
May	101.6	978.4	4,826.6	1,315.8	982.0	2,528.8	4,887.0	633.7	3,481.0	772.4
June	105.5	1,023.7	4,788.6	1,285.8	975.8	2,527.0	4,891.0	635.5	3,482.3	773.2
July (p)	97.3	1,014.9	4,759.4	1,250.0	968.7	2,540.8	4,891.9	631.3	3,487.6	773.1
					Transactions					
2007	16.8	176.3	555.9	146.1	156.0	253.8	279.5	31.5	227.0	21.0
2008	-4.2	90.0	421.6	88.5	120.1	213.1	80.1	10.7	52.0	17.3
2009 Q1	-3.9	-11.6	9.4	-44.0	14.1	39.3	-7.5	2.5	-8.8	-1.2
Q2	3.8	54.5	-41.1	-48.0	0.4	6.5	3.7	-5.0	3.1	5.6
2009 Apr.	-1.5	-9.9	-2.9	-14.4	6.3	5.1	-3.2	-5.7	1.1	1.4
May	0.1	21.3	-5.3	-5.4	-2.0	2.2	2.2	-1.0	0.1	3.0
June	5.2	43.0	-32.9	-28.2	-3.9	-0.8	4.7	1.7	1.9	1.2
July (p)	-8.2	-8.9	-26.1	-35.1	-5.9	14.9	5.0	-1.1	5.5	0.5
					Growth rates					
2007 Dec.	18.2	24.9	14.5	12.8	22.0	12.8	6.2	5.4	7.1	2.9
2008 Dec.	-3.9	10.3	9.6	6.9	13.9	9.4	1.7	1.7	1.5	2.3
2009 Mar.	-5.5	3.5	6.2	-0.3	11.1	8.2	0.4	0.9	0.0	1.4
2009 Apr.	-2.0	0.6	5.2	-1.7	10.7	7.1	0.0	-0.5	-0.2	1.6
May	-3.0	0.0	4.4	-2.6	9.7	6.4	-0.2	-0.6	-0.5	1.9
June	1.2	1.8	2.9	-5.3	7.4	5.8	0.2	-0.8	0.1	1.5
July (p)	-3.2	-0.2	1.6	-8.4	6.1	5.5	0.0	-1.1	-0.2	1.5

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 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 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9	10	11	12
	Outstanding amounts											
2008	92.3	68.5	5.7	18.0	960.8	553.9	168.8	238.0	4,827.0	1,378.3	960.6	2,488.1
2009 Q1	102.1	75.7	6.2	20.2	986.5	568.6	180.0	238.0	4,843.0	1,336.2	981.4	2,525.3
2009 Apr.	103.7	77.3	5.7	20.7	984.0	562.6	180.4	241.0	4,844.4	1,328.1	986.3	2,529.9
May	105.7	78.9	5.7	21.0	993.8	575.7	179.4	238.7	4,826.3	1,312.4	982.8	2,531.2
June	108.3	83.1	7.5	17.7	1,023.4	597.8	183.0	242.7	4,804.2	1,300.8	975.9	2,527.5
July (p)	101.1	76.1	7.4	17.7	1,007.3	576.5	185.8	245.0	4,785.1	1,268.6	971.9	2,544.6
	Transactions											
2007	15.0	16.7	-5.2	3.5	175.0	113.4	34.1	27.5	555.7	144.9	156.1	254.7
2008	-3.8	-2.9	-1.8	0.9	91.4	27.2	21.5	42.7	421.7	87.6	120.1	213.9
2009 Q1	6.5	5.8	0.6	0.1	18.7	10.0	11.1	-2.4	2.3	-41.1	14.8	28.6
Q2	7.7	7.5	1.3	-1.1	37.5	31.3	1.7	4.5	-21.5	-30.3	-0.1	8.9
2009 Apr.	1.6	1.6	-0.5	0.5	-3.6	-6.8	0.1	3.1	4.2	-7.6	5.4	6.4
May	2.2	1.8	0.0	0.4	14.0	15.4	-0.2	-1.2	-8.5	-12.9	-0.8	5.2
June	4.0	4.1	1.9	-2.0	27.2	22.7	1.9	2.6	-16.9	-9.7	-4.6	-2.6
July (p)	-7.1	-7.0	-0.2	0.0	-16.2	-21.6	2.6	2.8	-16.0	-31.4	-2.8	18.1
	Growth rates											
2008 Dec.	-3.9	-4.0	-23.7	5.0	10.7	5.4	14.6	22.2	9.6	6.8	13.9	9.4
2009 Mar.	-5.2	-7.2	-18.0	10.4	3.5	-5.3	19.6	17.5	6.3	-0.3	11.1	8.2
2009 Apr.	-2.0	-2.0	-25.1	8.3	0.7	-9.5	19.1	18.4	5.2	-1.7	10.7	7.1
May	-3.1	-4.4	-22.7	11.2	0.0	-9.2	16.7	16.0	4.4	-2.6	9.7	6.4
June	1.4	1.5	-1.1	3.2	1.7	-4.7	13.4	11.9	2.8	-5.3	7.4	5.8
July (p)	-3.2	-5.6	16.3	1.6	-0.1	-6.1	12.4	7.3	1.5	-8.4	6.1	5.5

3. Loans to households [4)]

	Total	Consumer credit				Loans for house purchase				Other loans			
		Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9	10	11	12	13
	Outstanding amounts												
2008	4,888.2	632.8	138.8	196.1	298.0	3,484.8	17.2	67.5	3,400.2	770.5	155.0	90.5	524.9
2009 Q1	4,878.9	637.8	136.3	199.9	301.7	3,475.2	16.3	65.6	3,393.2	765.9	150.7	88.4	526.8
2009 Apr.	4,874.9	633.4	134.5	198.1	300.9	3,473.8	16.2	65.5	3,392.2	767.7	148.2	88.6	530.9
May	4,878.4	632.4	133.3	197.6	301.4	3,475.9	16.2	65.4	3,394.4	770.1	147.2	88.9	534.1
June	4,898.9	638.9	136.0	199.0	304.0	3,482.2	16.1	65.8	3,400.2	777.9	154.0	88.4	535.5
July (p)	4,902.3	634.9	134.7	198.0	302.2	3,493.5	16.1	65.9	3,411.4	773.9	146.8	89.2	537.8
	Transactions												
2007	278.9	31.5	3.8	1.1	26.6	226.4	0.9	2.3	223.2	21.1	1.7	4.4	14.9
2008	79.4	10.7	1.1	-9.1	18.6	51.4	1.1	-3.8	54.1	17.4	2.5	-5.3	20.2
2009 Q1	-23.2	-2.7	-2.4	-2.1	1.8	-17.0	-0.9	-3.3	-12.7	-3.5	-4.2	-1.8	2.6
Q2	21.2	1.5	0.0	-0.6	2.0	8.2	-0.5	0.2	8.5	11.5	3.6	0.3	7.6
2009 Apr.	-6.4	-4.4	-1.7	-1.7	-1.0	-2.2	-0.4	-0.1	-1.6	0.1	-2.5	0.2	2.4
May	6.4	-0.6	-1.1	-0.3	0.8	3.7	0.0	-0.1	3.8	3.3	-0.7	0.4	3.7
June	21.3	6.5	2.9	1.4	2.2	6.8	-0.1	0.5	6.4	8.1	6.9	-0.3	1.4
July (p)	7.4	-0.8	-1.2	0.1	0.3	11.5	0.0	0.1	11.3	-3.3	-7.0	0.8	2.9
	Growth rates												
2008 Dec.	1.7	1.7	0.8	-4.4	6.7	1.5	7.0	-5.2	1.6	2.3	1.7	-5.1	4.0
2009 Mar.	0.4	0.9	0.2	-4.5	5.1	0.0	1.0	-9.0	0.2	1.4	-0.2	-7.5	3.7
2009 Apr.	0.0	-0.5	-0.8	-6.1	3.7	-0.2	-1.5	-9.0	0.0	1.6	-1.0	-5.4	3.7
May	-0.2	-0.6	-1.8	-6.0	3.7	-0.5	0.1	-9.2	-0.3	1.9	-0.7	-4.8	3.9
June	0.2	-0.8	-2.1	-5.3	3.1	0.1	-0.3	-8.7	0.3	1.5	-1.9	-5.5	3.8
July (p)	0.0	-1.1	-2.6	-5.1	2.4	-0.2	0.2	-8.7	0.0	1.5	-2.7	-4.4	3.9

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

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

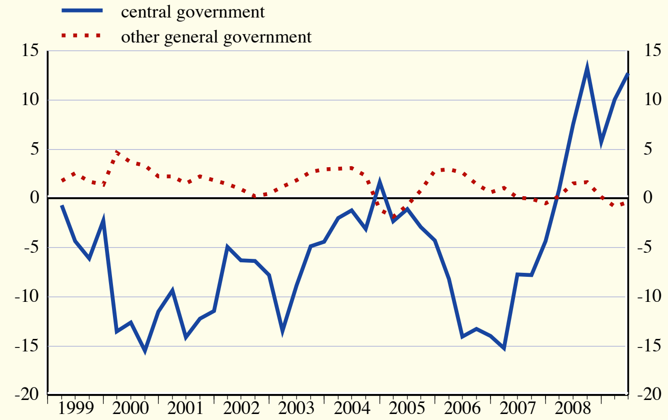
(EUR billions and annual growth rates; not seasonally adjusted; outstanding amounts and growth rates at end of period, transactions during period)

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									
2006	809.0	104.0	232.5	446.6	25.8	2,931.8	2,070.6	861.2	63.1	798.1
2007	954.5	213.4	217.6	494.0	29.4	3,307.6	2,352.4	955.1	59.8	895.3
2008 Q3	978.8	225.6	210.0	497.8	45.4	3,525.7	2,461.8	1,063.9	61.8	1,002.0
Q4	967.6	226.9	210.1	508.4	22.2	3,250.1	2,284.6	965.5	57.8	907.7
2009 Q1	970.7	232.8	205.6	511.3	21.0	3,056.6	2,100.4	956.2	59.2	896.9
Q2 (p)	998.5	249.1	206.5	520.6	22.3	2,954.2	2,018.1	935.6	57.4	878.3
	Transactions									
2007	-8.0	-4.5	-13.0	6.0	3.6	541.6	382.1	159.5	0.3	159.2
2008	13.3	12.3	-8.1	16.3	-7.2	-51.7	-82.8	30.9	0.6	30.3
2008 Q3	4.5	4.9	-5.2	1.4	3.4	90.8	73.5	17.3	-3.2	20.5
Q4	-9.4	1.1	-0.2	12.8	-23.2	-256.3	-182.5	-73.9	-0.7	-73.2
2009 Q1	2.0	5.5	-4.4	2.3	-1.2	-236.8	-211.7	-25.3	0.3	-25.6
Q2 (p)	28.3	16.7	0.9	9.4	1.3	-65.0	-59.1	-6.2	-0.8	-5.4
	Growth rates									
2006 Dec.	-1.6	-14.0	-5.8	5.2	-11.6	21.9	24.0	17.2	-0.1	18.9
2007 Dec.	-1.0	-4.3	-5.6	1.3	13.8	18.6	18.6	18.8	0.5	20.3
2008 Sep.	3.4	13.2	-1.9	2.7	9.6	8.0	5.2	15.0	1.8	15.9
Dec.	1.4	5.8	-3.7	3.3	-24.4	-1.5	-3.5	3.3	0.9	3.5
2009 Mar.	1.5	10.0	-3.6	3.6	-43.5	-14.2	-16.7	-8.3	-3.3	-8.6
June (p)	2.6	12.7	-4.1	5.2	-46.9	-13.6	-15.8	-8.4	-7.0	-8.5

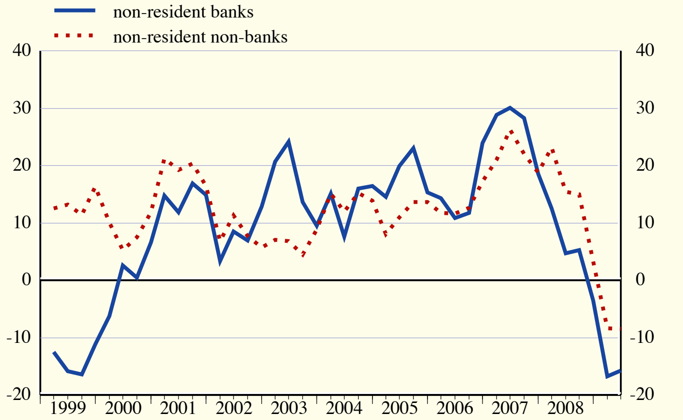
C7 Loans to government [2)]

(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 ESA 95.
2) Data refer to the changing composition of the euro area. For further information, see the General notes.
3) The term "banks" is used in this table to indicate institutions of a similar type to MFIs resident outside the euro area.

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

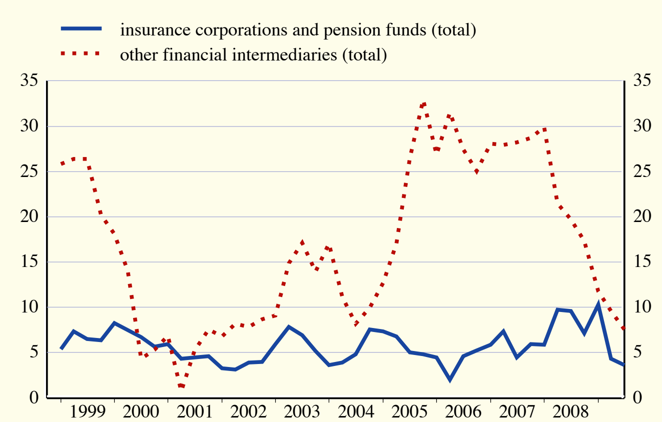
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

1. Deposits by financial intermediaries

	Insurance corporations and pension funds							Other financial intermediaries [3]						
	Total	Overnight	With agreed maturity		Redeemable at notice		Repos	Total	Overnight	With agreed maturity		Redeemable at notice		Repos
			Up to 2 years	Over 2 years	Up to 3 months	Over 3 months				Up to 2 years	Over 2 years	Up to 3 months	Over 3 months	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Outstanding amounts													
2007	691.7	70.9	70.5	527.5	0.8	1.1	20.8	1,466.4	312.5	345.7	648.6	12.2	0.3	147.1
2008	765.4	83.8	117.1	538.9	1.1	1.5	23.1	1,804.1	320.9	420.5	853.4	12.3	0.1	197.0
2009 Q1	763.5	91.7	99.8	546.8	2.3	1.5	21.4	1,839.6	333.3	350.8	906.2	14.4	0.0	234.7
2009 Apr.	766.0	90.1	101.2	550.6	1.8	1.5	20.8	1,866.7	326.2	372.7	914.6	15.0	0.0	238.1
May	759.0	83.6	100.5	551.9	1.9	1.5	19.7	1,854.2	309.0	364.7	926.5	14.7	0.0	239.2
June	753.2	85.4	93.7	551.9	1.7	1.5	19.0	1,891.8	335.5	343.3	943.8	14.1	0.0	255.0
July (p)	751.8	85.9	93.6	552.0	1.8	1.5	16.9	1,854.2	315.8	346.8	945.6	14.6	0.0	231.4
	Transactions													
2007	38.5	0.8	10.5	31.9	-0.3	-0.3	-4.1	339.0	34.0	98.7	180.4	1.7	0.1	24.1
2008	71.7	12.4	44.9	12.4	-0.3	0.1	2.2	172.9	4.6	71.4	46.6	-0.3	-0.3	50.9
2009 Q1	-6.7	5.5	-18.8	7.8	0.5	0.0	-1.7	31.7	8.8	-68.4	51.4	2.1	0.0	37.7
Q2	-10.2	-6.3	-6.1	5.1	-0.5	0.0	-2.4	56.6	19.9	-19.8	36.2	-0.2	0.0	20.4
2009 Apr.	2.3	-1.7	1.3	3.8	-0.5	0.0	-0.6	25.7	9.3	6.6	5.9	0.6	0.0	3.4
May	-6.7	-6.4	-0.6	1.3	0.1	0.0	-1.1	-6.1	-15.8	-4.6	13.4	-0.2	0.0	1.2
June	-5.8	1.8	-6.8	0.0	-0.1	0.0	-0.7	36.6	26.4	-21.9	16.8	-0.6	0.0	15.8
July (p)	-1.4	0.6	-0.1	0.1	0.1	0.0	-2.1	-37.5	-19.7	3.5	1.9	0.5	0.0	-23.6
	Growth rates													
2007 Dec.	5.9	1.1	17.5	6.4	-25.3	-	-16.4	29.9	12.0	39.7	38.5	16.4	-	19.1
2008 Dec.	10.3	17.3	62.1	2.4	-23.4	-	10.5	11.8	1.4	20.8	7.2	-2.3	-	34.6
2009 Mar.	4.3	8.9	13.9	2.4	-3.4	-	-2.2	9.6	-2.2	-2.3	13.7	6.4	-	39.4
2009 Apr.	4.7	16.6	10.4	2.8	-13.5	-	-8.1	9.0	7.5	-8.9	13.4	4.2	-	31.9
May	4.1	16.6	6.7	2.7	-1.0	-	-9.5	7.4	0.1	-9.0	12.5	14.3	-	32.0
June	3.6	12.7	6.1	2.4	-13.3	-	-4.1	7.6	3.0	-14.4	12.6	15.6	-	39.9
July (p)	3.5	19.7	3.5	2.3	-3.2	-	-16.0	5.3	8.6	-21.8	12.8	1.9	-	30.3

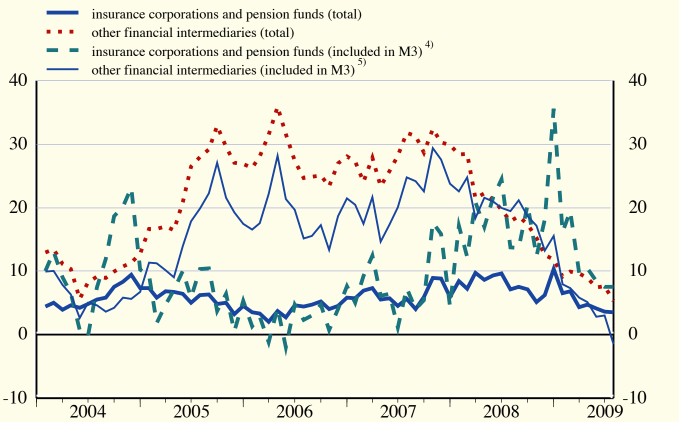
C9 Total deposits by sector [2]

(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 ESA 95.
2) Data refer to the changing composition of the euro area. For further information, see the General notes.
3) This category includes investment funds.
4) Covers deposits in columns 2, 3, 5 and 7.
5) Covers deposits in columns 9, 10, 12 and 14.

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

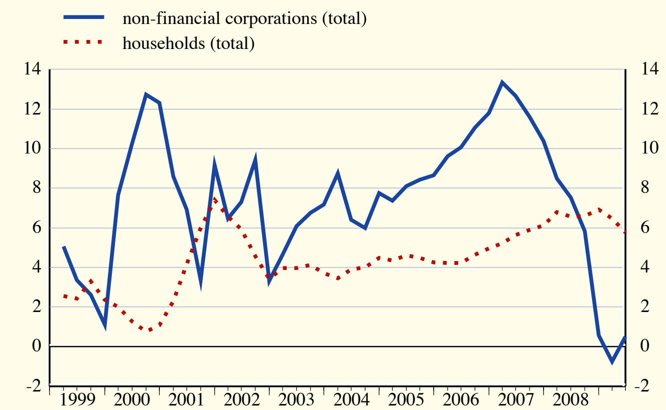
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

2. Deposits by non-financial corporations and households

	Non-financial corporations							Households [3)]						
	Total	Overnight	With agreed maturity		Redeemable at notice		Repos	Total	Overnight	With agreed maturity		Redeemable at notice		Repos
			Up to 2 years	Over 2 years	Up to 3 months	Over 3 months				Up to 2 years	Over 2 years	Up to 3 months	Over 3 months	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Outstanding amounts													
2007	1,488.8	888.9	485.3	59.6	29.9	1.4	23.7	4,990.6	1,778.9	993.3	561.6	1,458.6	111.1	87.1
2008	1,516.5	889.9	508.6	64.6	28.3	1.3	23.7	5,370.2	1,814.7	1,350.1	517.9	1,490.2	113.6	83.7
2009 Q1	1,487.2	877.8	480.5	71.0	38.7	1.3	17.9	5,447.9	1,900.3	1,281.3	524.4	1,565.5	114.9	61.4
2009 Apr.	1,504.4	881.3	485.9	72.3	43.7	1.4	19.7	5,484.0	1,958.1	1,242.2	527.9	1,583.2	115.8	56.8
May	1,514.3	897.0	475.6	72.6	47.3	1.4	20.4	5,498.6	1,986.5	1,214.9	531.6	1,594.2	117.3	54.2
June	1,530.5	922.8	464.3	72.3	50.1	1.5	19.6	5,507.2	2,012.1	1,186.6	535.4	1,604.0	118.2	50.9
July (p)	1,530.6	918.7	463.3	74.4	54.4	1.5	18.4	5,517.5	2,030.1	1,155.6	543.7	1,617.8	119.4	50.9
	Transactions													
2007	140.2	34.1	126.8	-8.1	-10.8	-0.7	-1.1	282.9	22.4	320.9	-45.4	-43.2	11.2	17.1
2008	8.2	-4.5	13.3	3.3	-3.6	-0.3	0.0	347.6	28.6	335.6	-43.1	28.1	1.7	-3.4
2009 Q1	-39.3	-17.4	-32.2	5.0	11.1	0.0	-5.8	41.2	64.3	-80.3	3.9	75.1	0.5	-22.2
Q2	47.2	47.7	-15.1	1.4	11.4	0.1	1.7	60.1	111.1	-93.3	11.0	39.2	2.7	-10.6
2009 Apr.	17.5	4.2	5.1	1.3	5.1	0.0	1.9	34.7	56.7	-39.4	3.5	18.3	0.3	-4.7
May	13.0	17.3	-8.9	0.5	3.5	0.0	0.6	16.7	28.8	-25.7	3.7	11.1	1.4	-2.6
June	16.5	26.0	-11.3	-0.3	2.8	0.1	-0.8	8.6	25.6	-28.3	3.8	9.8	1.0	-3.3
July (p)	0.2	-4.0	-1.0	2.1	4.3	0.0	-1.2	10.6	17.9	-30.9	8.3	14.1	1.1	0.1
	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.	0.6	-0.5	2.8	5.4	-11.4	-16.2	0.0	6.9	1.6	33.2	-7.7	1.9	1.5	-3.9
2009 Mar.	-0.8	1.2	-6.6	13.4	31.5	-9.5	-21.9	6.5	6.8	15.2	-4.6	6.6	4.7	-35.8
2009 Apr.	-0.4	2.6	-9.6	14.2	54.1	-3.3	-5.9	6.2	9.1	8.3	-3.2	7.9	6.2	-41.8
May	-0.9	2.9	-12.0	13.4	68.4	-2.4	-4.3	5.9	10.3	3.7	-1.7	8.7	8.9	-46.8
June	0.5	4.7	-11.7	12.5	79.6	1.0	-13.0	5.8	11.3	-0.5	-0.1	9.5	10.5	-48.4
July (p)	1.4	7.1	-13.5	13.2	107.1	5.4	-20.0	5.5	13.3	-6.7	2.1	11.3	12.1	-52.5

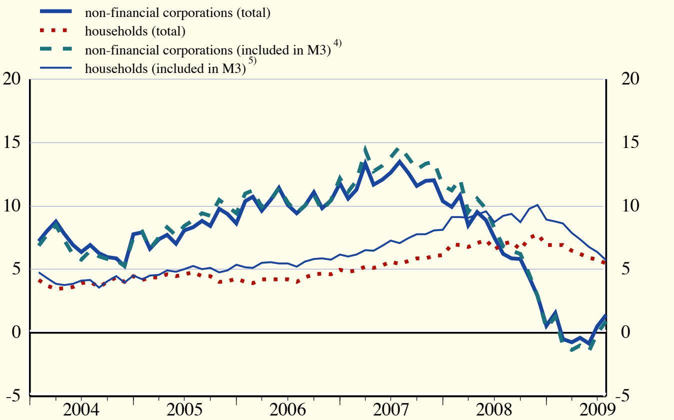
C11 Total deposits by sector [2)]

(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 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)]

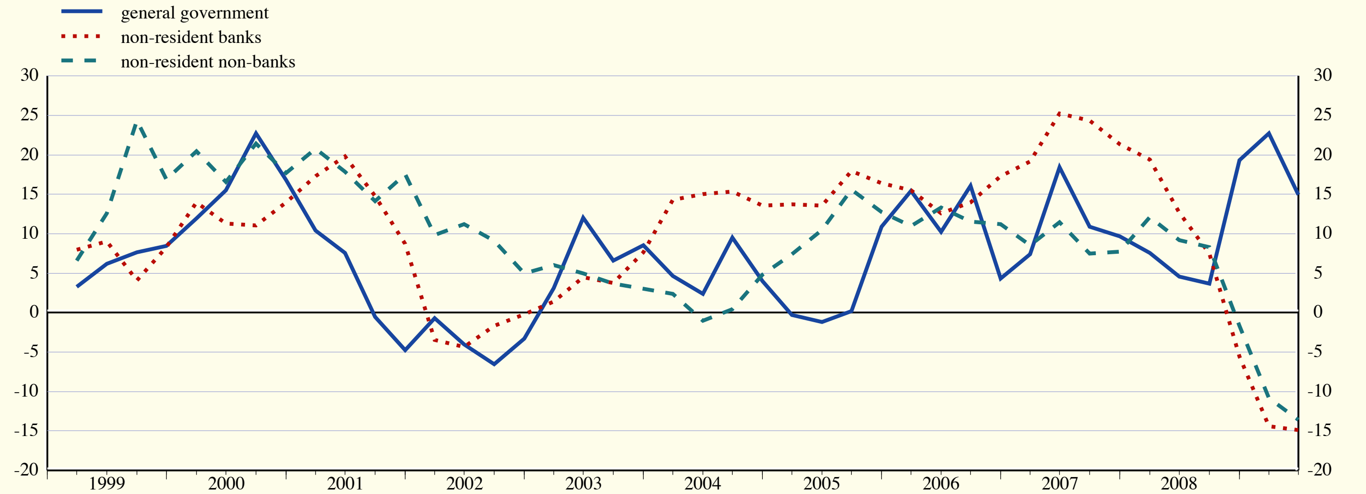
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

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					
2006	329.6	124.1	45.4	91.4	68.8	3,430.0	2,561.5	868.6	128.5	740.1
2007	374.8	126.9	59.0	108.5	80.4	3,857.3	2,948.5	908.8	143.3	765.5
2008 Q3	401.7	139.9	61.7	114.4	85.7	4,145.6	3,142.2	1,003.4	141.8	861.6
Q4	445.1	190.8	52.3	116.1	85.9	3,707.4	2,809.9	897.5	65.8	831.7
2009 Q1	464.2	216.2	50.6	114.3	83.0	3,660.2	2,780.9	879.3	63.6	815.7
Q2 (p)	475.9	227.5	48.9	117.8	81.6	3,557.8	2,699.3	858.5	59.6	798.9
					Transactions					
2007	31.9	-3.1	13.6	9.8	11.6	610.6	543.5	67.1	20.2	46.8
2008	72.3	63.5	-6.5	8.4	7.0	-181.9	-164.8	-17.1	-36.8	19.6
2008 Q3	-10.8	-16.0	5.2	0.8	-0.8	-15.4	-16.8	1.3	8.7	-7.4
Q4	45.9	50.8	-9.2	2.7	1.5	-427.4	-331.5	-95.9	-35.3	-60.6
2009 Q1	15.4	22.5	-1.7	-2.5	-2.9	-106.9	-75.6	-31.3	-2.6	-28.7
Q2 (p)	11.3	11.3	-1.6	3.5	-1.9	-57.5	-46.9	-10.4	-3.8	-6.7
					Growth rates					
2006 Dec.	4.3	-16.6	18.4	9.3	52.1	15.7	17.3	11.2	5.3	12.4
2007 Dec.	9.7	-2.4	29.9	10.7	16.9	17.9	21.4	7.8	15.8	6.3
2008 Sep.	3.7	-6.8	2.9	8.3	18.9	7.7	7.5	8.3	-1.2	10.1
Dec.	19.3	49.9	-11.0	7.7	8.7	-4.6	-5.5	-1.7	-25.5	2.7
2009 Mar.	22.7	52.6	2.2	5.3	6.5	-13.6	-14.5	-10.8	-24.0	-8.7
June (p)	15.0	43.9	-13.0	3.9	-4.9	-14.6	-14.9	-13.6	-27.5	-11.8

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 ESA 95.
2) Data refer to the changing composition of the euro area. For further information, see the General notes.
3) The term “banks” is used in this table to indicate institutions of a similar type to MFIs resident outside the euro area.

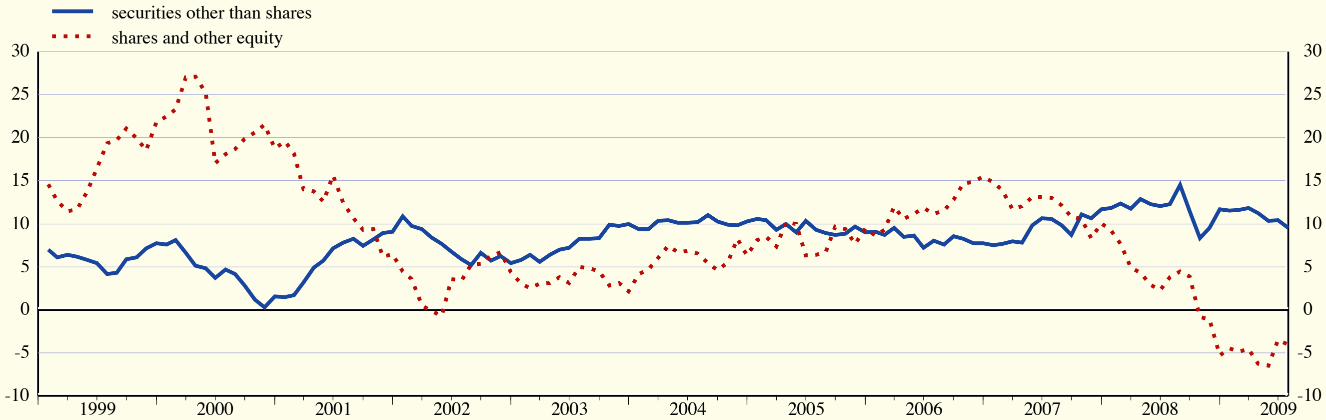
2.6 MFI holdings of securities, breakdown [1), 2)]

(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	5,124.7	1,656.3	84.0	1,180.3	16.6	919.6	33.3	1,234.6	1,636.5	424.5	869.3	342.7
2008	5,858.4	1,887.4	92.4	1,225.4	19.3	1,355.2	51.2	1,227.5	1,477.1	423.2	776.5	277.4
2009 Q1	6,136.6	1,982.3	103.5	1,366.7	20.6	1,397.1	50.6	1,215.7	1,456.8	424.6	760.9	271.3
2009 Apr.	6,211.4	2,013.8	101.8	1,384.2	20.9	1,422.2	50.9	1,217.6	1,491.8	432.0	785.7	274.1
May	6,239.3	2,037.5	105.7	1,402.8	19.2	1,429.9	47.5	1,196.7	1,488.8	431.8	782.8	274.1
June	6,273.7	2,014.6	106.4	1,446.2	20.3	1,440.9	47.3	1,198.0	1,474.6	429.4	769.2	276.0
July (p)	6,285.8	2,031.1	107.6	1,457.8	18.9	1,435.8	48.1	1,186.4	1,487.8	439.3	767.4	281.0
	Transactions											
2007	543.8	136.1	18.0	-86.2	1.5	269.5	9.5	195.4	147.8	51.3	55.4	41.0
2008	600.3	212.5	6.0	36.6	1.9	295.3	19.1	28.8	-84.1	22.9	-56.4	-50.5
2009 Q1	253.8	95.3	8.6	133.7	0.4	40.5	-2.7	-21.9	-4.7	3.2	-4.6	-3.4
Q2	162.0	32.2	3.7	84.1	0.4	47.9	-2.0	-4.3	16.1	8.4	4.2	3.4
2009 Apr.	64.9	31.2	-3.2	17.6	0.1	26.7	-0.3	-7.2	28.6	5.7	21.1	1.8
May	63.8	24.2	6.8	23.1	-0.8	9.6	-1.4	2.4	1.3	4.9	-3.4	-0.3
June	33.2	-23.2	0.2	43.4	1.0	11.6	-0.2	0.4	-13.7	-2.2	-13.5	1.9
July (p)	13.8	19.8	1.2	7.8	-1.4	-7.3	0.5	-6.9	4.9	6.6	-6.1	4.4
	Growth rates											
2007 Dec.	11.7	8.7	25.3	-6.8	10.7	43.3	33.4	17.7	10.0	13.7	6.9	13.9
2008 Dec.	11.7	12.7	8.2	3.1	9.9	32.2	57.5	2.4	-5.3	5.4	-6.7	-15.3
2009 Mar.	11.8	14.4	10.7	12.5	16.4	30.3	3.1	-5.2	-4.5	0.6	-6.6	-6.4
2009 Apr.	11.2	14.9	2.7	12.8	20.3	28.7	-3.8	-7.0	-6.3	0.6	-9.6	-6.6
May	10.4	13.5	1.9	14.0	18.4	26.5	-6.7	-8.0	-6.5	-0.8	-9.3	-6.7
June	10.4	11.8	1.4	18.0	19.4	24.3	-6.2	-7.8	-3.5	1.0	-5.7	-4.0
July (p)	9.5	11.7	-1.6	18.2	12.3	21.7	-5.9	-9.3	-4.0	2.2	-8.6	0.2

C14 MFI holdings of securities [2)]

(annual growth rates)



Source: ECB.

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

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

2.7 Revaluation of selected MFI balance sheet items [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 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9	10	11	12
2007	-4.2	-1.2	-1.4	-1.6	-2.7	-0.2	-0.2	-2.3	-6.9	-0.8	-2.3	-3.7
2008	-4.5	-1.1	-1.5	-1.9	-2.7	0.0	-0.2	-2.5	-6.7	-1.2	-2.3	-3.2
2009 Q1	-1.8	-0.5	-0.5	-0.8	-1.2	0.0	-0.1	-1.1	-2.2	-0.7	-0.2	-1.3
Q2	-1.5	-0.3	-0.5	-0.7	-1.0	0.0	0.0	-0.9	-1.1	-0.1	-0.2	-0.8
2009 Apr.	-0.6	0.0	-0.2	-0.3	-0.2	0.0	0.0	-0.2	-0.2	0.0	0.0	-0.2
May	-0.3	-0.1	-0.1	-0.2	-0.3	0.0	0.0	-0.3	-0.3	0.0	0.0	-0.3
June	-0.6	-0.2	-0.2	-0.2	-0.4	0.0	0.0	-0.4	-0.6	-0.1	-0.1	-0.4
July (p)	-0.7	-0.1	-0.3	-0.4	-0.3	0.0	0.0	-0.3	-0.6	-0.1	-0.1	-0.4

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

	Non-financial corporations				Non-euro area residents		
	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year
	1	2	3	4	5	6	7
2007	-12.5	-2.1	-5.4	-4.9	-5.2	-3.4	-1.8
2008	-17.7	-4.0	-9.1	-4.5	-6.6	-3.4	-3.2
2009 Q1	-7.1	-3.5	-1.6	-2.0	-2.7	-1.3	-1.3
Q2	-5.7	-1.6	-2.4	-1.7	-1.0	-0.3	-0.7
2009 Apr.	-1.8	-0.7	-0.6	-0.6	0.1	-0.1	0.2
May	-1.1	-0.2	-0.6	-0.3	-0.2	-0.1	-0.1
June	-2.7	-0.7	-1.2	-0.8	-0.9	-0.2	-0.7
July (p)	-2.6	-0.8	-0.9	-0.9	-0.4	-0.2	-0.2

3. Revaluation of securities held by MFIs

	Securities other than shares								Shares and other equity			
	Total	MFIs		General government		Other euro area residents		Non-euro area residents	Total	MFIs	Non-MFIs	Non-euro area residents
		Euro	Non-euro	Euro	Non-euro	Euro	Non-euro					
	1	2	3	4	5	6	7	8	9	10	11	12
2007	-14.2	-3.3	0.1	-0.3	-0.2	-3.2	-0.6	-6.7	27.6	3.8	11.7	12.1
2008	-56.4	-8.0	0.0	5.2	0.0	-20.1	-2.2	-31.2	-60.6	-8.2	-44.1	-8.2
2009 Q1	-14.4	-0.5	-0.1	-3.1	0.0	-2.8	0.4	-8.3	-16.0	-3.5	-11.4	-1.1
Q2	-2.4	2.0	0.1	-2.0	-0.1	-1.6	0.3	-1.0	8.2	2.3	4.7	1.3
2009 Apr.	-0.3	1.1	0.1	-0.2	0.0	-1.8	0.2	0.3	6.5	1.7	3.6	1.1
May	-2.1	1.2	0.0	-2.0	-0.2	0.2	0.0	-1.5	2.2	0.8	1.2	0.2
June	0.0	-0.4	0.0	0.2	0.0	-0.1	0.0	0.2	-0.4	-0.2	-0.2	0.0
July (p)	8.8	0.9	0.1	3.8	0.0	2.0	0.2	1.7	8.3	3.2	4.4	0.7

Source: ECB.
1) MFI sector excluding the Eurosystem; sectoral classification is based on ESA 95.
2) Data refer to the changing composition of the euro area. For further information, see the General notes.
3) Including 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													
2006	5,239.3	90.7	9.3	5.6	0.4	1.5	1.2	8,025.9	96.4	3.6	2.2	0.3	0.1	0.6
2007	6,085.8	92.1	7.9	4.8	0.4	1.1	1.0	9,012.4	96.4	3.6	2.2	0.4	0.1	0.5
2008 Q3	6,746.8	89.4	10.6	6.9	0.4	1.5	1.0	9,487.6	96.2	3.8	2.2	0.5	0.1	0.6
Q4	6,858.5	89.7	10.3	7.3	0.4	1.2	0.8	9,901.3	96.9	3.1	1.9	0.5	0.1	0.4
2009 Q1	6,606.6	90.9	9.1	6.3	0.3	1.2	0.7	10,002.4	96.9	3.1	1.9	0.4	0.1	0.5
Q2 (p)	6,633.8	92.2	7.8	5.1	0.3	1.1	0.8	10,158.7	97.0	3.0	1.8	0.3	0.1	0.5
	By non-euro area residents													
2006	2,561.5	45.4	54.6	35.0	2.3	2.7	11.5	868.6	50.8	49.2	31.9	1.3	2.0	10.4
2007	2,948.5	46.9	53.1	33.6	2.9	2.4	11.0	908.8	50.1	49.9	32.9	1.6	1.8	9.9
2008 Q3	3,142.2	45.8	54.2	35.2	3.2	2.7	9.8	1,003.4	52.6	47.4	30.3	1.3	1.5	10.3
Q4	2,809.9	48.2	51.8	33.4	2.8	2.6	10.2	897.5	54.9	45.1	28.7	1.4	1.9	9.4
2009 Q1	2,780.9	47.2	52.8	34.8	2.1	2.6	10.4	879.3	52.7	47.3	31.6	1.2	1.9	8.4
Q2 (p)	2,699.3	49.0	51.0	32.8	1.9	2.6	10.9	858.5	51.9	48.1	33.1	1.3	1.8	7.7

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
2006	4,470.8	80.6	19.4	10.0	1.6	1.9	3.5
2007	4,933.2	81.5	18.5	9.2	1.7	1.9	3.4
2008 Q3	5,168.4	81.9	18.1	8.9	1.9	1.8	3.3
Q4	5,111.7	83.3	16.7	8.4	2.0	1.9	2.5
2009 Q1	5,197.8	83.3	16.7	8.7	1.9	1.9	2.5
Q2 (p)	5,224.1	83.5	16.5	8.4	1.9	1.8	2.6

Source: ECB.

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

2.8 Currency breakdown of selected MFI balance sheet items [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							Total				
				USD	JPY	CHF	GBP				USD	JPY	CHF	GBP
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	To euro area residents													
2006	4,938.0	-	-	-	-	-	-	9,943.7	96.4	3.6	1.6	0.2	1.1	0.5
2007	5,800.8	-	-	-	-	-	-	11,093.4	96.2	3.8	1.8	0.2	0.9	0.6
2008 Q3	6,355.5	-	-	-	-	-	-	11,778.9	95.8	4.2	2.1	0.2	1.0	0.5
Q4	6,317.6	-	-	-	-	-	-	11,735.8	95.9	4.1	2.1	0.3	1.0	0.4
2009 Q1	6,126.5	-	-	-	-	-	-	11,781.1	95.9	4.1	2.1	0.3	1.0	0.5
Q2 (p)	6,228.2	-	-	-	-	-	-	11,833.4	96.1	3.9	2.0	0.2	1.0	0.5
	To non-euro area residents													
2006	2,070.6	50.9	49.1	28.7	2.0	2.3	11.0	861.2	39.3	60.7	43.1	1.1	4.0	8.6
2007	2,352.4	48.3	51.7	28.8	2.3	2.4	12.7	955.1	40.9	59.1	41.2	1.2	3.7	8.2
2008 Q3	2,461.8	42.7	57.3	33.2	2.9	2.6	12.4	1,063.9	41.4	58.6	40.5	1.5	3.9	8.0
Q4	2,284.6	45.8	54.2	31.8	3.0	2.6	11.3	965.5	40.5	59.5	41.9	1.4	4.3	7.4
2009 Q1	2,100.4	44.8	55.2	31.2	2.7	3.1	12.7	956.2	38.1	61.9	44.5	1.0	4.2	7.8
Q2 (p)	2,018.1	45.5	54.5	29.5	2.9	3.1	13.5	935.6	39.5	60.5	43.0	0.9	4.0	7.8

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							Total				
				USD	JPY	CHF	GBP				USD	JPY	CHF	GBP
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Issued by euro area residents													
2006	1,636.9	95.6	4.4	2.3	0.2	0.3	1.3	1,924.6	97.6	2.4	1.3	0.3	0.1	0.7
2007	1,740.3	95.2	4.8	2.4	0.3	0.3	1.5	2,149.8	97.7	2.3	1.4	0.2	0.1	0.5
2008 Q3	1,905.6	94.6	5.4	2.9	0.4	0.3	1.5	2,302.2	97.2	2.8	1.9	0.3	0.1	0.4
Q4	1,979.8	95.3	4.7	2.6	0.4	0.2	1.2	2,651.1	97.3	2.7	1.7	0.3	0.1	0.4
2009 Q1	2,085.8	95.0	5.0	2.7	0.2	0.4	1.3	2,835.1	97.5	2.5	1.7	0.2	0.1	0.4
Q2 (p)	2,121.0	95.0	5.0	2.5	0.5	0.4	1.3	2,954.7	97.7	2.3	1.5	0.2	0.1	0.3
	Issued by non-euro area residents													
2006	515.3	52.3	47.7	28.8	0.7	0.4	14.5	594.5	38.9	61.1	36.5	4.9	0.8	14.2
2007	582.3	53.9	46.1	27.3	0.7	0.4	14.4	652.2	35.9	64.1	39.3	4.5	0.8	12.6
2008 Q3	645.1	51.1	48.9	30.7	0.8	0.5	14.2	663.4	37.2	62.8	38.1	6.4	0.9	10.5
Q4	580.8	54.0	46.0	28.6	0.9	0.5	13.3	646.7	39.0	61.0	37.1	6.4	0.8	11.0
2009 Q1	597.9	52.1	47.9	27.6	0.3	1.6	13.9	617.9	34.1	65.9	40.5	4.3	0.8	15.3
Q2 (p)	570.1	55.3	44.7	24.7	1.7	1.4	14.4	628.0	33.5	66.5	40.3	4.2	0.9	16.0

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

2.9 Aggregated balance sheet of euro area investment funds [1]
(EUR billions; outstanding amounts at end of period)

1. Assets

	Total	Deposits	Holdings of securities other than shares			Holdings of shares/ other equity	Holdings of investment fund shares	Fixed assets	Other assets
			Total	Up to 1 year	Over 1 year				
	1	2	3	4	5	6	7	8	9
2007 Q4	5,783.4	353.7	1,994.3	184.2	1,810.1	2,077.7	784.6	189.1	384.1
2008 Q1	5,162.7	365.9	1,858.8	164.8	1,693.9	1,670.4	720.3	197.1	350.2
Q2	5,017.4	359.6	1,808.2	157.5	1,650.7	1,624.6	691.2	204.9	328.8
Q3	4,715.2	377.4	1,748.3	148.1	1,600.1	1,411.5	641.9	202.8	333.4
Q4	4,232.3	352.1	1,687.9	132.4	1,555.5	1,132.7	566.7	200.2	292.7
2009 Q1 (p)	4,095.6	344.6	1,699.3	121.7	1,577.6	1,044.4	529.7	202.3	275.3

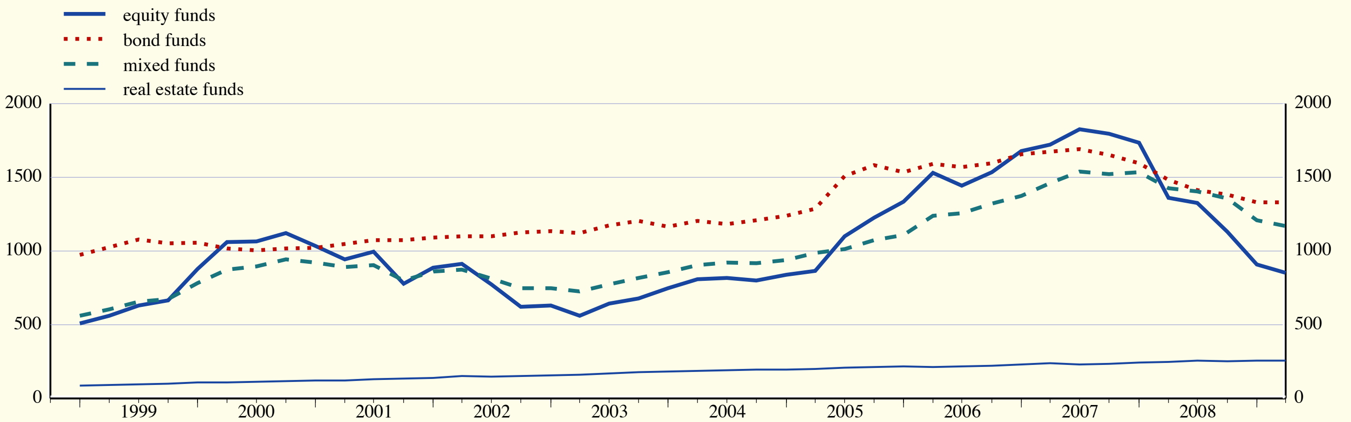
2. Liabilities

	Total	Deposits and loans taken	Investment fund shares	Other liabilities
	1	2	3	4
2007 Q4	5,783.4	76.8	5,413.5	293.1
2008 Q1	5,162.7	76.4	4,848.6	237.7
Q2	5,017.4	74.8	4,723.1	219.5
Q3	4,715.2	71.0	4,415.4	228.8
Q4	4,232.3	64.7	3,983.1	184.5
2009 Q1 (p)	4,095.6	74.6	3,836.6	184.4

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

	Total	Funds by investment policy					Funds by type of investor	
		Equity funds	Bond funds	Mixed funds	Real estate funds	Other funds	General public funds	Special investors' funds
	1	2	3	4	5	6	7	8
2007 Q4	5,783.4	1,735.7	1,597.4	1,535.8	244.3	670.2	4,346.8	1,436.7
2008 Q1	5,162.7	1,362.8	1,483.8	1,428.1	249.7	638.3	3,780.2	1,382.5
Q2	5,017.4	1,325.4	1,413.9	1,405.6	256.3	616.2	3,649.3	1,368.1
Q3	4,715.2	1,132.4	1,383.2	1,359.3	253.2	587.1	3,343.0	1,372.3
Q4	4,232.3	908.4	1,330.8	1,210.8	257.1	525.2	2,950.7	1,281.6
2009 Q1 (p)	4,095.6	854.6	1,330.8	1,170.6	257.4	482.2	2,825.4	1,270.2

C15 Total assets of investment funds
(EUR billions)



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

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

(EUR billions; outstanding amounts at end of period)

1. Funds by investment policy

	Total	Deposits	Holdings of securities other than shares			Holdings of shares/ other equity	Holdings of investment fund shares	Fixed assets	Other assets
			Total	Up to 1 year	Over 1 year				
	1	2	3	4	5	6	7	8	9
	Equity funds								
2007 Q4	1,735.7	58.1	71.8	26.5	45.2	1,464.4	79.5	-	61.9
2008 Q1	1,362.8	51.3	63.1	21.3	41.8	1,131.0	65.7	-	51.7
Q2	1,325.4	54.3	65.1	22.0	43.1	1,088.7	65.7	-	51.6
Q3	1,132.4	48.3	61.3	20.2	41.1	915.3	57.2	-	50.2
Q4	908.4	37.3	65.2	19.4	45.8	715.4	47.2	-	43.3
2009 Q1 (p)	854.6	38.8	63.8	16.5	47.3	660.7	45.2	-	46.1
	Bond funds								
2007 Q4	1,597.4	116.1	1,273.6	92.8	1,180.8	58.0	49.8	-	99.8
2008 Q1	1,483.8	124.7	1,168.2	80.3	1,087.9	56.8	45.5	-	88.6
Q2	1,413.9	115.9	1,118.8	74.6	1,044.2	57.9	42.7	-	78.6
Q3	1,383.2	128.7	1,074.0	67.9	1,006.1	55.7	41.3	-	83.5
Q4	1,330.8	122.2	1,034.2	62.2	971.9	57.5	36.4	-	80.5
2009 Q1 (p)	1,330.8	117.5	1,044.6	62.1	982.5	49.1	38.6	-	80.9
	Mixed funds								
2007 Q4	1,535.8	89.8	547.2	47.3	499.8	393.2	343.7	0.7	161.4
2008 Q1	1,428.1	97.9	528.1	46.4	481.8	339.5	314.0	1.2	147.3
Q2	1,405.6	99.1	520.1	42.6	477.5	341.7	308.0	0.8	135.9
Q3	1,359.3	109.0	512.8	42.2	470.6	312.1	287.4	1.1	137.0
Q4	1,210.8	110.3	494.9	34.3	460.6	245.2	235.8	1.2	123.4
2009 Q1 (p)	1,170.6	109.4	498.5	28.2	470.3	227.2	224.0	1.8	109.6
	Real estate funds								
2007 Q4	244.3	19.7	6.0	1.5	4.5	3.4	12.5	187.9	14.7
2008 Q1	249.7	19.9	5.3	1.1	4.2	3.1	11.3	195.4	14.6
Q2	256.3	18.0	5.9	1.1	4.8	3.0	10.1	203.5	15.8
Q3	253.2	19.0	4.7	1.3	3.4	3.1	9.3	201.2	16.0
Q4	257.1	14.4	4.8	1.1	3.7	12.7	6.8	198.5	19.8
2009 Q1 (p)	257.4	14.4	5.1	1.1	4.0	12.3	7.5	200.1	18.1

2. Funds by type of investor

	Total	Deposits	Holdings of securities other than shares	Holdings of shares/ other equity	Holdings of investment fund shares	Fixed assets	Other assets
	1	2	3	4	5	6	7
	General public funds						
2007 Q4	4,346.8	280.2	1,337.7	1,717.7	570.2	149.1	291.8
2008 Q1	3,780.2	278.0	1,219.2	1,362.3	514.7	154.1	252.0
Q2	3,649.3	264.9	1,178.3	1,327.0	486.0	155.0	238.1
Q3	3,343.0	265.4	1,105.7	1,140.8	441.4	152.4	237.3
Q4	2,950.7	244.6	1,037.6	933.0	382.6	146.7	206.2
2009 Q1 (p)	2,825.4	243.5	1,029.9	864.7	342.8	144.5	199.9
	Special investors' funds						
2007 Q4	1,436.7	73.4	656.6	360.0	214.5	40.0	92.2
2008 Q1	1,382.5	88.0	639.6	308.1	205.6	43.0	98.2
Q2	1,368.1	94.8	629.9	297.6	205.2	49.9	90.7
Q3	1,372.3	112.0	642.5	270.7	200.5	50.5	96.1
Q4	1,281.6	107.5	650.2	199.7	184.1	53.5	86.5
2009 Q1 (p)	1,270.2	101.1	669.4	179.7	186.9	57.8	75.3

Source: ECB.

EURO AREA ACCOUNTS

3.1 Integrated economic and financial accounts by institutional sector
(EUR billions)

Uses 2009 Q1	Euro area	Households	Non-financial corporations	Financial corporations	General government	Rest of the world
External account						
Exports of goods and services						421.2
Trade balance [1]						11.0
Generation of income account						
Gross value added (basic prices)						
Taxes less subsidies on products						
Gross domestic product (market prices)						
Compensation of employees	1,047.9	102.7	663.6	52.0	229.7	
Other taxes less subsidies on production	24.2	2.7	14.2	3.6	3.8	
Consumption of fixed capital	351.0	94.5	199.1	11.6	45.7	
Net operating surplus and mixed income [1]	540.7	279.4	226.5	35.8	-0.9	
Allocation of primary income account						
Net operating surplus and mixed income						
Compensation of employees						4.6
Taxes less subsidies on production						
Property income	777.7	42.7	288.7	380.7	65.6	109.5
Interest	481.8	40.4	83.1	292.7	65.6	66.7
Other property income	295.8	2.3	205.6	87.9	0.0	42.8
Net national income [1]	1,824.2	1,549.3	33.8	39.0	202.0	
Secondary distribution of income account						
Net national income						
Current taxes on income, wealth, etc.	231.0	201.3	23.9	5.6	0.2	1.3
Social contributions	403.2	403.2				0.6
Social benefits other than social transfers in kind	422.2	1.4	15.6	31.7	373.6	0.7
Other current transfers	192.5	71.3	25.2	45.9	50.1	8.1
Net non-life insurance premiums	43.7	31.8	10.3	0.9	0.7	1.4
Non-life insurance claims	43.8			43.8		0.6
Other	105.0	39.5	14.9	1.2	49.4	6.1
Net disposable income [1]	1,793.4	1,384.1	-4.7	48.2	365.8	
Use of income account						
Net disposable income						
Final consumption expenditure	1,743.6	1,279.3			464.2	
Individual consumption expenditure	1,562.6	1,279.3			283.3	
Collective consumption expenditure	181.0				181.0	
Adjustment for the change in net equity of households in pension fund reserves	15.3	0.1	0.2	15.0	0.0	0.0
Net saving/current external account [1]	49.9	120.0	-4.9	33.2	-98.4	55.2
Capital account						
Net saving / current external account						
Gross capital formation	456.1	140.8	256.2	12.9	46.3	
Gross fixed capital formation	438.3	138.2	241.3	12.7	46.1	
Changes in inventories and acquisitions less disposals of valuables	17.9	2.6	14.9	0.2	0.2	
Consumption of fixed capital						
Acquisitions less disposals of non-produced non-financial assets	0.6	-1.4	1.3	0.1	0.6	-0.6
Capital transfers	34.4	6.1	-0.2	1.2	27.3	3.7
Capital taxes	5.0	4.8	0.2	0.0		0.0
Other capital transfers	29.4	1.3	-0.3	1.2	27.3	3.7
Net lending (+)/net borrowing (-) (from capital account) [1]	-54.3	83.8	-47.0	31.4	-122.5	54.3
Statistical discrepancy	0.0	13.1	-13.1	0.0	0.0	0.0

Sources: ECB and Eurostat.
1) For the calculation of the balancing items, see the Technical notes.

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

Resources 2009 Q1	Euro area	Households	Non-financial corporations	Financial corporations	General government	Rest of the world
External account						
Imports of goods and services						432.1
Trade balance						
Generation of income account						
Gross value added (basic prices)	1,963.9	479.2	1,103.4	103.0	278.3	
Taxes less subsidies on products	224.8					
Gross domestic product (market prices)[2]	2,188.7					
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	540.7	279.4	226.5	35.8	-0.9	
Compensation of employees	1,050.4	1,050.4				2.1
Taxes less subsidies on production	247.2				247.2	1.9
Property income	763.5	262.2	96.0	383.9	21.3	123.6
Interest	463.4	72.4	48.3	334.9	7.9	85.1
Other property income	300.1	189.9	47.8	49.1	13.4	38.5
Net national income						
Secondary distribution of income account						
Net national income	1,824.2	1,549.3	33.8	39.0	202.0	
Current taxes on income, wealth, etc.	231.9				231.9	0.4
Social contributions	402.7	1.1	15.6	47.4	338.6	1.1
Social benefits other than social transfers in kind	419.6	419.6				3.4
Other current transfers	163.9	91.4	10.4	45.0	17.2	36.7
Net non-life insurance premiums	43.8			43.8		1.3
Non-life insurance claims	42.8	34.2	7.7	0.7	0.3	1.6
Other	77.3	57.2	2.8	0.5	16.9	33.8
Net disposable income						
Use of income account						
Net disposable income	1,793.4	1,384.1	-4.7	48.2	365.8	
Final consumption expenditure						
Individual consumption expenditure						
Collective consumption expenditure						
Adjustment for the change in net equity of households in pension fund reserves	15.3	15.3				0.0
Net saving/current external account						
Capital account						
Net saving / current external account	49.9	120.0	-4.9	33.2	-98.4	55.2
Gross capital formation						
Gross fixed capital formation						
Changes in inventories and acquisitions less disposals of valuables						
Consumption of fixed capital	351.0	94.5	199.1	11.6	45.7	
Acquisitions less disposals of non-produced non-financial assets						
Capital transfers	35.9	14.8	16.0	0.7	4.4	2.2
Capital taxes	5.0				5.0	0.0
Other capital transfers	30.9	14.8	16.0	0.7	-0.6	2.2
Net lending (+)/net borrowing (-) (from capital account)						
Statistical discrepancy						

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

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

Assets 2009 Q1	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		16,629.4	14,160.4	23,728.5	9,484.6	5,963.5	3,159.6	14,898.2
Monetary gold and special drawing rights (SDRs)				221.8				
Currency and deposits		6,120.0	1,835.6	2,393.9	1,800.1	874.8	641.5	4,206.6
Short-term debt securities		60.3	94.3	154.5	327.8	331.2	37.6	855.6
Long-term debt securities		1,256.5	213.8	4,253.6	1,631.7	2,017.2	322.8	2,942.3
Loans		65.7	2,531.9	12,755.1	2,112.2	364.8	442.6	1,775.9
of which long-term		47.7	1,404.8	9,679.5	1,684.7	287.6	354.5	.
Shares and other equity		3,750.4	6,067.4	1,599.1	3,413.1	1,919.6	1,136.0	4,434.8
Quoted shares		611.6	1,106.3	470.7	1,505.7	426.0	263.2	.
Unquoted shares and other equity		1,820.0	4,652.7	915.5	1,374.8	433.0	751.9	.
Mutual fund shares		1,318.9	308.5	212.9	532.6	1,060.6	120.9	.
Insurance technical reserves		5,148.6	136.9	1.8	0.0	142.3	3.1	149.3
Other accounts receivable and financial derivatives		227.9	3,280.4	2,348.6	199.6	313.5	575.9	533.8
Net financial worth								
Financial account, transactions in financial assets								
Total transactions in financial assets		101.5	-5.9	-116.1	118.4	54.8	94.6	-131.3
Monetary gold and special drawing rights (SDRs)				-0.9				0.9
Currency and deposits		27.3	-41.6	-223.9	59.4	-1.4	92.8	-188.2
Short-term debt securities		-14.8	-7.9	-9.1	3.2	7.4	-11.6	45.9
Long-term debt securities		37.3	-18.0	161.2	9.7	32.3	-4.6	67.3
Loans		-1.1	80.9	-31.1	75.0	2.8	4.3	-31.9
of which long-term		-1.1	62.4	19.9	76.9	10.6	4.4	.
Shares and other equity		12.4	77.2	-5.5	-35.3	2.8	10.5	21.6
Quoted shares		3.0	26.7	-3.1	-30.7	-0.2	2.3	.
Unquoted shares and other equity		6.4	38.2	16.1	27.3	4.4	7.9	.
Mutual fund shares		3.0	12.3	-18.4	-31.8	-1.3	0.2	.
Insurance technical reserves		42.6	1.2	0.0	0.0	3.7	0.0	-10.5
Other accounts receivable and financial derivatives		-2.3	-97.8	-6.9	6.4	7.2	3.3	-36.4
Changes in net financial worth due to transactions								
Other changes account, financial assets								
Total other changes in financial assets		-264.6	-348.9	58.5	-91.9	-71.2	-44.1	-41.5
Monetary gold and special drawing rights (SDRs)				24.4				
Currency and deposits		14.4	-3.4	25.4	5.8	4.2	0.0	47.2
Short-term debt securities		-0.5	-0.2	-1.3	7.7	0.3	-0.5	0.9
Long-term debt securities		-2.0	-8.7	13.6	-5.2	1.8	-1.1	0.0
Loans		0.0	8.3	23.1	6.1	-4.3	0.0	-1.3
of which long-term		0.0	5.6	15.6	4.1	-2.5	-0.1	.
Shares and other equity		-247.1	-389.9	-61.6	-107.5	-75.8	-40.1	-98.6
Quoted shares		-89.5	-151.6	-50.4	-75.9	-33.1	-42.0	.
Unquoted shares and other equity		-120.8	-225.0	-33.3	-54.5	-23.2	5.3	.
Mutual fund shares		-36.8	-13.3	22.1	22.9	-19.5	-3.4	.
Insurance technical reserves		-36.6	0.0	0.0	0.0	0.1	0.0	2.6
Other accounts receivable and financial derivatives		7.2	45.1	34.8	1.2	2.6	-2.5	7.8
Other changes in net financial worth								
Closing balance sheet, financial assets								
Total financial assets		16,466.3	13,805.6	23,670.9	9,511.0	5,947.1	3,210.0	14,724.6
Monetary gold and special drawing rights (SDRs)				245.2				
Currency and deposits		6,161.7	1,790.6	2,195.4	1,865.3	877.7	734.4	4,065.6
Short-term debt securities		45.0	86.2	144.2	338.6	338.9	25.6	902.4
Long-term debt securities		1,291.9	187.1	4,428.4	1,636.2	2,051.2	317.1	3,009.5
Loans		64.6	2,621.1	12,747.2	2,193.4	363.3	446.8	1,742.7
of which long-term		46.7	1,472.8	9,715.0	1,765.7	295.8	358.8	.
Shares and other equity		3,515.8	5,754.8	1,532.0	3,270.3	1,846.6	1,106.4	4,357.8
Quoted shares		525.1	981.4	417.1	1,399.1	392.7	223.5	.
Unquoted shares and other equity		1,705.5	4,465.9	898.3	1,347.6	414.2	765.1	.
Mutual fund shares		1,285.1	307.5	216.6	523.6	1,039.7	117.8	.
Insurance technical reserves		5,154.6	138.1	1.9	0.0	146.1	3.1	141.4
Other accounts receivable and financial derivatives		232.8	3,227.6	2,376.6	207.2	323.2	576.6	505.2
Net financial worth								

Source: ECB.

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

Liabilities 2009 Q1	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		6,357.4	22,408.4	23,111.9	9,233.0	6,114.7	7,468.4	13,108.5
Monetary gold and special drawing rights (SDRs)								
Currency and deposits			26.0	14,889.7	23.5	1.9	254.6	2,676.9
Short-term debt securities			281.6	327.3	125.8	10.9	847.7	268.0
Long-term debt securities			453.9	2,767.8	2,084.2	32.3	4,704.3	2,595.5
Loans		5,688.0	8,207.0		1,735.4	212.8	1,257.4	2,947.5
of which long-term		5,354.4	5,600.8		805.1	72.1	1,071.6	.
Shares and other equity			10,273.1	2,445.9	5,057.2	459.6	4.3	4,080.3
Quoted shares			2,866.1	375.2	111.7	165.2	0.0	.
Unquoted shares and other equity			7,407.0	917.7	1,015.7	293.6	4.3	.
Mutual fund shares				1,153.0	3,929.8			.
Insurance technical reserves		33.6	328.7	61.9	0.6	5,156.8	0.5	
Other accounts payable and financial derivatives		635.7	2,838.0	2,619.3	206.2	240.4	399.6	540.3
Net financial worth [1]	-1,568.0	10,272.0	-8,248.0	616.6	251.5	-151.2	-4,308.9	
Financial account, transactions in liabilities								
Total transactions in liabilities		4.6	54.2	-163.1	114.5	74.3	217.1	-185.6
Monetary gold and special drawing rights (SDRs)								
Currency and deposits			0.3	-92.4	-2.0	0.2	-8.9	-172.6
Short-term debt securities			0.7	-74.7	-20.9	-0.2	95.4	12.7
Long-term debt securities			17.6	31.7	130.4	2.1	154.2	-50.9
Loans		-10.2	30.4		55.3	2.9	-1.8	22.2
of which long-term		-2.6	79.1		18.6	0.6	-7.3	.
Shares and other equity			58.9	68.3	-49.3	1.3	0.0	4.5
Quoted shares			9.6	9.6	0.1	0.0	0.0	.
Unquoted shares and other equity			49.2	6.0	20.0	1.3	0.0	.
Mutual fund shares				52.7	-69.4			.
Insurance technical reserves		0.1	0.2	1.7	0.2	34.8	0.0	
Other accounts payable and financial derivatives		14.7	-53.9	-97.8	0.8	33.1	-21.8	-1.6
Changes in net financial worth due to transactions [1]	-54.3	96.9	-60.1	47.0	3.8	-19.4	-122.5	54.3
Other changes account, liabilities								
Total other changes in liabilities		1.6	-636.1	87.1	-100.5	-115.5	8.5	-73.1
Monetary gold and special drawing rights (SDRs)								
Currency and deposits			0.0	67.4	0.0	0.0	-0.1	26.3
Short-term debt securities			2.1	5.1	0.4	0.0	-0.7	-0.5
Long-term debt securities			1.0	5.9	-12.1	-3.7	6.9	0.3
Loans		0.6	12.5		17.3	3.4	0.3	-2.3
of which long-term		1.8	12.3		12.7	2.8	0.3	.
Shares and other equity			-695.0	-69.1	-114.0	-58.2	-0.1	-84.1
Quoted shares			-358.6	-66.9	-21.6	-42.8	0.0	.
Unquoted shares and other equity			-336.4	0.4	-25.0	-15.3	-0.1	.
Mutual fund shares				-2.6	-67.3			.
Insurance technical reserves		0.0	0.0	0.0	0.0	-33.9	0.0	
Other accounts payable and financial derivatives		1.0	43.3	77.7	7.9	-23.1	2.3	-12.9
Other changes in net financial worth [1]	-7.3	-266.2	287.3	-28.6	8.6	44.3	-52.7	31.7
Closing balance sheet, liabilities								
Total liabilities		6,363.6	21,826.5	23,035.8	9,247.1	6,073.5	7,694.1	12,849.8
Monetary gold and special drawing rights (SDRs)								
Currency and deposits			26.3	14,864.8	21.5	2.1	245.6	2,530.6
Short-term debt securities			284.4	257.7	105.3	10.7	942.4	280.3
Long-term debt securities			472.5	2,805.4	2,202.5	30.7	4,865.5	2,544.9
Loans		5,678.5	8,249.9		1,808.1	219.1	1,256.0	2,967.5
of which long-term		5,353.6	5,692.2		836.5	75.5	1,064.7	.
Shares and other equity			9,637.0	2,445.1	4,894.0	402.8	4.2	4,000.7
Quoted shares			2,517.1	318.0	90.1	122.4	0.0	.
Unquoted shares and other equity			7,119.9	924.0	1,010.7	279.6	4.2	.
Mutual fund shares				1,203.1	3,793.2			.
Insurance technical reserves		33.7	328.9	63.6	0.8	5,157.7	0.5	
Other accounts payable and financial derivatives		651.4	2,827.4	2,599.2	215.0	250.4	380.0	525.8
Net financial worth [1]	-1,629.6	10,102.7	-8,020.9	635.1	263.9	-126.4	-4,484.0	

Source: ECB.

3.2 Euro area non-financial accounts
(EUR billions; four-quarter cumulated flows)

Uses	2005	2006	2007	2007 Q2-2008 Q1	2007 Q3-2008 Q2	2007 Q4-2008 Q3	2008 Q1-2008 Q4	2008 Q2-2009 Q1
Generation of income account								
Gross value added (basic prices)								
Taxes less subsidies on products								
Gross domestic product (market prices)								
Compensation of employees	3,905.8	4,068.0	4,252.2	4,300.7	4,350.5	4,395.5	4,429.5	4,435.0
Other taxes less subsidies on production	129.9	129.6	137.6	137.2	137.6	138.6	135.2	133.7
Consumption of fixed capital	1,185.2	1,243.6	1,310.3	1,324.9	1,340.7	1,356.1	1,370.3	1,384.4
Net operating surplus and mixed income [1]	2,075.9	2,190.4	2,332.4	2,358.9	2,390.5	2,397.9	2,380.1	2,307.8
Allocation of primary income account								
Net operating surplus and mixed income								
Compensation of employees								
Taxes less subsidies on production								
Property income	2,616.1	3,039.9	3,562.1	3,667.3	3,774.7	3,862.4	3,890.9	3,805.8
Interest	1,346.6	1,644.5	2,033.5	2,123.1	2,203.2	2,275.5	2,299.4	2,225.5
Other property income	1,269.5	1,395.4	1,528.6	1,544.2	1,571.5	1,586.9	1,591.5	1,580.4
Net national income [1]	6,969.8	7,312.0	7,689.2	7,753.4	7,814.6	7,862.1	7,848.9	7,750.6
Secondary distribution of income account								
Net national income								
Current taxes on income, wealth, etc.	935.6	1,027.8	1,111.6	1,128.3	1,140.0	1,142.1	1,124.9	1,116.1
Social contributions	1,477.8	1,539.7	1,598.3	1,613.9	1,630.2	1,648.0	1,662.8	1,671.7
Social benefits other than social transfers in kind	1,504.8	1,554.6	1,598.3	1,611.3	1,626.5	1,645.7	1,663.0	1,686.3
Other current transfers	710.3	718.4	746.2	756.6	764.9	768.2	776.2	772.2
Net non-life insurance premiums	178.8	177.7	181.5	182.1	183.5	184.2	184.9	183.0
Non-life insurance claims	179.6	177.9	181.0	181.6	183.3	184.1	185.4	183.4
Other	351.9	362.8	383.7	393.0	398.1	399.9	405.8	405.7
Net disposable income [1]	6,882.9	7,220.6	7,594.3	7,653.6	7,713.4	7,763.4	7,746.8	7,649.1
Use of income account								
Net disposable income								
Final consumption expenditure	6,358.5	6,632.0	6,888.9	6,960.7	7,038.3	7,110.9	7,148.4	7,157.6
Individual consumption expenditure	5,693.0	5,947.5	6,177.7	6,241.6	6,309.1	6,373.0	6,402.6	6,402.6
Collective consumption expenditure	665.5	684.6	711.1	719.1	729.2	737.9	745.8	754.9
Adjustment for the change in net equity of households in pension funds reserves	60.8	59.3	60.1	61.3	64.1	66.1	66.8	67.8
Net saving [1]	524.7	588.8	705.7	693.1	675.3	652.6	598.5	491.7
Capital account								
Net saving								
Gross capital formation	1,715.7	1,872.0	2,017.6	2,039.5	2,064.8	2,084.7	2,079.5	2,016.3
Gross fixed capital formation	1,710.1	1,855.9	1,995.9	2,016.6	2,044.3	2,061.1	2,043.7	1,992.0
Changes in inventories and acquisitions less disposals of valuables	5.6	16.0	21.7	23.0	20.5	23.6	35.8	24.4
Consumption of fixed capital								
Acquisitions less disposals of non-produced non-financial assets	-0.1	0.5	-0.1	0.1	0.4	0.4	0.5	0.9
Capital transfers	182.6	175.5	163.1	163.4	167.8	161.7	162.3	160.8
Capital taxes	24.4	22.5	23.7	23.3	23.6	23.9	23.6	23.3
Other capital transfers	158.1	152.9	139.3	140.1	144.2	137.8	138.7	137.5
Net lending (+)/net borrowing (-) (from capital account) [1]	7.9	-25.6	12.2	-6.6	-33.7	-62.1	-98.4	-131.0

Sources: ECB and Eurostat.
1) For the calculation of the balancing items, see the Technical notes.

3.2 Euro area non-financial accounts (cont'd)
(EUR billions; four-quarter cumulated flows)

Resources	2005	2006	2007	2007 Q2-2008 Q1	2007 Q3-2008 Q2	2007 Q4-2008 Q3	2008 Q1-2008 Q4	2008 Q2-2009 Q1
Generation of income account								
Gross value added (basic prices)	7,296.8	7,631.6	8,032.4	8,121.7	8,219.3	8,288.2	8,315.0	8,260.9
Taxes less subsidies on products	845.4	914.2	958.9	958.2	954.3	952.3	945.4	928.6
Gross domestic product (market prices)[2]	8,142.1	8,545.8	8,991.3	9,079.8	9,173.6	9,240.4	9,260.4	9,189.4
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	2,075.9	2,190.4	2,332.4	2,358.9	2,390.5	2,397.9	2,380.1	2,307.8
Compensation of employees	3,912.8	4,075.3	4,260.0	4,308.8	4,358.6	4,403.7	4,437.5	4,442.8
Taxes less subsidies on production	988.1	1,055.0	1,103.1	1,100.3	1,096.7	1,095.9	1,085.3	1,066.9
Property income	2,609.0	3,031.2	3,555.9	3,652.7	3,743.5	3,827.1	3,836.8	3,738.9
Interest	1,319.4	1,618.2	1,993.6	2,075.0	2,148.1	2,217.6	2,239.1	2,163.2
Other property income	1,289.7	1,413.1	1,562.4	1,577.7	1,595.4	1,609.5	1,597.7	1,575.7
Net national income								
Secondary distribution of income account								
Net national income	6,969.8	7,312.0	7,689.2	7,753.4	7,814.6	7,862.1	7,848.9	7,750.6
Current taxes on income, wealth, etc.	939.4	1,032.8	1,119.1	1,135.7	1,147.8	1,149.7	1,132.8	1,123.9
Social contributions	1,477.1	1,538.9	1,597.6	1,613.1	1,629.4	1,647.2	1,661.9	1,670.8
Social benefits other than social transfers in kind	1,497.0	1,546.3	1,589.0	1,601.9	1,616.8	1,636.1	1,653.0	1,676.1
Other current transfers	628.2	631.2	653.8	659.7	666.4	672.2	677.0	674.0
Net non-life insurance premiums	179.6	177.9	181.0	181.6	183.3	184.1	185.4	183.4
Non-life insurance claims	177.3	175.1	178.7	179.3	180.6	181.2	182.0	179.8
Other	271.3	278.2	294.1	298.8	302.6	307.0	309.6	310.8
Net disposable income								
Use of income account								
Net disposable income	6,882.9	7,220.6	7,594.3	7,653.6	7,713.4	7,763.4	7,746.8	7,649.1
Final consumption expenditure								
Individual consumption expenditure								
Collective consumption expenditure								
Adjustment for the change in net equity of households in pension funds reserves	61.0	59.6	60.3	61.5	64.3	66.3	67.0	67.9
Net saving								
Capital account								
Net saving	524.7	588.8	705.7	693.1	675.3	652.6	598.5	491.7
Gross capital formation								
Gross fixed capital formation								
Changes in inventories and acquisitions less disposals of valuables								
Consumption of fixed capital	1,185.2	1,243.6	1,310.3	1,324.9	1,340.7	1,356.1	1,370.3	1,384.4
Acquisitions less disposals of non-produced non-financial assets								
Capital transfers	196.2	189.9	176.9	178.6	183.3	176.0	175.2	170.9
Capital taxes	24.4	22.5	23.7	23.3	23.6	23.9	23.6	23.3
Other capital transfers	171.8	167.4	153.1	155.2	159.7	152.0	151.6	147.7
Net lending (+)/net borrowing (-) (from capital account)								

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

3.3 Households

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

	2005	2006	2007	2007 Q2-2008 Q1	2007 Q3-2008 Q2	2007 Q4-2008 Q3	2008 Q1-2008 Q4	2008 Q2-2009 Q1
Income, saving and changes in net worth								
Compensation of employees (+)	3,912.8	4,075.3	4,260.0	4,308.8	4,358.6	4,403.7	4,437.5	4,442.8
Gross operating surplus and mixed income (+)	1,331.0	1,407.3	1,486.6	1,506.2	1,525.8	1,541.9	1,550.8	1,540.2
Interest receivable (+)	230.6	269.1	306.1	316.9	328.9	339.5	342.1	332.2
Interest payable (-)	130.8	165.5	209.4	217.6	226.0	233.1	231.9	216.0
Other property income receivable (+)	717.8	761.2	802.5	806.5	813.7	819.6	812.8	811.1
Other property income payable (-)	9.5	9.7	9.8	9.7	9.8	9.7	9.7	9.8
Current taxes on income and wealth (-)	741.0	793.4	851.9	866.7	882.4	889.7	892.3	889.8
Net social contributions (-)	1,473.9	1,535.6	1,594.0	1,609.6	1,625.9	1,643.6	1,658.4	1,667.3
Net social benefits (+)	1,491.8	1,540.9	1,583.3	1,596.2	1,611.1	1,630.3	1,647.2	1,670.3
Net current transfers receivable (+)	66.8	67.4	70.7	71.2	74.2	75.6	77.3	77.9
= Gross disposable income	5,395.6	5,616.9	5,844.1	5,902.0	5,968.2	6,034.4	6,075.5	6,091.7
Final consumption expenditure (-)	4,693.4	4,899.7	5,088.5	5,141.3	5,193.7	5,246.2	5,262.1	5,249.2
Changes in net worth in pension funds (+)	60.6	59.2	59.8	61.1	63.8	65.8	66.5	67.5
= Gross saving	762.8	776.4	815.4	821.8	838.3	854.0	880.0	910.0
Consumption of fixed capital (-)	318.7	336.4	354.6	358.3	362.7	366.3	368.8	372.3
Net capital transfers receivable (+)	24.1	22.3	15.0	15.9	16.4	16.6	16.4	16.0
Other changes in net worth [1] (+)	510.6	563.9	37.3	-760.9	-1,167.5	-1,346.4	-1,785.1	-1,417.9
= Changes in net worth [1]	978.9	1,026.3	513.1	-281.5	-675.5	-842.1	-1,257.6	-864.2
Investment, financing and changes in net worth								
Net acquisition of non-financial assets (+)	546.6	600.4	639.4	643.8	645.3	644.3	635.1	617.2
Consumption of fixed capital (-)	318.7	336.4	354.6	358.3	362.7	366.3	368.8	372.3
Main items of financial investment (+)								
Short-term assets	206.4	305.7	421.0	443.8	421.5	427.5	438.0	386.0
Currency and deposits	246.9	284.1	349.4	385.0	386.4	391.5	436.8	400.4
Money market fund shares	-20.2	0.9	40.0	34.0	10.5	13.5	-9.6	2.1
Debt securities [2]	-20.3	20.8	31.6	24.8	24.6	22.5	10.8	-16.5
Long-term assets	426.0	350.1	186.9	122.4	123.6	71.4	33.1	78.7
Deposits	-4.7	0.8	-29.5	-34.8	-35.9	-39.7	-32.4	-18.3
Debt securities	0.5	69.9	9.7	29.6	60.5	69.1	49.0	59.6
Shares and other equity	136.6	-33.7	-61.8	-119.2	-127.5	-169.2	-158.2	-122.1
Quoted, unquoted shares and other equity	70.3	-11.1	8.8	-20.2	-13.6	-31.6	-17.0	0.1
Mutual fund shares	66.2	-22.5	-70.5	-99.0	-113.9	-137.6	-141.2	-122.2
Life insurance and pension fund reserves	293.7	313.1	268.5	246.7	226.5	211.1	174.6	159.6
Main items of financing (-)								
Loans	397.7	396.8	351.1	318.1	288.1	251.2	200.6	141.7
of which from euro area MFIs	358.5	347.4	281.5	249.1	196.5	181.0	78.9	17.2
Other changes in financial assets (+)								
Shares and other equity	446.5	509.9	10.9	-681.4	-1,024.3	-1,065.1	-1,394.2	-1,111.6
Life insurance and pension fund reserves	105.5	54.7	-2.0	-80.2	-129.9	-182.7	-250.7	-210.6
Remaining net flows (+)	-35.7	-61.3	-37.4	-53.3	-60.9	-120.0	-149.5	-109.9
= Changes in net worth [1]	978.9	1,026.3	513.1	-281.5	-675.5	-842.1	-1,257.6	-864.2
Financial balance sheet								
Financial assets (+)								
Short-term assets	4,486.5	4,747.9	5,209.4	5,362.3	5,482.8	5,540.0	5,714.6	5,787.8
Currency and deposits	4,174.1	4,454.2	4,844.2	4,937.1	5,055.3	5,104.9	5,313.7	5,377.7
Money market fund shares	296.4	257.6	296.0	347.0	346.5	348.7	327.4	352.0
Debt securities [2]	16.1	36.1	69.2	78.1	81.1	86.4	73.5	58.1
Long-term assets	10,933.2	11,902.7	12,066.4	11,401.5	11,125.1	10,760.6	10,278.0	10,034.6
Deposits	936.9	942.2	875.6	832.3	821.9	803.5	806.3	784.1
Debt securities	1,199.5	1,280.0	1,293.0	1,309.9	1,294.8	1,258.7	1,243.3	1,278.8
Shares and other equity	4,549.8	5,065.7	5,016.4	4,400.4	4,130.1	3,839.6	3,423.0	3,163.8
Quoted, unquoted shares and other equity	3,203.3	3,643.8	3,637.8	3,189.2	2,970.6	2,756.7	2,431.6	2,230.7
Mutual fund shares	1,346.5	1,421.8	1,378.7	1,211.1	1,159.5	1,083.0	991.4	933.1
Life insurance and pension fund reserves	4,247.1	4,614.8	4,881.3	4,859.0	4,878.3	4,858.7	4,805.3	4,808.0
Remaining net assets (+)	77.7	60.8	16.6	-3.5	-4.4	5.6	-32.5	-41.2
Liabilities (-)								
Loans	4,763.2	5,159.6	5,494.9	5,542.0	5,607.0	5,655.1	5,688.0	5,678.5
of which from euro area MFIs	4,201.0	4,553.0	4,824.7	4,860.8	4,887.0	4,938.3	4,901.4	4,879.6
= Net financial wealth	10,734.3	11,551.8	11,797.4	11,218.3	10,996.5	10,651.1	10,272.0	10,102.7

Sources: ECB and Eurostat.
1) Excluding changes in net worth due to other changes in non-financial assets such as revaluations of residential property.
2) Securities issued by MFIs with a maturity of less than two years and by other sectors with a maturity of less than one year.

3.4 Non-financial corporations

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

	2005	2006	2007	2007 Q2-2008 Q1	2007 Q3-2008 Q2	2007 Q4-2008 Q3	2008 Q1-2008 Q4	2008 Q2-2009 Q1
Income and saving								
Gross value added (basic prices) (+)	4,175.6	4,380.6	4,631.9	4,683.7	4,740.1	4,777.8	4,780.5	4,722.8
Compensation of employees (-)	2,478.4	2,591.8	2,719.7	2,754.1	2,784.9	2,814.5	2,835.3	2,831.5
Other taxes less subsidies on production (-)	73.0	75.9	81.3	81.7	82.4	83.5	80.4	79.0
= Gross operating surplus (+)	1,624.1	1,712.9	1,830.8	1,848.0	1,872.8	1,879.8	1,864.8	1,812.2
Consumption of fixed capital (-)	672.1	703.2	741.3	749.8	759.0	768.3	777.6	786.1
= Net operating surplus (+)	952.0	1,009.7	1,089.5	1,098.2	1,113.9	1,111.5	1,087.2	1,026.2
Property income receivable (+)	437.3	496.1	574.4	587.1	602.3	610.7	614.1	593.8
Interest receivable	136.7	162.5	197.6	207.3	215.9	221.2	223.7	217.0
Other property income receivable	300.6	333.6	376.8	379.8	386.4	389.5	390.4	376.8
Interest and rents payable (-)	236.3	282.1	339.0	357.7	375.7	392.2	403.0	392.9
= Net entrepreneurial income (+)	1,153.1	1,223.7	1,324.9	1,327.5	1,340.5	1,329.9	1,298.2	1,227.0
Distributed income (-)	882.6	953.2	1,021.3	1,025.1	1,048.7	1,057.9	1,058.5	1,059.0
Taxes on income and wealth payable (-)	149.6	189.2	211.8	213.8	213.9	210.0	192.4	187.4
Social contributions receivable (+)	72.8	74.7	64.9	63.8	63.3	63.2	62.9	63.0
Social benefits payable (-)	60.7	60.5	62.4	62.7	62.5	62.4	62.3	62.2
Other net transfers (-)	61.9	65.9	57.3	57.2	58.2	57.9	57.1	56.8
= Net saving	71.0	29.6	37.2	32.5	20.5	5.0	-9.2	-75.4
Investment, financing and saving								
Net acquisition of non-financial assets (+)	255.6	311.1	366.6	372.5	380.5	388.5	376.0	320.0
Gross fixed capital formation (+)	920.5	994.0	1,084.1	1,098.6	1,118.5	1,133.6	1,119.9	1,084.5
Consumption of fixed capital (-)	672.1	703.2	741.3	749.8	759.0	768.3	777.6	786.1
Net acquisition of other non-financial assets (+)	7.2	20.2	23.9	23.8	21.0	23.2	33.6	21.6
Main items of financial investment (+)								
Short-term assets	128.3	164.1	161.9	164.2	121.4	94.3	47.8	-26.8
Currency and deposits	113.6	146.1	154.9	127.7	115.9	90.2	16.5	-11.2
Money market fund shares	8.3	2.6	-18.1	-10.0	-9.3	7.9	31.5	19.4
Debt securities [1]	6.3	15.4	25.2	46.5	14.8	-3.8	-0.2	-35.1
Long-term assets	370.2	475.2	474.1	497.9	500.7	538.1	641.2	640.0
Deposits	28.0	28.5	24.3	5.3	-25.6	2.8	10.7	17.1
Debt securities	-34.9	1.2	-48.2	-88.2	-105.7	-60.2	-36.6	3.5
Shares and other equity	242.8	261.8	328.0	367.5	389.0	353.7	354.1	325.5
Other, mainly intercompany loans	134.4	183.7	169.9	213.3	242.9	241.8	313.0	293.9
Remaining net assets (+)	105.6	165.2	208.9	137.5	62.9	-9.1	-78.2	-149.2
Main items of financing (-)								
Debt	447.0	757.4	802.5	778.6	733.6	734.4	668.8	553.3
of which loans from euro area MFIs	264.5	448.9	558.9	592.1	562.6	515.7	422.0	284.9
of which debt securities	13.6	40.1	40.2	37.4	15.9	38.2	42.6	52.4
Shares and other equity	279.7	256.1	304.3	292.4	241.5	199.4	249.7	225.7
Quoted shares	104.1	42.0	42.2	23.5	-12.6	-29.2	1.8	9.9
Unquoted shares and other equity	175.6	214.1	262.1	269.0	254.1	228.6	247.9	215.7
Net capital transfers receivable (-)	62.0	72.5	68.4	69.6	73.6	75.7	75.5	77.9
= Net saving	71.0	29.6	37.2	32.5	20.5	5.0	-9.2	-75.4
Financial balance sheet								
Financial assets								
Short-term assets	1,517.5	1,675.2	1,820.4	1,842.2	1,845.0	1,855.2	1,871.4	1,841.0
Currency and deposits	1,229.3	1,367.0	1,519.3	1,506.6	1,534.6	1,548.7	1,553.5	1,517.0
Money market fund shares	176.5	184.9	162.0	183.0	183.2	184.4	189.8	204.1
Debt securities [1]	111.8	123.3	139.1	152.6	127.2	122.1	128.1	119.9
Long-term assets	8,667.0	10,024.9	10,750.3	10,098.1	9,897.4	9,630.1	8,871.7	8,598.8
Deposits	191.2	223.6	266.8	256.8	243.3	268.7	282.1	273.6
Debt securities	281.5	282.9	236.3	170.6	160.9	167.8	180.1	153.5
Shares and other equity	6,328.5	7,486.0	8,025.8	7,355.1	7,112.3	6,755.7	5,877.6	5,550.7
Other, mainly intercompany loans	1,865.9	2,032.4	2,221.5	2,315.7	2,380.9	2,437.9	2,531.9	2,621.1
Remaining net assets	386.5	457.0	638.9	642.0	599.6	608.6	605.3	564.6
Liabilities								
Debt	7,097.8	7,834.6	8,593.8	8,749.4	8,957.7	9,117.0	9,271.2	9,335.8
of which loans from euro area MFIs	3,429.3	3,878.8	4,418.2	4,559.5	4,683.3	4,775.9	4,841.9	4,843.0
of which debt securities	675.7	694.5	695.1	696.0	701.3	716.1	735.5	757.0
Shares and other equity	10,974.7	12,938.0	13,932.0	12,581.4	12,141.1	11,377.0	10,273.1	9,637.0
Quoted shares	3,712.2	4,491.5	5,008.5	4,229.2	3,999.5	3,459.8	2,866.1	2,517.1
Unquoted shares and other equity	7,262.5	8,446.5	8,923.5	8,352.2	8,141.7	7,917.2	7,407.0	7,119.9

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

3.5 Insurance corporations and pension funds

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

	2005	2006	2007	2007 Q2-2008 Q1	2007 Q3-2008 Q2	2007 Q4-2008 Q3	2008 Q1-2008 Q4	2008 Q2-2009 Q1
Financial account, financial transactions								
Main items of financial investment (+)								
Short-term assets	25.6	64.8	87.8	110.0	102.8	88.8	106.7	50.7
Currency and deposits	7.2	11.0	6.4	32.7	35.7	32.1	59.1	18.7
Money market fund shares	-0.5	3.5	3.1	15.8	14.2	20.9	22.2	13.6
Debt securities [1]	18.9	50.2	78.3	61.6	52.9	35.8	25.3	18.4
Long-term assets	284.3	317.1	220.4	214.1	172.9	156.3	131.9	111.6
Deposits	17.2	76.8	51.5	27.8	15.8	0.6	-1.2	9.9
Debt securities	133.1	126.7	92.9	83.0	74.1	90.4	70.1	72.6
Loans	-4.1	2.5	-13.6	20.2	16.3	20.0	30.3	6.3
Quoted shares	30.8	-1.4	-5.8	-2.9	-1.7	-9.4	-6.0	-4.4
Unquoted shares and other equity	19.9	28.6	29.6	44.7	39.7	41.7	34.3	26.0
Mutual fund shares	87.4	84.1	65.8	41.3	28.5	12.8	4.5	1.2
Remaining net assets (+)	12.2	3.2	-26.7	-20.9	-17.4	-7.8	23.7	-5.2
Main items of financing (-)								
Debt securities	-0.4	5.7	3.9	4.4	5.1	5.4	9.3	9.8
Loans	17.3	35.9	21.7	44.0	18.1	4.1	21.7	-9.9
Shares and other equity	10.6	11.5	1.7	-0.9	-1.9	-7.1	3.6	4.5
Insurance technical reserves	335.5	323.9	287.0	269.6	252.2	237.8	193.1	160.2
Net equity of households in life insurance and pension fund reserves	292.8	310.0	283.3	264.3	242.1	222.5	179.0	152.1
Prepayments of insurance premiums and reserves for outstanding claims	42.6	14.0	3.6	5.4	10.2	15.3	14.2	8.1
= Changes in net financial worth due to transactions	-40.9	8.1	-32.8	-13.8	-15.3	-3.0	34.6	-7.4
Other changes account								
Other changes in financial assets (+)								
Shares and other equity	190.7	180.5	-12.0	-218.4	-327.5	-399.1	-540.5	-437.6
Other net assets	76.1	-34.5	-58.7	-1.9	-19.1	-27.8	35.0	27.1
Other changes in liabilities (-)								
Shares and other equity	118.4	35.0	-31.4	-92.7	-148.2	-146.7	-187.7	-188.4
Insurance technical reserves	137.8	52.9	-3.3	-80.8	-132.3	-188.5	-255.5	-215.5
Net equity of households in life insurance and pension fund reserves	146.9	56.2	-2.8	-78.1	-127.6	-180.8	-246.2	-208.6
Prepayments of insurance premiums and reserves for outstanding claims	-9.1	-3.3	-0.4	-2.7	-4.7	-7.7	-9.3	-6.9
= Other changes in net financial worth	10.6	58.2	-36.0	-46.8	-66.1	-91.6	-62.3	-6.6
Financial balance sheet								
Financial assets (+)								
Short-term assets	437.2	509.4	591.2	650.1	659.3	664.1	702.3	707.8
Currency and deposits	146.6	157.1	164.6	192.5	182.6	189.5	226.6	216.8
Money market fund shares	75.6	81.5	82.4	95.4	94.8	98.3	102.2	109.9
Debt securities [1]	215.0	270.8	344.1	362.2	381.9	376.3	373.5	381.1
Long-term assets	4,608.2	5,045.0	5,198.6	5,102.6	5,039.0	4,974.1	4,805.3	4,770.0
Deposits	524.7	602.4	650.6	649.3	653.4	648.7	648.2	660.8
Debt securities	1,776.4	1,848.5	1,893.5	1,941.7	1,921.2	1,966.9	1,974.9	2,009.1
Loans	353.5	351.2	331.8	359.1	355.0	356.9	364.8	363.3
Quoted shares	653.3	725.1	708.3	613.9	595.1	536.3	426.0	392.7
Unquoted shares and other equity	392.8	471.0	506.5	485.5	468.7	455.7	433.0	414.2
Mutual fund shares	907.5	1,046.9	1,107.9	1,053.1	1,045.7	1,009.6	958.4	929.8
Remaining net assets (+)	176.9	203.3	171.9	192.0	176.9	175.5	213.5	216.9
Liabilities (-)								
Debt securities	21.3	35.9	35.2	35.8	36.5	36.7	43.2	41.5
Loans	136.4	167.7	187.2	221.6	211.4	206.7	212.8	219.1
Shares and other equity	626.9	673.4	643.6	586.6	548.3	527.1	459.6	402.8
Insurance technical reserves	4,558.7	4,935.5	5,219.2	5,213.0	5,237.5	5,221.3	5,156.8	5,157.7
Net equity of households in life insurance and pension fund reserves	3,892.0	4,258.2	4,538.7	4,526.1	4,547.7	4,530.5	4,471.5	4,469.6
Prepayments of insurance premiums and reserves for outstanding claims	666.7	677.3	680.5	686.9	689.8	690.8	685.4	688.1
= Net financial wealth	-121.0	-54.7	-123.5	-112.3	-158.5	-178.0	-151.2	-126.4

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

FINANCIAL MARKETS

4

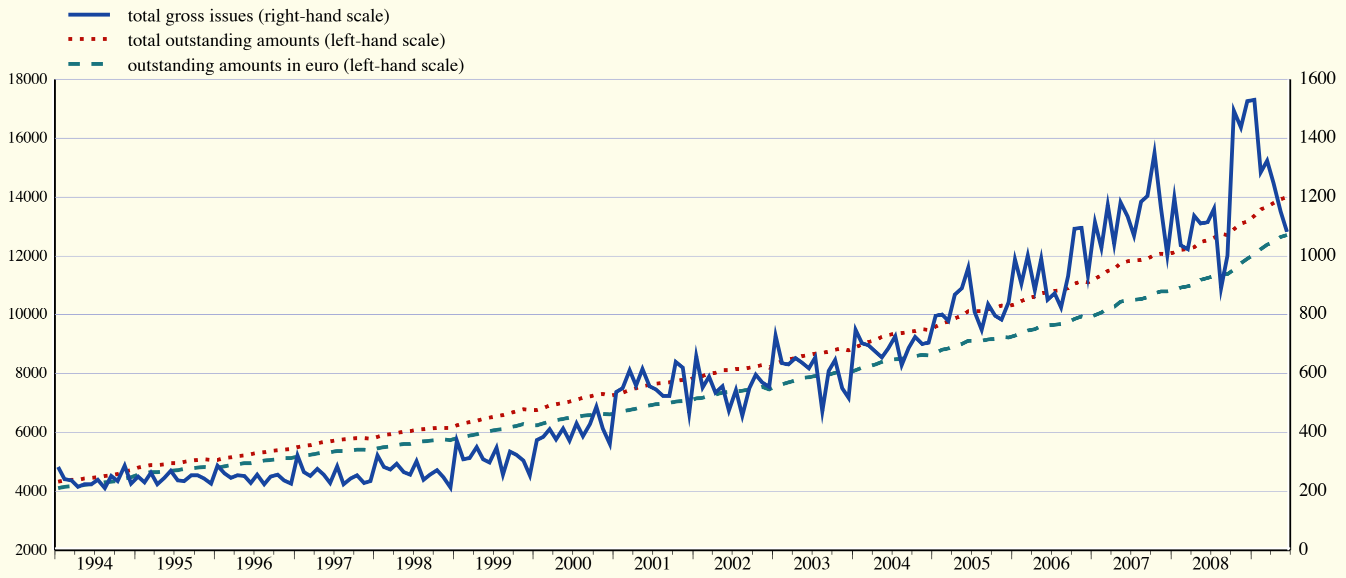
4.1 Securities, other than shares, by original maturity, residency of the issuer and currency

(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					
											Seasonally adjusted [2]	
	Outstanding amounts	Gross issues	Net issues	Outstanding amounts	Gross issues	Net issues	Outstanding amounts	Gross issues	Net issues	Annual growth rates	Net issues	6-month growth rates
	1	2	3	4	5	6	7	8	9	10	11	12
	Total											
2008 June	13,494.4	1,155.6	135.8	11,251.7	1,040.3	74.8	12,539.2	1,113.5	82.1	6.8	99.2	5.9
July	13,506.8	1,139.6	11.1	11,309.0	1,073.9	55.6	12,614.5	1,160.6	74.9	7.1	100.8	7.1
Aug.	13,632.6	880.7	123.0	11,416.9	816.0	105.2	12,744.2	889.5	110.5	7.8	146.5	9.0
Sep.	13,635.5	1,022.0	1.4	11,384.4	930.3	-33.9	12,704.1	1,001.2	-43.3	7.0	8.0	8.7
Oct.	13,733.5	1,454.3	97.4	11,535.3	1,417.3	150.3	12,903.2	1,494.5	145.4	6.9	119.4	9.5
Nov.	13,951.6	1,422.3	218.5	11,762.5	1,369.7	228.0	13,095.9	1,436.9	213.7	8.1	193.1	11.0
Dec.	14,137.1	1,537.4	189.7	11,914.6	1,448.7	156.5	13,168.3	1,526.0	143.2	9.5	229.2	13.1
2009 Jan.	14,237.3	1,500.7	96.2	12,055.4	1,451.4	137.9	13,370.5	1,530.0	147.1	10.1	105.1	13.1
Feb.	14,429.4	1,259.2	189.8	12,241.4	1,199.9	183.8	13,573.9	1,285.4	203.4	11.1	156.1	13.1
Mar.	14,604.1	1,318.0	173.2	12,380.2	1,229.8	137.3	13,678.2	1,323.1	148.3	11.9	132.9	15.2
Apr.	14,678.6	1,230.3	77.3	12,477.6	1,163.9	100.3	13,788.7	1,246.9	108.3	12.1	90.5	14.6
May	14,883.4	1,155.4	203.4	12,648.6	1,066.0	169.7	13,924.9	1,152.4	164.8	12.0	105.1	12.9
June	14,963.7	1,079.2	84.2	12,701.7	1,000.5	56.9	13,984.9	1,081.9	68.6	11.8	87.2	10.5
	Long-term											
2008 June	12,087.4	283.9	113.8	10,024.1	230.3	87.2	11,115.2	254.5	95.5	5.2	71.2	4.8
July	12,114.1	208.8	25.2	10,056.0	178.5	30.1	11,154.2	196.7	35.6	5.3	68.3	5.7
Aug.	12,203.2	160.0	87.2	10,133.9	133.8	76.1	11,252.8	149.2	76.8	6.1	121.4	7.7
Sep.	12,192.1	183.4	-10.4	10,111.8	145.4	-21.3	11,236.2	158.4	-31.8	5.7	0.7	7.5
Oct.	12,216.6	199.0	24.8	10,147.8	182.8	36.3	11,329.3	195.4	30.8	5.3	32.9	6.7
Nov.	12,391.9	275.5	174.4	10,323.5	253.9	175.0	11,484.7	262.5	165.9	6.2	138.2	8.0
Dec.	12,570.6	362.8	180.5	10,494.7	328.3	173.3	11,579.0	340.0	154.1	7.3	165.7	9.7
2009 Jan.	12,647.9	291.7	75.8	10,585.2	276.9	90.0	11,714.2	300.3	90.6	8.2	117.2	10.6
Feb.	12,817.5	300.6	168.4	10,746.7	269.5	160.6	11,886.9	296.6	172.8	9.2	135.6	10.7
Mar.	13,000.5	319.8	153.3	10,919.7	280.2	143.3	12,024.3	301.8	144.4	10.4	141.7	13.4
Apr.	13,074.2	289.0	77.1	10,985.4	254.1	69.2	12,100.0	272.9	72.7	10.3	69.5	14.0
May	13,273.9	334.5	199.5	11,152.2	276.6	166.7	12,247.3	296.8	170.7	10.6	108.1	13.3
June	13,385.2	303.6	114.0	11,254.2	268.5	104.5	12,367.1	300.9	123.3	10.8	96.2	11.8

C16 Total outstanding amounts and gross issues of securities, other than shares, issued by euro area residents

(EUR billions)



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

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

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

1. Outstanding amounts and gross issues

	Outstanding amounts						Gross issues [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											
2007	12,066	5,046	1,506	653	4,534	327	1,138	841	59	109	116	12
2008	13,168	5,266	1,929	695	4,938	340	1,177	817	74	100	162	24
2008 Q3	12,704	5,267	1,686	680	4,747	324	1,017	691	54	97	148	27
Q4	13,168	5,266	1,929	695	4,938	340	1,486	1,006	136	107	209	28
2009 Q1	13,678	5,392	2,039	718	5,186	343	1,379	922	78	92	251	35
Q2	13,985	5,423	2,119	749	5,342	351	1,160	746	62	89	244	20
2009 Mar.	13,678	5,392	2,039	718	5,186	343	1,323	878	67	90	260	27
Apr.	13,789	5,418	2,072	730	5,218	350	1,247	806	65	90	259	26
May	13,925	5,453	2,101	741	5,281	349	1,152	743	66	88	239	17
June	13,985	5,423	2,119	749	5,342	351	1,082	689	54	88	235	16
	Short-term											
2007	1,287	787	36	100	345	18	946	754	18	101	64	9
2008	1,589	822	61	115	566	25	962	723	26	92	101	19
2008 Q3	1,468	826	62	111	457	13	849	614	25	92	94	24
Q4	1,589	822	61	115	566	25	1,220	911	38	95	152	23
2009 Q1	1,654	838	41	98	659	18	1,080	806	17	74	156	27
Q2	1,618	785	37	84	696	16	870	631	14	69	143	13
2009 Mar.	1,654	838	41	98	659	18	1,021	764	17	74	149	17
Apr.	1,689	829	42	95	705	17	974	694	16	74	173	16
May	1,678	832	40	89	701	15	856	626	13	64	142	10
June	1,618	785	37	84	696	16	781	572	15	68	113	12
	Long-term [2]											
2007	10,779	4,259	1,470	553	4,189	309	191	86	41	8	52	3
2008	11,579	4,444	1,868	580	4,372	315	215	95	48	8	61	4
2008 Q3	11,236	4,441	1,624	570	4,290	311	168	76	29	5	54	3
Q4	11,579	4,444	1,868	580	4,372	315	266	95	98	11	57	5
2009 Q1	12,024	4,554	1,998	621	4,528	324	300	116	61	18	96	8
Q2	12,367	4,638	2,082	665	4,646	336	290	115	47	20	101	7
2009 Mar.	12,024	4,554	1,998	621	4,528	324	302	114	51	16	111	10
Apr.	12,100	4,589	2,030	635	4,513	333	273	112	49	16	86	10
May	12,247	4,621	2,060	652	4,580	335	297	117	54	24	96	6
June	12,367	4,638	2,082	665	4,646	336	301	117	39	20	121	4
	Of which long-term fixed rate											
2007	7,324	2,263	594	419	3,797	250	107	44	10	5	45	3
2008	7,610	2,325	636	444	3,955	250	119	48	9	6	53	3
2008 Q3	7,534	2,370	619	431	3,865	248	101	42	7	3	47	2
Q4	7,610	2,325	636	444	3,955	250	120	42	13	10	53	2
2009 Q1	7,931	2,396	703	487	4,093	252	208	72	27	18	86	5
Q2	8,225	2,481	746	532	4,207	259	204	68	22	18	90	5
2009 Mar.	7,931	2,396	703	487	4,093	252	206	65	20	15	99	6
Apr.	7,979	2,418	718	501	4,084	258	182	62	20	15	77	7
May	8,102	2,457	727	519	4,140	260	207	77	19	22	84	5
June	8,225	2,481	746	532	4,207	259	222	67	27	17	109	2
	Of which long-term variable rate											
2007	3,001	1,621	857	123	342	58	69	31	30	3	4	0
2008	3,480	1,725	1,202	126	363	64	81	36	38	1	5	1
2008 Q3	3,229	1,698	979	129	362	61	53	24	21	2	4	1
Q4	3,480	1,725	1,202	126	363	64	129	39	83	1	3	2
2009 Q1	3,590	1,757	1,270	124	369	70	75	32	34	0	5	3
Q2	3,626	1,744	1,309	123	374	75	65	31	24	1	7	2
2009 Mar.	3,590	1,757	1,270	124	369	70	81	39	30	1	7	4
Apr.	3,606	1,763	1,286	124	360	73	73	37	27	1	5	3
May	3,619	1,748	1,307	123	367	73	71	25	34	1	9	1
June	3,626	1,744	1,309	123	374	75	53	31	10	2	7	2

Source: ECB.

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

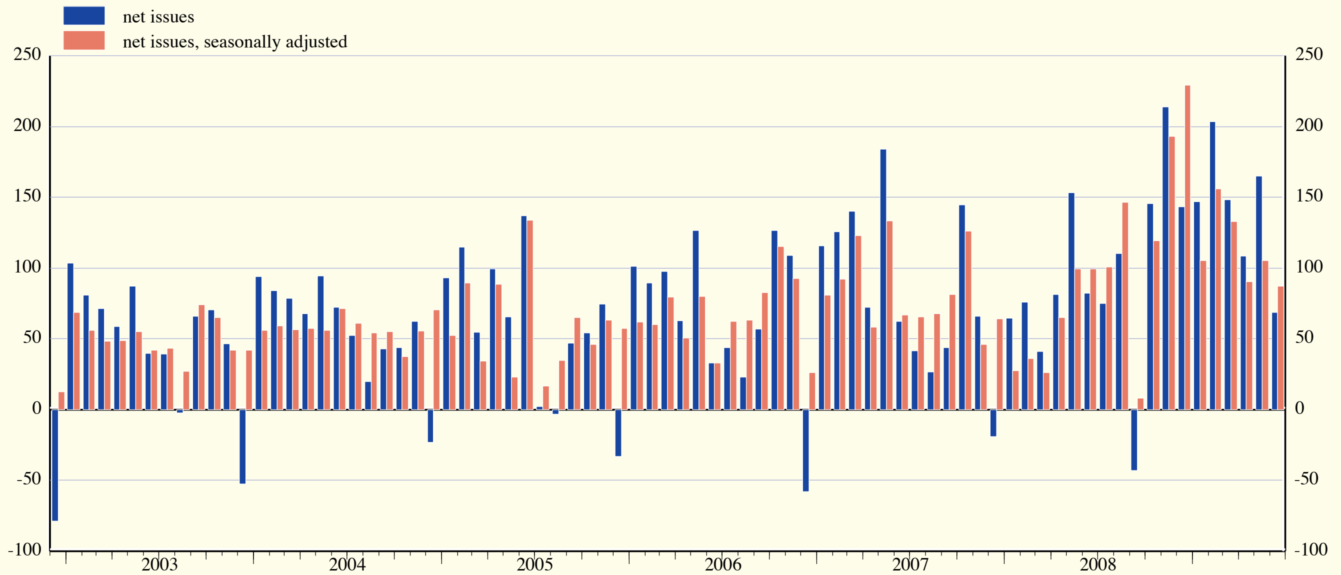
2) The residual difference between total long-term debt securities and fixed and variable rate long-term debt securities consists of zero coupon bonds and revaluation effects.

4.2 Securities, other than shares, issued by euro area residents, by sector of the issuer and instrument type
(EUR billions unless otherwise indicated; transactions during the period; nominal values)

2. Net issues

	Non-seasonally adjusted [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						
2007	83.6	40.7	27.7	4.2	9.9	1.2	83.7	41.2	27.1	4.3	10.0	1.1
2008	95.2	23.2	35.2	3.9	31.7	1.1	95.8	23.4	34.4	4.0	33.1	0.9
2008 Q3	47.3	10.9	18.6	1.9	14.7	1.2	85.1	20.0	32.9	4.6	25.3	2.2
Q4	167.5	11.6	81.6	5.9	62.9	5.3	180.6	21.8	56.5	8.9	90.6	2.8
2009 Q1	166.3	40.5	35.5	7.2	82.1	0.9	131.4	21.1	45.4	5.4	56.9	2.5
Q2	113.9	19.3	27.7	10.3	53.7	2.9	94.2	18.7	27.4	6.2	39.0	3.0
2009 Mar.	148.3	14.0	33.4	4.1	91.9	4.9	132.9	9.3	39.2	5.0	74.8	4.6
Apr.	108.3	28.0	31.6	10.2	31.3	7.2	90.5	16.2	37.2	6.4	23.9	6.8
May	164.8	52.9	33.2	13.0	66.0	-0.3	105.1	29.5	30.5	5.4	39.3	0.4
June	68.6	-23.0	18.2	7.8	63.8	1.9	87.2	10.3	14.4	7.0	53.8	1.7
						Long-term						
2007	61.8	23.9	27.0	2.4	7.8	0.7	61.3	24.1	26.5	2.4	7.7	0.7
2008	65.8	16.2	33.2	2.5	13.3	0.5	65.1	16.4	32.4	2.5	13.2	0.5
2008 Q3	26.9	7.4	15.2	2.5	1.3	0.5	63.5	16.2	29.6	4.0	12.2	1.5
Q4	116.9	3.1	81.8	4.4	26.2	1.5	112.2	12.7	57.2	4.7	37.0	0.7
2009 Q1	135.9	25.8	42.3	13.1	51.7	3.1	131.5	17.1	52.4	14.6	44.4	3.0
Q2	122.3	33.6	29.1	14.9	40.9	3.8	91.3	23.0	28.1	11.2	25.3	3.6
2009 Mar.	144.4	23.7	30.8	9.4	74.9	5.6	141.7	16.4	37.3	11.4	71.6	5.0
Apr.	72.7	36.1	30.4	13.2	-15.3	8.3	69.5	27.8	36.3	11.8	-14.3	7.7
May	170.7	46.0	35.2	18.5	69.0	2.1	108.1	23.2	30.9	11.9	39.6	2.4
June	123.3	18.8	21.6	13.0	69.0	1.0	96.2	17.8	17.1	10.0	50.5	0.8

C17 Net issues of securities, other than shares, seasonally adjusted and non-seasonally adjusted
(EUR billions; transactions during the month; nominal values)

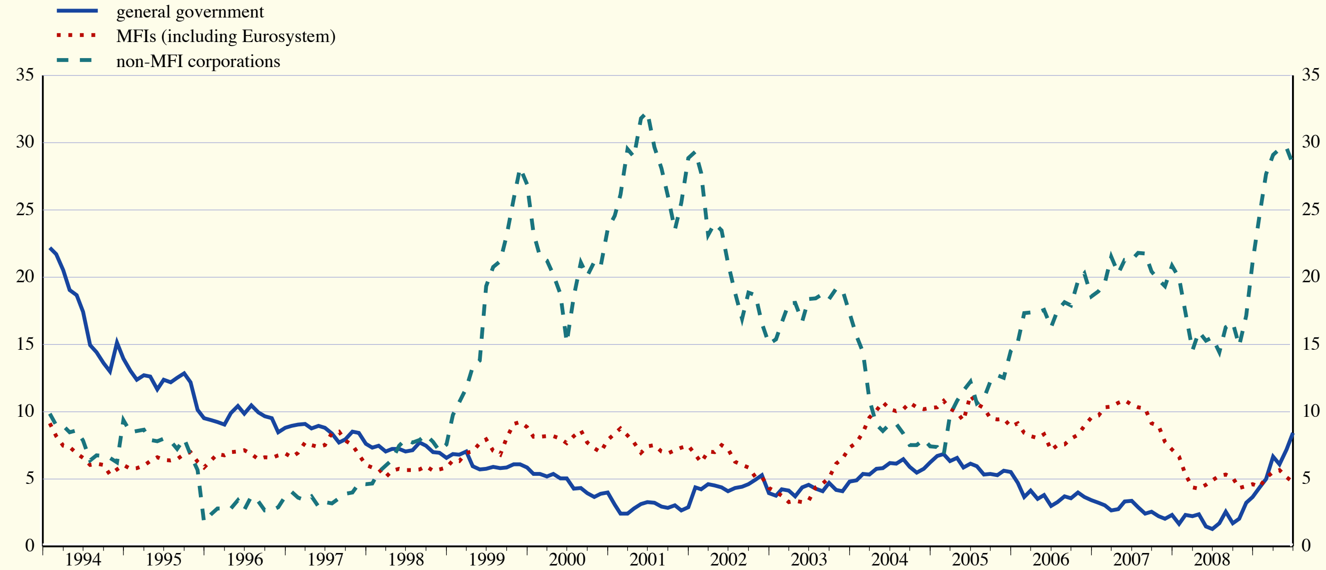


Source: ECB.
1) Monthly averages of/monthly data for the transactions during this period.

4.3 Growth rates of securities, other than shares, issued by euro area residents [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 June	6.8	8.3	22.7	3.4	1.5	2.1	5.9	6.2	20.6	2.2	2.2	-2.3
July	7.1	8.6	21.5	2.7	2.1	3.3	7.1	7.0	22.4	1.9	3.6	2.4
Aug.	7.8	8.4	23.9	4.9	3.0	3.4	9.0	8.8	27.9	3.1	4.5	5.9
Sep.	7.0	6.9	23.8	5.9	2.6	2.3	8.7	8.1	28.4	5.3	3.9	5.9
Oct.	6.9	5.3	21.1	4.3	5.0	2.8	9.5	6.7	25.8	5.1	8.2	9.9
Nov.	8.1	5.7	24.0	4.2	6.7	2.8	11.0	5.1	30.8	4.8	12.5	7.1
Dec.	9.5	5.5	28.0	7.1	8.4	3.9	13.1	4.8	35.7	12.5	15.5	9.6
2009 Jan.	10.1	5.3	30.3	7.0	9.6	5.4	13.1	3.6	38.4	12.3	16.0	8.5
Feb.	11.1	6.3	32.3	8.1	10.1	6.5	13.1	3.9	36.7	13.3	16.0	7.1
Mar.	11.9	6.5	33.4	9.0	11.5	7.9	15.2	4.9	38.5	13.0	19.5	9.9
Apr.	12.1	6.3	33.5	10.1	11.6	10.6	14.6	6.1	41.6	15.5	14.8	11.3
May	12.0	5.5	33.1	9.9	12.6	9.4	12.9	5.8	35.2	15.6	12.6	11.8
June	11.8	4.7	30.0	11.3	13.6	9.7	10.5	4.5	24.4	10.1	11.8	10.0
						Long-term						
2008 June	5.2	4.9	21.1	2.2	1.2	1.9	4.8	5.2	18.7	1.6	0.5	-0.3
July	5.3	5.2	19.5	2.1	1.6	3.1	5.7	5.8	20.1	0.8	1.9	2.5
Aug.	6.1	5.3	21.7	3.1	2.5	3.5	7.7	7.2	27.0	2.1	2.8	5.0
Sep.	5.7	5.1	21.5	4.4	1.7	2.2	7.5	7.1	27.1	5.4	1.9	4.3
Oct.	5.3	4.3	19.3	3.7	2.1	1.4	6.7	6.0	23.8	4.4	2.1	5.5
Nov.	6.2	4.5	22.6	3.2	3.4	1.3	8.0	4.6	29.6	3.5	5.2	3.0
Dec.	7.3	4.6	27.0	5.5	3.8	2.1	9.7	4.0	35.8	9.6	7.1	4.3
2009 Jan.	8.2	4.4	30.9	8.2	4.4	3.3	10.6	3.1	42.7	16.2	7.1	4.1
Feb.	9.2	5.1	34.1	10.6	5.1	3.9	10.7	3.0	41.4	19.7	7.3	2.9
Mar.	10.4	5.5	35.0	13.1	6.7	5.7	13.4	4.0	43.4	21.3	11.7	7.2
Apr.	10.3	5.6	34.9	14.9	5.9	8.6	14.0	5.3	46.8	26.3	9.8	11.8
May	10.6	5.2	34.6	16.1	7.1	8.5	13.3	5.7	39.6	30.2	9.0	14.1
June	10.8	4.7	31.9	18.6	8.4	8.5	11.8	5.4	28.1	28.4	9.7	13.1

C18 Annual growth rates of long-term debt securities, by sector of the issuer, in all currencies combined
(annual percentage changes)



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

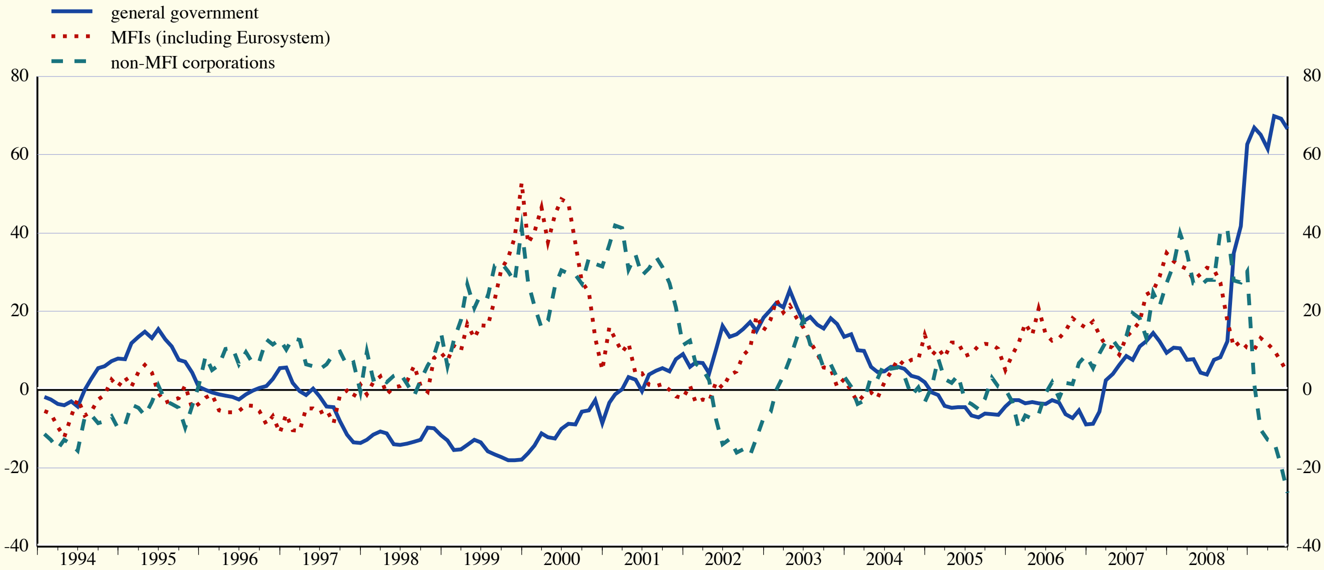
4.3 Growth rates of securities, other than shares, issued by euro area residents [1] (cont'd)

(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											
2007	5.2	7.2	17.0	4.0	2.5	6.6	15.8	11.1	37.8	18.6	3.8	-1.8
2008	3.0	4.9	5.7	4.2	1.5	1.4	12.9	5.5	33.7	7.0	7.6	3.2
2008 Q3	3.0	5.5	5.0	3.4	1.3	2.0	12.4	5.3	32.4	3.2	7.7	6.0
Q4	3.2	4.5	4.9	4.5	2.3	-0.8	13.1	5.7	34.2	4.3	3.8	10.2
2009 Q1	6.1	5.0	13.1	12.4	5.3	1.4	15.9	5.4	45.1	0.4	0.8	11.1
Q2	8.9	6.8	20.2	21.1	7.4	4.5	14.8	3.3	44.5	-1.2	-0.6	20.6
2009 Jan.	5.4	4.2	11.1	10.9	4.9	1.2	15.6	5.3	44.6	0.6	0.1	10.0
Feb.	6.7	5.5	15.8	14.2	5.6	2.0	16.2	5.1	47.0	0.1	0.2	9.7
Mar.	8.4	6.6	18.1	17.8	7.3	2.6	16.4	5.0	47.2	-0.9	0.4	16.7
Apr.	8.4	6.7	19.5	20.1	6.6	5.3	15.7	4.5	45.9	-0.7	-1.5	20.3
May	9.2	7.2	20.8	21.9	7.4	5.0	14.2	2.2	44.6	-1.9	-0.5	20.8
June	10.1	6.5	22.1	24.8	9.0	4.2	12.7	1.6	39.0	-1.3	0.0	24.6
	In euro											
2007	4.6	6.5	13.7	2.3	2.7	6.7	15.1	10.3	35.4	18.2	3.9	-2.4
2008	2.9	4.8	6.1	2.1	1.7	1.3	14.3	6.5	35.3	7.1	7.9	2.0
2008 Q3	2.9	5.4	6.0	1.1	1.5	1.8	14.3	6.8	34.3	3.8	8.1	4.6
Q4	3.3	4.7	7.2	2.2	2.5	-1.2	15.4	7.6	36.8	5.0	4.0	9.2
2009 Q1	6.5	6.1	16.4	9.7	5.5	0.8	18.8	7.9	48.1	0.4	0.9	11.0
Q2	9.5	8.8	23.1	19.4	7.6	3.9	17.5	5.4	47.5	-2.1	-0.7	22.4
2009 Jan.	5.8	5.3	14.0	8.1	5.1	0.6	18.6	8.1	47.5	0.8	0.2	9.2
Feb.	7.2	6.7	19.5	11.3	5.8	1.4	19.1	7.5	50.0	0.1	0.3	10.1
Mar.	8.9	8.1	21.7	15.6	7.5	1.9	19.2	7.5	50.3	-1.7	0.3	17.7
Apr.	9.0	8.6	22.8	18.2	6.8	4.6	18.4	6.6	49.0	-1.4	-1.6	22.2
May	9.8	9.4	23.5	20.2	7.6	4.4	17.0	4.2	47.7	-2.9	-0.6	22.8
June	10.7	8.4	24.1	23.6	9.3	3.5	15.3	3.4	41.9	-2.3	-0.1	26.8

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

(annual percentage changes)



Source: ECB.

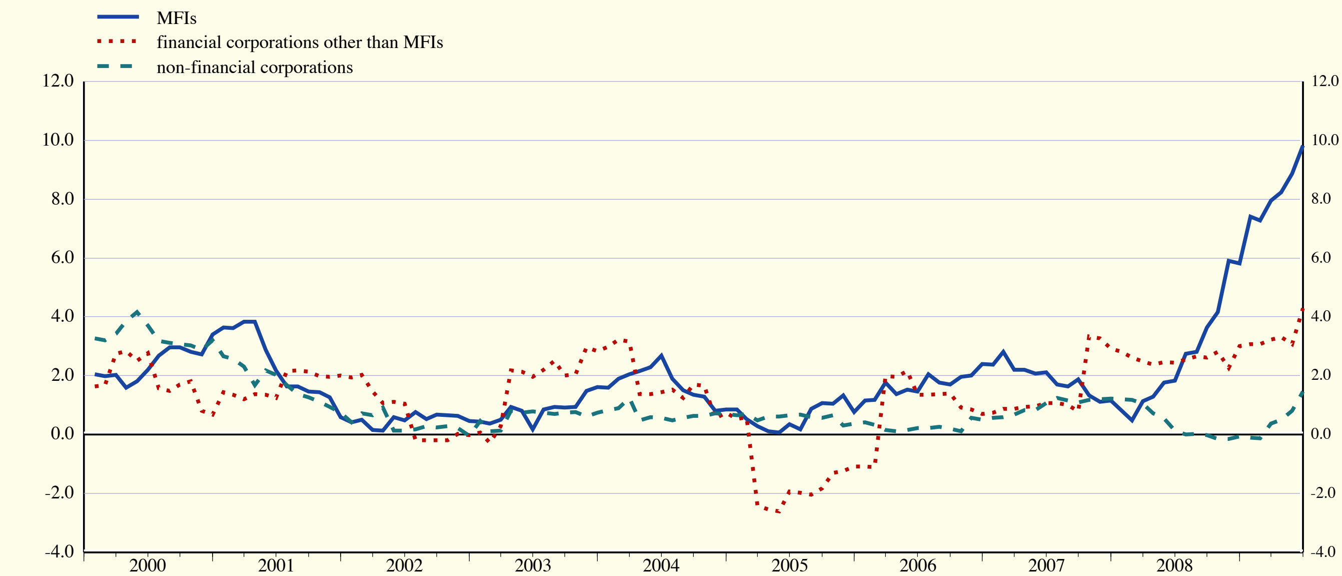
1) Annual percentage changes of monthly data refer to the end of the month, whereas those of quarterly and yearly data refer to the annual change in the period average of the series. See the Technical notes for details.

4.4 Quoted shares issued by euro area residents [1)]
(EUR billions, unless otherwise indicated; market values)

1. Outstanding amounts and annual growth rates
(outstanding amounts as end-of-period)

	Total			MFIs		Financial corporations other than MFIs		Non-financial corporations	
	Total	Index Dec. 01 = 100	Annual growth rates (%)	Total	Annual growth rates (%)	Total	Annual growth rates (%)	Total	Annual growth rates (%)
	1	2	3	4	5	6	7	8	9
2007 June	6,970.5	103.8	1.3	1,130.4	2.1	677.2	1.1	5,162.9	1.1
July	6,740.3	104.0	1.3	1,101.6	1.7	608.9	1.1	5,029.8	1.2
Aug.	6,626.8	103.9	1.2	1,062.0	1.6	583.9	1.0	4,981.0	1.2
Sep.	6,690.9	104.0	1.2	1,050.6	1.9	597.3	0.8	5,042.9	1.1
Oct.	6,945.9	104.3	1.4	1,074.6	1.3	628.2	3.3	5,243.1	1.2
Nov.	6,631.8	104.3	1.4	1,034.6	1.1	578.6	3.3	5,018.6	1.2
Dec.	6,588.7	104.4	1.4	1,019.0	1.2	578.4	2.9	4,991.2	1.2
2008 Jan.	5,766.1	104.4	1.3	889.8	0.8	497.0	2.8	4,379.3	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	4,391.6	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	3,980.2	0.1
July	4,972.6	104.6	0.6	691.6	2.8	427.9	2.5	3,853.1	0.0
Aug.	4,999.2	104.6	0.6	665.5	2.8	438.0	2.7	3,895.6	0.0
Sep.	4,430.0	104.7	0.7	612.2	3.6	381.8	2.6	3,436.0	0.0
Oct.	3,743.7	105.0	0.7	451.9	4.2	280.1	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.	3,482.5	105.4	1.0	377.0	5.8	269.0	3.0	2,836.5	-0.1
2009 Jan.	3,286.8	105.6	1.1	344.6	7.4	239.9	3.1	2,702.3	-0.1
Feb.	2,922.1	105.6	1.1	276.7	7.3	189.0	3.1	2,456.4	-0.1
Mar.	3,009.9	106.1	1.5	315.8	8.0	204.8	3.2	2,489.2	0.4
Apr.	3,435.5	106.2	1.7	414.4	8.2	249.9	3.3	2,771.3	0.5
May	3,580.5	106.5	1.9	455.2	8.9	254.8	3.1	2,870.5	0.8
June	3,530.5	107.3	2.7	448.5	9.8	257.9	4.3	2,824.1	1.5

C20 Annual growth rates for quoted shares issued by euro area residents
(annual percentage changes)



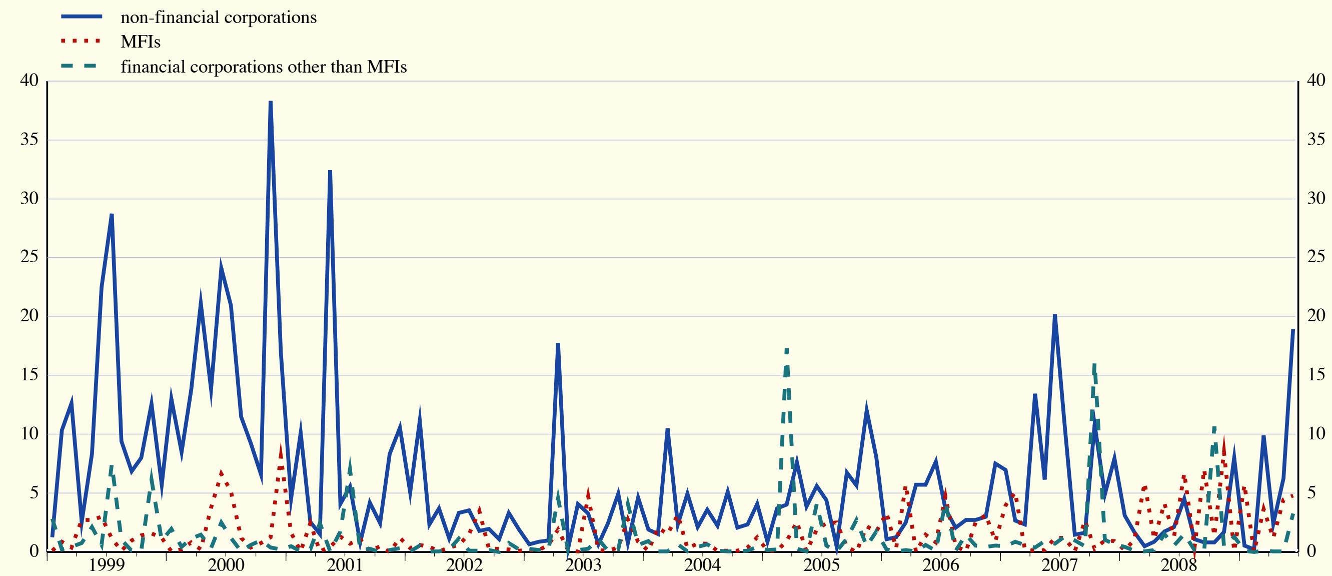
Source: ECB.
1) For the calculation of the index and the growth rates, see the Technical notes.

4.4 Quoted shares issued by euro area residents [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 June	22.0	1.6	20.5	1.2	0.0	1.1	0.7	0.0	0.7	20.2	1.6	18.6
July	13.3	1.8	11.5	1.2	0.0	1.2	1.3	0.3	1.0	10.9	1.5	9.3
Aug.	2.5	6.6	-4.2	0.0	0.1	-0.1	1.0	1.4	-0.5	1.5	5.1	-3.6
Sep.	4.7	2.5	2.2	2.6	0.0	2.6	0.4	0.3	0.1	1.6	2.1	-0.5
Oct.	27.2	8.0	19.1	0.2	3.2	-3.0	16.1	0.5	15.6	10.8	4.3	6.5
Nov.	6.8	3.3	3.5	0.9	0.0	0.9	1.0	1.3	-0.3	4.9	2.0	2.9
Dec.	9.5	4.6	4.9	0.9	0.0	0.9	0.7	2.2	-1.5	7.9	2.5	5.5
2008 Jan.	3.6	1.4	2.3	0.1	0.0	0.1	0.4	0.7	-0.2	3.1	0.7	2.4
Feb.	2.8	1.9	0.9	1.0	0.0	1.0	0.1	0.3	-0.2	1.7	1.6	0.1
Mar.	6.4	6.0	0.3	5.9	0.0	5.9	0.0	0.5	-0.4	0.4	5.6	-5.1
Apr.	2.0	3.0	-0.9	1.1	0.0	1.1	0.1	0.5	-0.3	0.8	2.5	-1.7
May	7.3	6.0	1.4	4.1	0.1	4.1	1.5	0.3	1.2	1.7	5.6	-3.9
June	3.9	4.8	-0.9	1.3	0.0	1.3	0.5	0.1	0.4	2.1	4.7	-2.6
July	12.7	3.4	9.4	6.7	0.0	6.7	1.5	0.5	1.0	4.5	2.9	1.6
Aug.	1.5	3.0	-1.4	0.3	0.0	0.3	0.1	0.0	0.1	1.1	3.0	-1.9
Sep.	7.8	2.8	5.0	7.0	0.0	7.0	0.0	0.1	-0.1	0.8	2.7	-1.9
Oct.	12.8	0.6	12.2	1.4	0.0	1.4	10.7	0.0	10.7	0.8	0.6	0.1
Nov.	10.6	2.9	7.7	8.4	0.5	8.0	0.5	2.1	-1.6	1.7	0.3	1.4
Dec.	9.3	2.6	6.8	0.0	0.0	0.0	1.3	0.0	1.2	8.0	2.5	5.5
2009 Jan.	6.3	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	0.1	2.4	0.3	2.1
May	10.7	0.3	10.4	4.4	0.0	4.4	0.0	0.0	0.0	6.2	0.3	6.0
June	27.0	1.7	25.3	4.8	0.0	4.8	3.3	0.0	3.2	18.9	1.6	17.3

C21 Gross issues of quoted shares by sector of the issuer
(EUR billions; transactions during the month; market values)



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

4.5 MFI interest rates on euro-denominated deposits and loans by euro area residents [1]
(percentages per annum; outstanding amounts as end-of-period, new business as period average, unless otherwise indicated)

1. Interest rates on deposits (new business)

	Deposits from households						Deposits from non-financial corporations				Repos
	Overnight [2]	With agreed maturity			Redeemable at notice [2), 3)]		Overnight [2]	With agreed maturity			
		Up to 1 year	Over 1 and up to 2 years	Over 2 years	Up to 3 months	Over 3 months		Up to 1 year	Over 1 and up to 2 years	Over 2 years	
	1	2	3	4	5	6	7	8	9	10	11
2008 Aug.	1.29	4.59	4.87	3.45	2.87	3.98	2.17	4.46	5.34	4.55	4.30
Sep.	1.32	4.65	4.85	3.36	2.97	4.01	2.20	4.52	5.19	4.69	4.27
Oct.	1.34	4.77	4.85	3.57	3.01	4.12	2.20	4.26	5.12	4.57	3.66
Nov.	1.29	4.26	4.67	3.71	3.02	4.20	1.98	3.53	4.58	4.18	3.19
Dec.	1.16	3.75	4.35	3.69	2.95	4.17	1.63	2.87	4.23	4.09	2.63
2009 Jan.	1.02	3.27	3.90	3.52	2.88	4.08	1.28	2.25	3.81	3.78	2.05
Feb.	0.90	2.62	3.40	3.23	2.49	3.98	1.12	1.61	3.21	3.89	1.55
Mar.	0.80	2.24	2.96	3.07	2.31	3.87	0.96	1.36	2.97	3.30	1.23
Apr.	0.66	2.01	2.70	2.87	2.22	3.75	0.80	1.15	2.64	3.07	1.12
May	0.61	1.89	2.42	2.71	1.99	3.62	0.76	1.08	2.39	3.12	1.02
June	0.56	1.86	2.38	2.57	1.95	3.52	0.66	1.04	2.18	2.58	0.93
July	0.52	1.86	2.42	2.61	1.92	3.38	0.57	0.81	2.49	2.95	0.68

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
2008 Aug.	10.77	8.85	7.22	8.69	8.95	5.77	5.36	5.29	5.27	5.69	6.05	6.28	5.70
Sep.	10.80	8.77	7.20	8.70	8.85	5.80	5.43	5.28	5.37	5.71	6.24	6.36	5.77
Oct.	10.83	8.88	7.22	8.69	8.92	5.84	5.42	5.28	5.37	5.70	6.37	6.26	5.80
Nov.	10.78	8.98	7.17	8.69	8.92	5.63	5.34	5.22	5.28	5.58	5.84	6.15	5.75
Dec.	10.46	8.22	7.03	8.39	8.50	5.09	5.06	5.10	5.13	5.30	4.99	5.75	5.29
2009 Jan.	10.13	8.33	7.03	8.63	8.67	4.38	4.77	4.92	5.00	4.86	4.41	5.44	5.23
Feb.	10.14	8.18	6.65	8.49	8.39	3.97	4.54	4.80	4.89	4.61	4.08	5.03	5.16
Mar.	9.94	7.55	6.51	8.31	8.07	3.66	4.33	4.61	4.72	4.38	3.83	4.72	5.05
Apr.	9.71	7.44	6.50	8.27	8.05	3.39	4.19	4.55	4.67	4.22	3.54	4.69	4.90
May	9.62	7.88	6.44	8.17	8.08	3.22	4.13	4.50	4.58	4.11	3.60	4.71	4.90
June	9.54	7.30	6.36	8.03	7.83	3.12	4.01	4.51	4.58	4.04	3.54	4.76	4.95
July	9.30	7.66	6.46	8.01	8.03	3.04	3.87	4.54	4.54	3.95	3.40	4.77	4.86

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

	Bank overdrafts [2]	Other loans up to EUR 1 million by initial rate fixation			Other loans over EUR 1 million by initial rate fixation		
		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years	Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years
	1	2	3	4	5	6	7
2008 Aug.	6.76	6.27	6.33	5.49	5.44	5.60	5.57
Sep.	6.91	6.34	6.37	5.64	5.62	5.83	5.64
Oct.	6.89	6.52	6.35	5.57	5.59	5.75	5.08
Nov.	6.66	6.04	6.10	5.41	4.86	5.02	4.97
Dec.	6.26	5.38	5.78	5.32	4.28	4.50	4.76
2009 Jan.	5.68	4.73	5.46	5.24	3.51	3.96	4.58
Feb.	5.40	4.32	5.25	4.96	3.10	3.52	4.23
Mar.	5.10	4.03	5.07	4.75	2.83	3.22	3.87
Apr.	4.76	3.82	5.02	4.60	2.54	3.34	4.01
May	4.67	3.73	5.01	4.52	2.48	3.22	3.96
June	4.58	3.64	4.86	4.50	2.56	3.08	3.70
July	4.34	3.57	4.79	4.32	2.37	2.89	3.89

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

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

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

4. Interest rates on deposits (outstanding amounts)

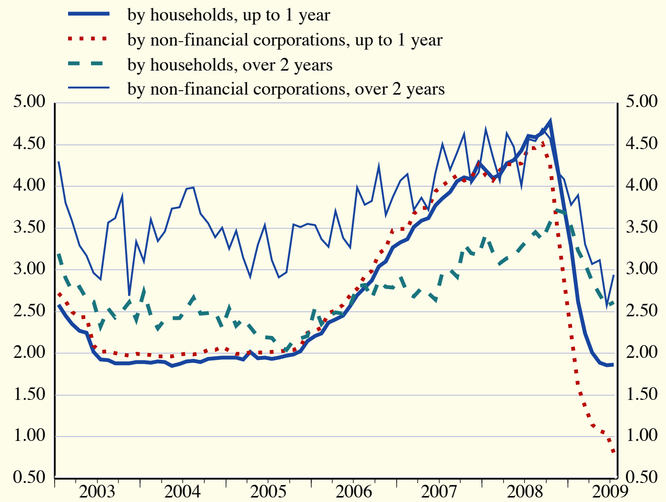
	Deposits from households					Deposits from non-financial corporations			Repos
	Overnight [2]	With agreed maturity		Redeemable at notice [2),3)]		Overnight [2]	With agreed maturity		
		Up to 2 years	Over 2 years	Up to 3 months	Over 3 months		Up to 2 years	Over 2 years	
	1	2	3	4	5	6	7	8	9
2008 Aug.	1.29	4.38	3.09	2.87	3.98	2.17	4.65	4.39	4.23
Sep.	1.32	4.45	3.11	2.97	4.01	2.20	4.73	4.45	4.32
Oct.	1.34	4.54	3.08	3.01	4.12	2.20	4.68	4.45	4.06
Nov.	1.29	4.51	3.12	3.02	4.20	1.98	4.44	4.40	3.95
Dec.	1.16	4.41	3.07	2.95	4.17	1.63	4.01	4.30	3.56
2009 Jan.	1.02	4.16	3.10	2.88	4.08	1.28	3.49	4.11	3.09
Feb.	0.90	3.98	3.17	2.49	3.98	1.12	3.19	4.00	2.68
Mar.	0.80	3.78	3.06	2.31	3.87	0.96	2.82	3.87	2.29
Apr.	0.66	3.54	3.11	2.22	3.75	0.80	2.52	3.84	1.95
May	0.61	3.38	3.04	1.99	3.62	0.76	2.41	3.70	1.79
June	0.56	3.25	3.07	1.95	3.52	0.66	2.21	3.65	1.63
July	0.52	3.07	3.01	1.92	3.38	0.57	1.99	3.55	1.53

5. Interest rates on loans (outstanding amounts)

	Loans to households						Loans to non-financial corporations		
	Lending for house purchase, with maturity			Consumer credit and other loans, with maturity			With maturity		
	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Up to 1 year	Over 1 and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9
2008 Aug.	5.78	4.95	5.11	9.26	7.38	6.41	6.28	5.79	5.46
Sep.	5.77	5.03	5.14	9.38	7.47	6.47	6.39	5.90	5.54
Oct.	5.78	5.06	5.17	9.45	7.48	6.48	6.43	5.99	5.58
Nov.	5.71	5.01	5.16	9.24	7.48	6.46	6.16	5.81	5.51
Dec.	5.49	4.90	5.08	9.02	7.38	6.38	5.72	5.42	5.27
2009 Jan.	5.22	4.72	4.93	8.72	7.22	6.22	5.11	4.89	4.89
Feb.	5.14	4.75	4.91	8.61	7.27	6.21	4.77	4.59	4.74
Mar.	4.92	4.63	4.78	8.43	7.09	6.07	4.41	4.28	4.48
Apr.	4.70	4.49	4.65	8.19	7.00	5.92	4.12	3.97	4.25
May	4.59	4.45	4.56	8.08	6.92	5.84	4.01	3.84	4.12
June	4.51	4.40	4.46	7.98	6.91	5.79	3.93	3.72	4.00
July	4.32	4.31	4.35	7.82	6.78	5.66	3.72	3.58	3.82

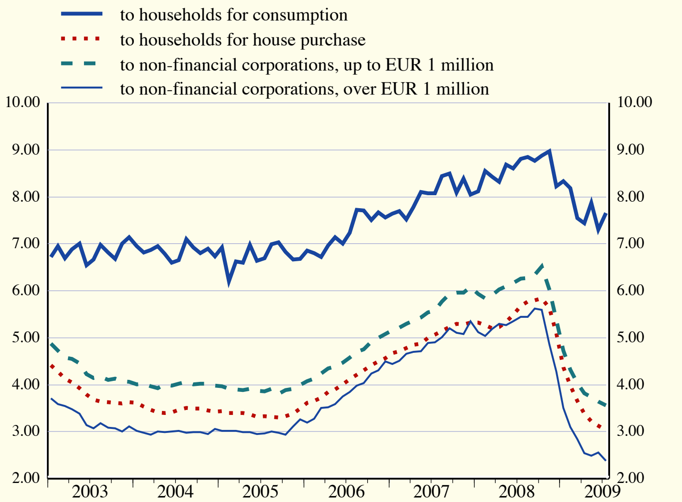
C22 New deposits with agreed maturity

(percentages per annum excluding charges; period averages)



C23 New loans at floating rate and up to 1 year initial rate fixation

(percentages per annum excluding charges; period averages)



Source: ECB.

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

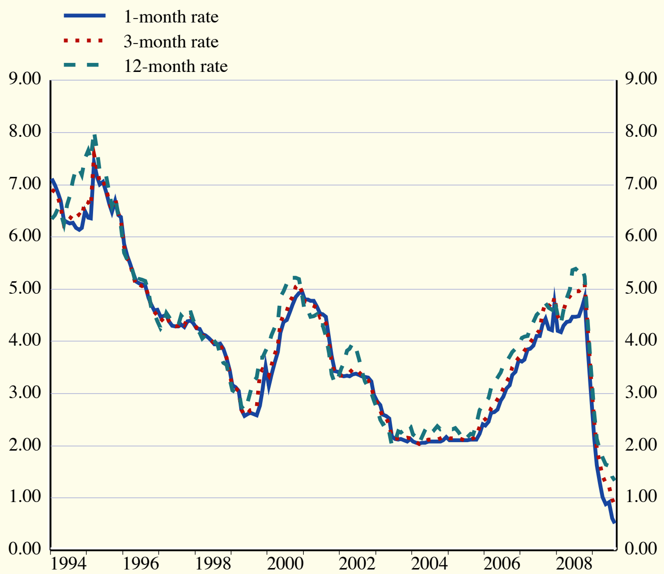
4.6 Money market interest rates

(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
2006	2.83	2.94	3.08	3.23	3.44	5.20	0.30
2007	3.87	4.08	4.28	4.35	4.45	5.30	0.79
2008	3.87	4.28	4.64	4.73	4.83	2.93	0.93
2008 Q2	4.00	4.41	4.86	4.93	5.05	2.75	0.92
Q3	4.25	4.54	4.98	5.18	5.37	2.91	0.90
Q4	3.17	3.92	4.24	4.31	4.38	2.77	0.96
2009 Q1	1.37	1.67	2.01	2.11	2.22	1.24	0.67
Q2	0.77	0.94	1.31	1.51	1.67	0.84	0.53
2008 Aug.	4.30	4.49	4.97	5.16	5.32	2.81	0.89
Sep.	4.27	4.66	5.02	5.22	5.38	3.12	0.91
Oct.	3.82	4.83	5.11	5.18	5.25	4.06	1.04
Nov.	3.15	3.84	4.24	4.29	4.35	2.28	0.91
Dec.	2.49	2.99	3.29	3.37	3.45	1.83	0.92
2009 Jan.	1.81	2.14	2.46	2.54	2.62	1.21	0.73
Feb.	1.26	1.63	1.94	2.03	2.14	1.24	0.64
Mar.	1.06	1.27	1.64	1.77	1.91	1.27	0.62
Apr.	0.84	1.01	1.42	1.61	1.77	1.11	0.57
May	0.78	0.88	1.28	1.48	1.64	0.82	0.53
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

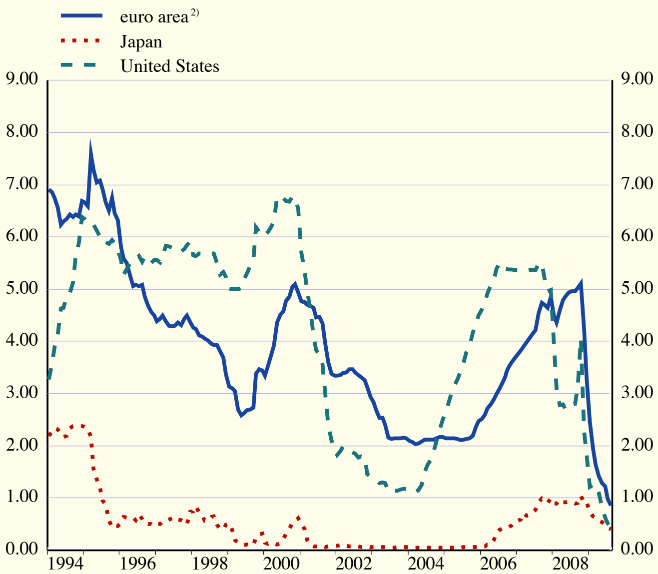
C24 Euro area money market rates [2)]

(monthly; percentages per annum)



C25 3-month money market rates

(monthly; percentages per annum)



Source: ECB.

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

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

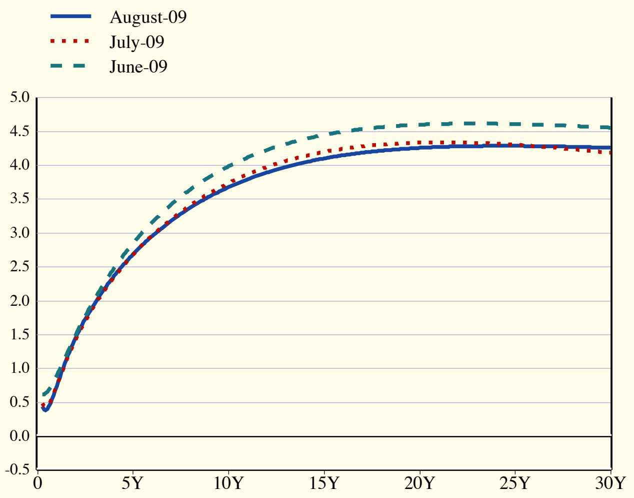
4.7 Euro area yield curves [1]

(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
2006	3.44	3.76	3.82	3.83	3.86	3.91	0.47	0.09	3.92	3.85	3.88	4.08
2007	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
2008 Q2	4.21	4.49	4.62	4.63	4.65	4.73	0.52	0.11	4.73	4.72	4.64	5.00
Q3	3.71	3.60	3.59	3.88	4.09	4.34	0.63	0.75	3.52	3.67	4.45	5.00
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
2008 Aug.	4.24	4.20	4.13	4.11	4.19	4.34	0.10	0.21	4.13	4.02	4.26	4.82
Sep.	3.71	3.60	3.59	3.88	4.09	4.34	0.63	0.75	3.52	3.67	4.45	5.00
Oct.	2.52	2.86	2.68	3.58	3.95	4.25	1.74	1.58	2.27	2.99	4.80	4.97
Nov.	2.00	2.10	2.38	3.16	3.49	3.77	1.78	1.40	2.33	2.97	4.16	4.48
Dec.	1.75	1.85	2.14	2.95	3.32	3.69	1.94	1.55	2.09	2.76	4.04	4.60
2009 Jan.	1.19	1.27	1.79	3.02	3.53	4.02	2.83	2.24	1.70	2.85	4.53	5.26
Feb.	0.93	1.01	1.56	2.79	3.31	3.85	2.93	2.30	1.48	2.64	4.32	5.25
Mar.	0.78	0.88	1.46	2.70	3.23	3.77	3.00	2.31	1.41	2.58	4.24	5.19
Apr.	0.74	0.96	1.53	2.72	3.25	3.79	3.05	2.26	1.52	2.58	4.24	5.19
May	0.79	0.93	1.53	3.00	3.60	4.18	3.39	2.65	1.43	2.77	4.81	5.61
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

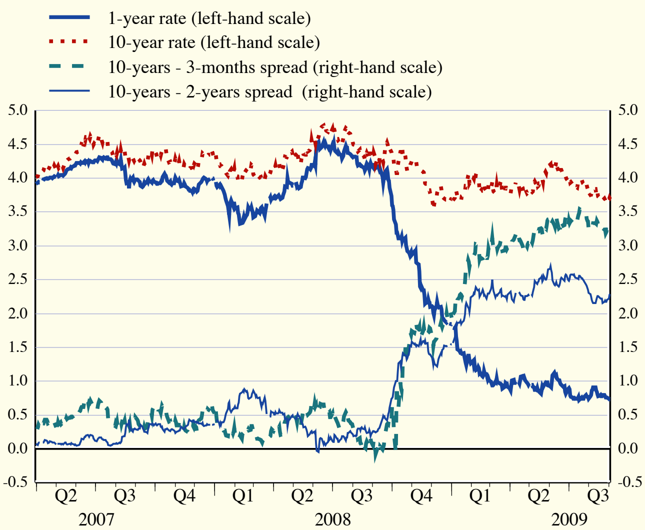
C26 Euro area spot yield curves

(percentages per annum; end-of-period)



C27 Euro area spot rates and spreads

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



Source: ECB, underlying data provided by EuroMTS, ratings provided by Fitch Ratings.

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

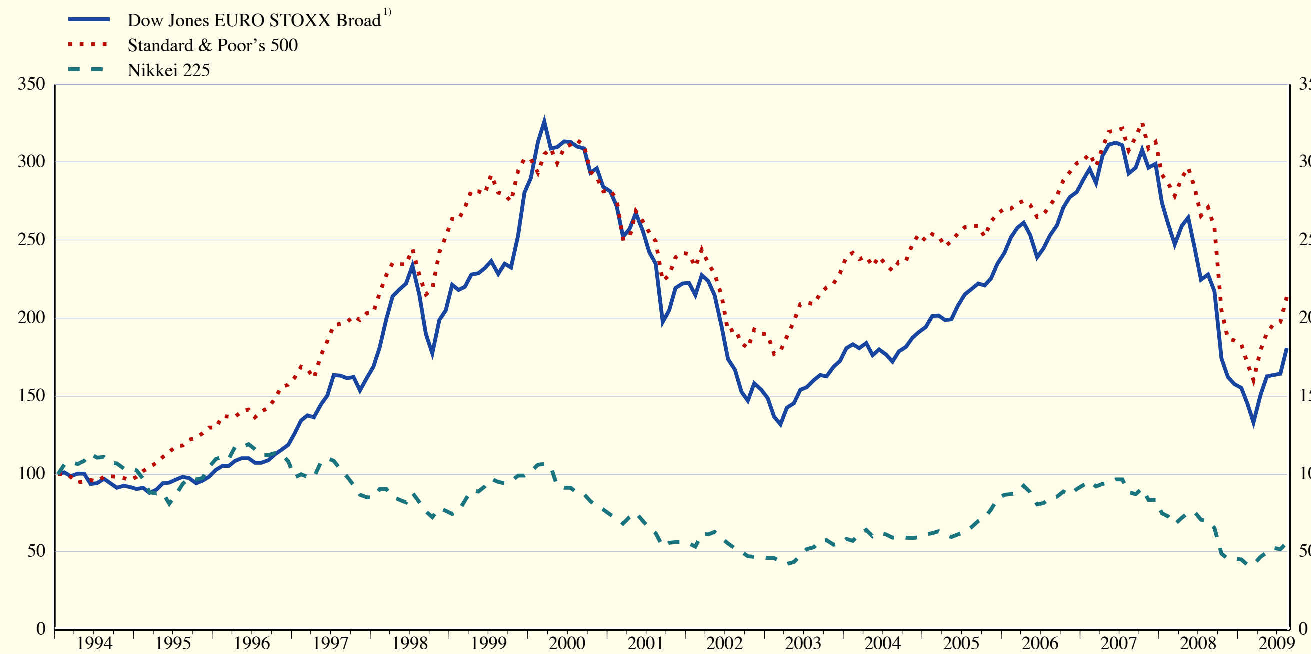
4.8 Stock market indices

(index levels in points; period averages)

	Dow Jones EURO STOXX indices[1]												United States	Japan
	Benchmark		Main industry indices											
	Broad	50	Basic materials	Consumer services	Consumer goods	Oil & gas	Financials	Industrials	Technology	Utilities	Telecom.	Health care	Standard & Poor's 500	Nikkei 225
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2006	357.3	3,795.4	402.3	205.0	293.7	419.8	370.3	391.3	345.3	440.0	416.8	530.2	1,310.5	16,124.0
2007	416.4	4,315.8	543.8	235.4	366.5	449.6	408.3	488.4	383.4	561.4	492.7	519.2	1,476.5	16,984.4
2008	313.7	3,319.5	480.4	169.3	290.7	380.9	265.0	350.9	282.5	502.0	431.5	411.5	1,220.7	12,151.6
2008 Q2	355.9	3,705.6	576.2	185.0	317.8	442.8	313.7	408.2	306.5	557.1	437.7	427.1	1,371.7	13,818.3
Q3	309.7	3,278.8	506.0	162.2	282.2	382.8	260.5	345.7	285.6	494.8	412.4	407.4	1,252.7	12,758.7
Q4	228.7	2,497.7	320.7	136.5	236.9	287.6	169.3	238.1	200.0	384.7	387.0	358.1	910.9	8,700.4
2009 Q1	200.2	2,166.4	293.6	131.6	207.9	272.5	126.3	223.0	175.7	340.6	367.2	345.7	810.1	7,968.8
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
2008 Aug.	316.1	3,346.0	513.7	167.1	287.0	388.1	266.0	356.6	304.4	504.4	411.2	403.0	1,281.5	12,989.4
Sep.	301.3	3,193.7	474.6	161.8	287.4	358.2	255.8	332.2	271.8	465.8	413.2	400.6	1,220.0	12,126.2
Oct.	241.5	2,627.3	342.1	135.6	249.1	287.9	195.0	245.1	212.8	392.4	378.2	363.7	968.8	9,080.5
Nov.	225.0	2,452.9	315.2	136.2	237.6	294.8	159.0	229.5	197.7	393.6	386.0	361.7	883.3	8,502.7
Dec.	219.0	2,407.0	304.0	137.8	224.2	281.0	152.5	238.7	189.4	369.2	396.6	349.4	877.2	8,492.1
2009 Jan.	215.5	2,344.9	309.7	136.8	220.8	280.5	143.4	236.4	188.1	376.5	384.1	364.8	866.6	8,402.5
Feb.	200.4	2,159.8	299.2	132.7	208.0	280.9	123.3	226.1	175.7	341.0	361.7	354.1	806.3	7,707.3
Mar.	184.6	1,993.9	272.5	125.3	194.9	256.9	111.8	206.8	163.5	304.2	355.2	319.1	757.1	7,772.8
Apr.	209.3	2,256.3	308.4	134.6	219.0	268.1	145.0	237.9	196.0	323.2	356.8	327.7	848.5	8,755.5
May	225.7	2,426.7	331.6	140.1	233.8	296.0	164.5	259.8	203.1	346.3	348.0	346.7	901.7	9,257.7
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

C28 Dow Jones EURO STOXX Broad, Standard & Poor's 500 and Nikkei 225

(January 1994 = 100; monthly averages)



Source: ECB.

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

PRICES, OUTPUT, DEMAND AND LABOUR MARKETS

5.1 HICP, other prices and costs
(annual percentage changes, unless otherwise indicated)

1. Harmonised Index of Consumer Prices [1]

	Total: Index 2005 = 100	Total: Total	Total: Total excl. unprocessed food and energy	Total: Goods	Total: Services	Total (s.a., percentage change on previous period): Total	Processed food	Unprocessed food	Non-energy industrial goods	Energy (n.s.a.)	Services	Memo item: Administered prices [2]: Total HICP excluding administered prices	Administered prices
% of total [3]	100.0	100.0	83.0	58.6	41.4	100.0	11.9	7.5	29.7	9.6	41.4	89.3	10.7
	1	2	3	4	5	6	7	8	9	10	11	12	13
2005	100.0	2.2	1.5	2.1	2.3	-	-	-	-	-	-	2.1	2.5
2006	102.2	2.2	1.5	2.3	2.0	-	-	-	-	-	-	2.1	2.7
2007	104.4	2.1	2.0	1.9	2.5	-	-	-	-	-	-	2.1	2.1
2008	107.8	3.3	2.4	3.8	2.6	-	-	-	-	-	-	3.3	3.0
2008 Q2	108.1	3.6	2.5	4.5	2.4	1.1	1.1	1.2	0.2	6.0	0.5	3.7	2.8
Q3	108.4	3.8	2.5	4.7	2.6	0.7	0.8	0.9	0.2	2.1	0.7	3.9	3.3
Q4	108.2	2.3	2.2	2.1	2.6	-0.6	0.2	0.3	0.3	-8.7	0.5	2.1	3.4
2009 Q1	107.4	1.0	1.6	0.1	2.2	-0.3	-0.1	0.4	0.1	-4.9	0.4	0.7	2.9
Q2	108.3	0.2	1.5	-1.2	2.2	0.3	0.1	-0.7	0.2	0.7	0.4	0.0	1.7
2009 Mar.	107.8	0.6	1.5	-0.4	1.9	0.0	0.0	-0.2	0.1	-1.2	0.1	0.3	2.9
Apr.	108.2	0.6	1.7	-0.7	2.5	0.1	0.0	-0.4	0.1	0.2	0.2	0.4	1.9
May	108.3	0.0	1.5	-1.4	2.1	0.0	0.0	-0.4	0.0	0.4	0.0	-0.2	1.6
June	108.5	-0.1	1.3	-1.6	2.0	0.3	0.4	-0.3	-0.1	2.5	0.1	-0.4	1.6
July	107.8	-0.7	1.2	-2.4	1.9	-0.2	0.1	-0.7	-0.1	-1.8	0.2	-0.9	1.2
Aug. [4]	.	-0.2	.	.	.	.	.	.	.	.	.	.	.

	Goods: Food (incl. alcoholic beverages and tobacco): Total	Processed food	Unprocessed food	Industrial goods: Total	Non-energy industrial goods	Energy	Services: Housing	Rents	Transport	Communication	Recreation and personal	Miscellaneous
% of total [3]	19.3	11.9	7.5	39.3	29.7	9.6	10.1	6.0	6.3	3.2	14.9	6.8
	14	15	16	17	18	19	20	21	22	23	24	25
2005	1.6	2.0	0.8	2.4	0.3	10.1	2.6	2.0	2.7	-2.2	2.3	3.1
2006	2.4	2.1	2.8	2.3	0.6	7.7	2.5	2.1	2.5	-3.3	2.3	2.3
2007	2.8	2.8	3.0	1.4	1.0	2.6	2.7	2.0	2.6	-1.9	2.9	3.2
2008	5.1	6.1	3.5	3.1	0.8	10.3	2.3	1.9	3.9	-2.2	3.2	2.5
2008 Q2	5.7	6.9	3.7	3.9	0.8	13.6	2.3	1.9	3.6	-1.8	3.0	2.2
Q3	5.6	6.7	3.9	4.2	0.7	15.1	2.3	1.9	4.4	-2.4	3.4	2.3
Q4	3.8	4.3	3.0	1.2	0.9	2.1	2.2	1.9	4.5	-2.0	3.3	2.2
2009 Q1	2.4	2.1	2.8	-1.1	0.7	-6.1	2.0	1.7	3.6	-1.7	2.7	2.1
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
2009 Feb.	2.5	2.0	3.3	-0.7	0.7	-4.9	2.0	1.8	3.9	-1.4	3.0	2.1
Mar.	1.9	1.6	2.4	-1.5	0.8	-8.1	2.0	1.8	3.1	-1.8	2.2	2.0
Apr.	1.4	1.2	1.6	-1.7	0.8	-8.8	2.0	1.8	3.5	-1.6	3.4	2.1
May	0.9	1.0	0.7	-2.5	0.8	-11.6	2.1	1.8	3.1	-1.0	2.4	2.0
June	0.7	1.1	0.0	-2.7	0.6	-11.7	2.1	1.8	2.7	-0.9	2.2	1.9
July	0.0	0.8	-1.1	-3.6	0.5	-14.4	2.1	1.8	2.6	-0.8	1.9	2.0

Sources: Eurostat and ECB calculations.
1) Data refer to the changing composition of the euro area. For further information, see the General notes.
2) ECB estimates based on Eurostat data; these experimental statistics can only provide an approximate measure of price administration since changes in administered prices cannot be fully isolated from other influences. Please refer to http://www.ecb.europa.eu/stats/prices/hicp/html/index.en.html for a note explaining the methodology used in the compilation of this indicator.
3) Referring to the index period 2009.
4) Estimate based on provisional national releases usually covering around 95% of the euro area, as well as on early information on energy prices.

2. Industry, construction and residential property prices [1]

	Industrial producer prices excluding construction										Construct-ion [2]	Residential property prices [3]
	Total (index 2005 = 100)	Total		Industry excluding construction and energy						Energy		
			Manu-facturing	Total	Intermediate goods	Capital goods	Consumer goods					
							Total	Durable	Non-durable			
% of total [4]	100.0	100.0	83.0	75.8	30.1	21.9	23.7	2.7	21.0	24.2		
	1	2	3	4	5	6	7	8	9	10	11	12
2005	100.0	4.1	3.1	1.6	2.8	1.2	1.1	1.3	0.9	13.5	3.6	7.6
2006	105.1	5.1	3.5	2.8	4.6	1.6	1.7	1.4	1.5	13.4	4.8	6.5
2007	107.9	2.7	3.0	3.2	4.6	2.2	2.3	2.4	2.1	1.2	4.2	4.4
2008	114.4	6.1	4.8	3.5	4.0	2.1	3.9	2.8	4.1	14.1	3.5	1.7
2008 Q2	114.8	7.0	6.4	3.7	4.0	2.0	4.8	2.8	5.1	17.2	3.5	2.8 [5]
Q3	117.2	8.4	6.7	4.2	5.4	2.3	4.2	2.7	4.4	21.5	5.0	-
Q4	113.7	3.4	0.7	2.4	2.6	2.5	2.0	2.6	1.9	6.7	3.3	0.6 [5]
2009 Q1	109.8	-2.0	-4.3	-1.1	-2.7	1.8	-1.0	1.9	-1.4	-4.1	3.4	-
Q2	108.3	-5.7	-6.8	-3.0	-5.7	0.6	-2.0	1.5	-2.5	-13.2	.	.
2009 Feb.	109.8	-1.9	-4.2	-1.2	-2.9	1.8	-1.0	1.9	-1.4	-3.6	-	-
Mar.	109.1	-3.2	-5.4	-1.9	-3.9	1.5	-1.6	1.8	-2.0	-6.9	-	-
Apr.	108.1	-4.8	-5.9	-2.5	-5.1	1.1	-1.8	1.6	-2.2	-11.1	-	-
May	108.1	-5.9	-7.1	-3.0	-5.7	0.5	-2.0	1.4	-2.5	-13.7	-	-
June	108.5	-6.5	-7.3	-3.5	-6.4	0.3	-2.3	1.5	-2.9	-14.8	-	-
July	107.7	-8.5	-8.3	-4.0	-7.5	0.1	-2.4	1.3	-3.0	-20.2	-	-

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

	Oil prices [6] (EUR per barrel)	Non-energy commodity prices						GDP deflators							
		Import-weighted [7]			Use-weighted [8]			Total (s.a. index 2000 = 100)	Total	Domestic demand				Exports [9]	Imports [9]
		Total	Food	Non-food	Total	Food	Non-food			Total	Private consump-tion	Government consump-tion	Gross fixed capital formation		
% of total		100.0	35.0	65.0	100.0	44.3	55.7								
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2005	44.6	11.9	0.9	17.9	9.0	2.5	14.4	111.6	2.0	2.3	2.1	2.4	2.5	2.4	3.3
2006	52.9	27.5	5.8	37.6	24.4	5.9	38.1	113.8	1.9	2.4	2.1	2.1	2.9	2.7	3.9
2007	52.8	7.5	14.3	5.0	5.1	9.4	2.7	116.4	2.3	2.3	2.2	1.7	2.6	1.7	1.5
2008	65.9	2.0	18.2	-4.3	-1.7	9.7	-8.5	119.1	2.3	2.8	2.9	2.9	2.1	2.4	3.8
2008 Q2	78.5	2.5	32.4	-7.5	-0.3	20.3	-11.1	118.9	2.3	3.2	3.3	3.7	2.2	2.7	4.8
Q3	77.6	6.8	16.2	2.8	0.6	4.3	-1.9	119.4	2.3	3.2	3.4	2.8	2.5	3.4	5.8
Q4	43.5	-10.1	-7.7	-11.2	-14.5	-12.9	-15.8	120.0	2.4	2.1	2.0	2.3	1.7	1.3	0.7
2009 Q1	35.1	-29.1	-14.8	-36.0	-28.5	-17.3	-36.8	120.1	1.8	1.1	0.4	2.6	0.6	-2.5	-4.4
Q2	43.8	-24.5	-11.1	-31.0	-22.5	-9.9	-31.4	120.0	0.9	0.1	-0.6	1.5	-0.7	-3.9	-6.1
2009 Mar.	36.5	-30.6	-17.7	-36.8	-29.3	-17.8	-37.7	-	-	-	-	-	-	-	-
Apr.	39.0	-25.4	-11.7	-31.9	-23.7	-10.8	-32.8	-	-	-	-	-	-	-	-
May	42.8	-24.5	-8.3	-32.1	-22.0	-6.7	-32.6	-	-	-	-	-	-	-	-
June	49.5	-23.5	-13.1	-28.8	-21.7	-12.0	-28.9	-	-	-	-	-	-	-	-
July	46.5	-22.6	-14.6	-26.6	-21.3	-13.6	-26.8	-	-	-	-	-	-	-	-
Aug.	51.1	.	.	.	.	.	.	-	-	-	-	-	-	-	-

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) Data refer to the Euro 16.
2) Input prices for residential buildings.
3) Experimental data based on non-harmonised national sources (see the ECB website for further details).
4) In 2005.
5) The quarterly data for the second (fourth) quarter refer to semi-annual averages of the first (second) half of the year, respectively. Since some national data are only available at annual frequency, the semi-annual estimate is partially derived from annual results; therefore, the accuracy of semi-annual data is lower than the accuracy of annual data.
6) Brent Blend (for one-month forward delivery).
7) Refers to prices expressed in euro. Weighted according to the structure of euro area imports in the period 2004-06.
8) Refers to prices expressed in euro. Weighted according to euro area domestic demand (domestic production plus imports minus exports) in the period 2004-06. Experimental data (see the ECB website for details).
9) Deflators for exports and imports refer to goods and services and include cross-border trade within the euro area.

5.1 HICP, other prices and costs

(annual percentage changes, unless otherwise indicated)

4. Unit labour costs, compensation per employee and labour productivity [1)]

(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 [2)]				
2005	109.0	1.2	8.2	-0.7	2.9	1.1	2.1	2.0
2006	110.0	0.9	2.7	-0.5	3.5	0.5	2.0	2.0
2007	111.7	1.6	1.9	0.8	4.1	0.5	2.3	1.9
2008	115.3	3.2	-0.5	3.6	1.9	3.4	3.1	3.0
2008 Q1	113.3	2.5	0.6	0.6	2.5	1.9	4.1	2.8
Q2	114.7	2.8	-1.5	1.3	2.0	2.6	2.7	4.3
Q3	115.6	3.5	-1.5	4.2	2.3	4.7	3.4	2.4
Q4	118.0	4.5	-0.9	9.6	1.8	5.2	2.5	2.9
2009 Q1	119.7	5.6	1.6	16.7	1.4	6.3	-0.2	2.9
				Compensation per employee				
2005	112.3	2.0	2.4	1.8	2.0	2.1	2.4	1.9
2006	114.9	2.3	3.3	3.4	3.5	1.5	2.4	1.6
2007	117.8	2.5	3.8	2.9	3.0	2.1	2.3	2.5
2008	121.4	3.1	3.1	2.9	3.9	3.0	2.3	3.5
2008 Q1	120.2	3.1	3.9	3.4	3.5	2.4	2.6	3.4
Q2	121.1	3.2	2.8	2.7	4.0	2.4	2.0	4.4
Q3	121.9	3.4	3.2	3.1	4.5	4.2	2.7	3.2
Q4	122.6	2.8	2.4	2.5	3.7	3.1	1.9	3.2
2009 Q1	122.4	1.8	4.0	0.6	3.2	2.2	0.2	3.1
				Labour productivity [3)]				
2005	103.1	0.7	-5.3	2.5	-0.8	1.0	0.3	-0.1
2006	104.5	1.3	0.6	4.0	0.0	1.0	0.3	-0.4
2007	105.4	0.9	1.9	2.1	-1.1	1.6	0.0	0.5
2008	105.4	-0.1	3.6	-0.6	2.0	-0.4	-0.8	0.5
2008 Q1	106.0	0.6	3.2	2.8	1.0	0.5	-1.4	0.6
Q2	105.6	0.3	4.3	1.4	2.0	-0.2	-0.7	0.1
Q3	105.4	-0.1	4.7	-1.0	2.1	-0.4	-0.7	0.7
Q4	103.9	-1.7	3.3	-6.4	1.9	-2.0	-0.6	0.3
2009 Q1	102.3	-3.6	2.4	-13.8	1.8	-3.8	0.4	0.2

5. Hourly labour costs [1), 4)]

	Total (s.a. index 2000 = 100)	Total	By component: Wages and salaries	Employers' social contributions	By selected economic activity: Mining, manufacturing and energy	Construction	Services	Memo: indicator of negotiated wages [5)]
% of total [6)]	100.0	100.0	73.1	26.9	34.6	9.1	56.3	
	1	2	3	4	5	6	7	8
2005	116.5	2.3	2.3	2.1	2.2	1.7	2.4	2.1
2006	119.4	2.3	2.3	2.2	3.3	1.5	1.9	2.3
2007	122.5	2.7	2.9	2.0	2.6	2.9	2.6	2.1
2008	126.8	3.3	3.3	3.1	3.6	4.0	3.0	3.2
2008 Q2	125.9	2.3	2.4	2.2	2.3	3.6	2.2	2.9
Q3	127.4	3.4	3.4	3.3	2.8	3.5	3.7	3.4
Q4	128.9	4.0	3.9	4.4	5.6	4.6	3.0	3.6
2009 Q1	.	3.7	3.6	4.5	6.1	3.6	2.4	3.2
Q2	.	.	.	.	.	.	.	2.7

Sources: Eurostat, ECB calculations based on Eurostat data (Table 4 in Section 5.1 and column 7 in Table 5 in Section 5.1) and ECB calculations (column 8 in Table 5 in Section 5.1).

1) Data refer to Euro 16.
2) Compensation (at current prices) per employee divided by value added (volumes) per person employed.
3) Value added (volumes) per person employed.
4) Hourly labour costs for the whole economy, excluding agriculture, public administration, education, health and services not elsewhere classified. Owing to differences in coverage, the estimates for the components may not be consistent with the total.
5) Experimental data (see the ECB website for further details).
6) In 2000.

1. GDP and expenditure components [1]

	GDP								
	Total	Domestic demand					External balance [2]		
		Total	Private consumption	Government consumption	Gross fixed capital formation	Changes in inventories [3]	Total	Exports [2]	Imports [2]
	1	2	3	4	5	6	7	8	9
	Current prices (EUR billions, seasonally adjusted)								
2005	8,142.4	8,022.6	4,668.8	1,664.6	1,683.6	5.6	119.8	3,113.7	2,993.9
2006	8,560.4	8,458.3	4,872.4	1,733.2	1,833.7	19.0	102.0	3,474.0	3,372.0
2007	9,004.9	8,864.4	5,064.1	1,799.7	1,973.3	27.4	140.5	3,744.6	3,604.1
2008	9,270.8	9,177.6	5,231.8	1,892.4	2,002.1	51.4	93.2	3,879.4	3,786.2
2008 Q2	2,326.9	2,294.4	1,308.5	474.0	506.6	5.3	32.6	991.6	959.1
Q3	2,329.5	2,314.1	1,317.0	475.0	502.7	19.3	15.4	991.4	976.1
Q4	2,298.6	2,286.5	1,305.6	480.6	483.8	16.5	12.1	907.5	895.4
2009 Q1	2,244.3	2,235.9	1,288.7	487.5	455.9	3.9	8.4	805.6	797.2
Q2	2,239.0	2,219.7	1,290.3	491.8	448.6	-11.1	19.4	791.0	771.7
	percentage of GDP								
2008	100.0	99.0	56.4	20.4	21.6	0.6	1.0	-	-
	Chain-linked volumes (prices of the previous year, seasonally adjusted [4])								
	quarter-on-quarter percentage changes								
2008 Q2	-0.3	-0.6	-0.4	0.9	-1.4	-	-	-0.5	-1.1
Q3	-0.3	0.2	0.0	0.5	-1.4	-	-	-0.9	0.3
Q4	-1.8	-0.7	-0.5	0.6	-3.4	-	-	-7.2	-4.7
2009 Q1	-2.5	-2.1	-0.5	0.7	-5.3	-	-	-8.8	-7.8
Q2	-0.1	-0.8	0.2	0.4	-1.3	-	-	-1.1	-2.8
	annual percentage changes								
2005	1.7	1.9	1.8	1.5	3.3	-	-	5.0	5.7
2006	3.0	2.8	2.1	2.0	5.5	-	-	8.4	8.2
2007	2.7	2.4	1.6	2.1	4.9	-	-	5.9	5.3
2008	0.7	0.7	0.4	2.2	-0.4	-	-	1.2	1.2
2008 Q2	1.5	0.9	0.5	2.3	1.1	-	-	4.0	2.6
Q3	0.5	0.3	0.0	2.3	-1.0	-	-	1.4	1.1
Q4	-1.7	-0.4	-0.7	2.5	-5.5	-	-	-6.7	-3.8
2009 Q1	-4.9	-3.2	-1.4	2.6	-11.0	-	-	-16.6	-12.9
Q2	-4.7	-3.3	-0.8	2.2	-10.9	-	-	-17.1	-14.4
	contributions to quarter-on-quarter percentage changes of GDP in percentage points								
2008 Q2	-0.3	-0.6	-0.2	0.2	-0.3	-0.2	0.2	-	-
Q3	-0.3	0.2	0.0	0.1	-0.3	0.4	-0.5	-	-
Q4	-1.8	-0.7	-0.3	0.1	-0.7	0.2	-1.1	-	-
2009 Q1	-2.5	-2.0	-0.3	0.1	-1.1	-0.8	-0.4	-	-
Q2	-0.1	-0.8	0.1	0.1	-0.3	-0.7	0.7	-	-
	contributions to annual percentage changes of GDP in percentage points								
2005	1.7	1.9	1.1	0.3	0.7	-0.2	-0.1	-	-
2006	3.0	2.8	1.2	0.4	1.1	0.1	0.2	-	-
2007	2.7	2.4	0.9	0.4	1.0	0.0	0.3	-	-
2008	0.7	0.7	0.2	0.4	-0.1	0.1	0.0	-	-
2008 Q2	1.5	0.9	0.3	0.5	0.2	-0.1	0.6	-	-
Q3	0.5	0.3	0.0	0.5	-0.2	0.1	0.1	-	-
Q4	-1.7	-0.4	-0.4	0.5	-1.2	0.7	-1.3	-	-
2009 Q1	-4.9	-3.1	-0.8	0.5	-2.4	-0.4	-1.8	-	-
Q2	-4.7	-3.3	-0.5	0.4	-2.4	-0.9	-1.4	-	-

Sources: Eurostat and ECB calculations.
1) Data refer to Euro 16.
2) Exports and imports cover goods and services and include cross-border intra-euro area trade. They are not fully consistent with Tables 7.1.2 and 7.3.1.
3) Including acquisitions less disposals of valuables.
4) Annual data are not adjusted for the variations in the number of working days.

5.2 Output and demand

2. Value added by economic activity [1]

	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)							
2005	7,297.6	144.3	1,481.5	441.6	1,540.2	2,018.2	1,671.8	844.8
2006	7,646.5	142.4	1,564.0	478.2	1,595.9	2,134.3	1,731.7	913.8
2007	8,046.3	152.4	1,639.9	516.1	1,670.2	2,265.3	1,802.4	958.5
2008	8,315.4	149.2	1,663.4	538.9	1,725.1	2,359.7	1,879.1	955.3
2008 Q2	2,086.2	37.7	423.8	134.6	431.0	589.5	469.6	240.7
Q3	2,088.7	36.5	418.5	136.0	433.7	593.5	470.5	240.7
Q4	2,065.9	36.0	396.9	133.4	429.4	592.7	477.5	232.7
2009 Q1	2,019.1	36.0	360.6	131.7	418.0	588.2	484.5	225.1
Q2	2,016.5	35.6	350.3	131.2	419.7	591.1	488.6	222.5
	percentage of value added							
2008	100.0	1.8	20.0	6.5	20.7	28.4	22.6	-
	Chain-linked volumes (prices of the previous year, seasonally adjusted [2])							
	quarter-on-quarter percentage changes							
2008 Q2	-0.3	-0.1	-1.1	-2.1	-0.5	0.4	0.4	-1.0
Q3	-0.4	-0.2	-1.9	-1.3	-0.3	0.0	0.6	0.0
Q4	-1.8	0.4	-6.1	-1.7	-1.7	-0.6	0.3	-2.1
2009 Q1	-2.4	-0.4	-8.2	-0.6	-2.7	-0.8	0.2	-3.2
Q2	-0.2	-0.1	-2.0	-0.5	0.1	0.1	0.6	0.4
	annual percentage changes							
2005	1.7	-6.0	1.3	1.9	1.7	2.8	1.4	1.9
2006	3.0	-1.4	3.7	2.7	2.7	4.3	1.4	3.3
2007	3.0	0.5	2.4	2.9	3.5	4.1	1.8	0.8
2008	0.9	2.1	-0.9	-0.5	0.9	1.7	1.7	-0.7
2008 Q2	1.7	2.2	1.5	0.3	1.5	2.3	1.5	0.0
Q3	0.7	2.9	-1.3	-1.0	0.5	1.5	1.8	-1.0
Q4	-1.6	2.2	-7.7	-3.4	-1.7	0.3	1.7	-2.3
2009 Q1	-4.7	-0.3	-16.3	-5.6	-5.1	-0.9	1.5	-6.2
Q2	-4.6	-0.3	-17.1	-4.1	-4.6	-1.2	1.7	-4.9
	contributions to quarter-on-quarter percentage changes of value added in percentage points							
2008 Q2	-0.3	0.0	-0.2	-0.1	-0.1	0.1	0.1	-
Q3	-0.4	0.0	-0.4	-0.1	-0.1	0.0	0.1	-
Q4	-1.8	0.0	-1.2	-0.1	-0.4	-0.2	0.1	-
2009 Q1	-2.4	0.0	-1.6	0.0	-0.6	-0.2	0.0	-
Q2	-0.2	0.0	-0.4	0.0	0.0	0.0	0.2	-
	contributions to annual percentage changes of value added in percentage points							
2005	1.7	-0.1	0.3	0.1	0.4	0.8	0.3	-
2006	3.0	0.0	0.7	0.2	0.6	1.2	0.3	-
2007	3.0	0.0	0.5	0.2	0.7	1.1	0.4	-
2008	0.9	0.0	-0.2	0.0	0.2	0.5	0.4	-
2008 Q2	1.7	0.0	0.3	0.0	0.3	0.7	0.3	-
Q3	0.7	0.1	-0.3	-0.1	0.1	0.4	0.4	-
Q4	-1.6	0.0	-1.6	-0.2	-0.4	0.1	0.4	-
2009 Q1	-4.7	0.0	-3.4	-0.4	-1.1	-0.3	0.3	-
Q2	-4.6	0.0	-3.5	-0.3	-0.9	-0.3	0.4	-

Sources: Eurostat and ECB calculations.
1) Data refer to Euro 16.
2) Annual data are not adjusted for the variations in the number of working days.

5.2 Output and demand

(annual percentage changes, unless otherwise indicated)

3. Industrial production [1]

	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 [2]	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
2006	4.0	104.3	4.2	4.6	4.7	4.9	6.0	2.9	4.4	2.7	0.6	3.1
2007	3.2	108.1	3.7	4.1	4.3	3.7	6.7	2.3	1.3	2.5	-0.9	1.1
2008	-2.4	106.2	-1.7	-1.9	-2.0	-3.4	-0.2	-2.0	-5.6	-1.4	0.3	-4.7
2008 Q3	-2.2	105.6	-1.5	-1.5	-1.7	-2.2	-0.6	-2.2	-7.2	-1.5	-0.2	-5.0
Q4	-9.0	99.0	-9.0	-9.3	-9.5	-13.4	-8.6	-4.7	-11.9	-3.6	-4.3	-8.4
2009 Q1	-16.9	91.6	-18.4	-20.1	-20.5	-25.2	-23.6	-7.5	-20.6	-5.4	-4.6	-10.2
Q2	-16.6	88.9	-18.6	-19.4	-20.0	-24.0	-24.1	-6.1	-21.4	-3.5	-9.5	-7.5
2009 Jan.	-15.2	93.5	-16.5	-18.8	-19.2	-23.9	-22.5	-6.3	-18.4	-4.3	0.0	-10.2
Feb.	-17.9	91.2	-19.2	-21.1	-21.6	-25.7	-25.3	-8.6	-22.3	-6.4	-3.6	-12.4
Mar.	-17.4	90.1	-19.2	-20.3	-20.8	-25.9	-23.1	-7.5	-20.9	-5.3	-10.2	-8.2
Apr.	-18.5	88.7	-21.2	-21.9	-22.6	-26.9	-27.2	-7.6	-21.2	-5.2	-12.6	-5.5
May	-15.9	89.3	-17.6	-18.6	-18.9	-23.1	-23.0	-5.4	-19.7	-2.9	-7.5	-8.3
June	-15.5	88.9	-16.9	-17.8	-18.4	-22.1	-22.2	-5.5	-23.2	-2.6	-8.1	-8.8
	month-on-month percentage changes (s.a.)											
2009 Jan.	-1.6	-	-2.7	-3.5	-3.6	-2.1	-7.4	-0.4	-2.4	-0.1	0.4	1.6
Feb.	-2.3	-	-2.5	-2.4	-2.4	-2.1	-3.2	-1.7	-3.6	-1.5	-2.1	-1.6
Mar.	-0.9	-	-1.2	-1.0	-0.9	-1.6	0.1	-0.3	-0.5	-0.2	-3.8	0.6
Apr.	-1.2	-	-1.5	-1.0	-1.5	-1.5	-2.9	-0.1	-0.6	0.0	-1.4	0.0
May	0.1	-	0.6	0.2	0.7	0.5	0.9	0.3	-1.7	0.6	1.9	-1.9
June	-0.6	-	-0.5	-0.4	-0.6	-0.4	-0.5	-0.3	-3.0	0.0	-0.2	-0.8

4. Industrial new orders and turnover, retail sales and new passenger car registrations [1]

	Industrial new orders		Industrial turnover		Retail sales (exluding automotive fuel)							New passenger car registrations	
	Manufacturing [3] (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) [4]	Total
										Textiles, clothing, footwear	Household equipment		
% of total [2]	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
2006	110.8	10.4	108.3	8.0	3.4	102.4	2.5	1.1	3.6	3.1	5.4	978	3.3
2007	120.2	8.7	115.0	6.5	2.8	104.1	1.6	0.1	2.7	3.5	2.4	970	-0.9
2008	113.5	-5.3	116.9	1.9	1.7	103.3	-0.8	-1.7	-0.3	-1.7	-2.0	893	-8.0
2008 Q3	114.6	-1.3	118.5	4.3	2.1	103.1	-1.1	-1.8	-0.6	-1.0	-3.0	892	-8.8
Q4	95.0	-22.4	107.3	-7.5	-0.3	102.4	-1.8	-2.2	-1.5	-3.1	-2.8	826	-18.5
2009 Q1	84.6	-31.7	95.0	-21.6	-2.6	101.8	-2.5	-3.6	-1.8	-0.4	-6.1	832	-12.6
Q2	84.3	-30.3	93.7	-23.2	-2.6	101.6	-1.7	-1.4	-1.9	-2.0	-5.3	934	4.0
2009 Jan.	85.1	-34.4	96.1	-24.0	-1.3	102.1	-1.8	-2.5	-1.4	1.4	-5.5	781	-20.6
Feb.	84.3	-34.3	94.9	-25.2	-3.9	101.6	-3.7	-4.4	-3.1	-4.7	-6.5	853	-12.7
Mar.	84.3	-26.3	94.1	-15.8	-2.7	101.7	-2.2	-3.9	-0.9	1.3	-6.3	862	-5.8
Apr.	83.9	-35.1	93.9	-25.9	-1.8	101.9	-1.2	-0.7	-1.8	0.0	-5.4	895	-3.7
May	83.4	-30.3	94.2	-23.3	-3.5	101.4	-2.4	-2.1	-2.6	-4.4	-5.9	943	5.7
June	85.7	-25.5	93.0	-20.6	-2.6	101.4	-1.5	-1.3	-1.3	-1.4	-4.6	965	10.0
	month-on-month percentage changes (s.a.)												
2009 Feb.	-	-0.9	-	-1.3	-0.6	-	-0.4	-0.3	-0.5	-2.6	-0.9	-	9.2
Mar.	-	0.1	-	-0.8	0.0	-	0.1	-0.2	0.3	1.3	-0.5	-	1.1
Apr.	-	-0.5	-	-0.3	0.1	-	0.2	1.1	-0.2	-0.7	0.1	-	3.9
May	-	-0.5	-	0.3	-0.6	-	-0.5	-0.6	-0.4	-0.6	-0.5	-	5.3
June	-	2.7	-	-1.3	0.0	-	0.0	-0.2	0.1	0.6	0.1	-	2.4

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

1) Data refer to Euro 16.
2) In 2005.
3) Includes manufacturing industries working mainly on the basis of orders, representing 61.2% of total manufacturing in 2005.
4) Annual and quarterly figures are averages of monthly figures in the period concerned.

5.2 Output and demand

(percentage balances, [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
2005	98.2	-7	-16	11	6	81.1	-14	-4	-15	28	-9
2006	106.9	2	0	6	13	83.1	-9	-3	-9	15	-9
2007	108.9	4	5	5	13	84.1	-5	-2	-4	5	-8
2008	91.1	-9	-15	11	-2	81.8	-18	-10	-25	23	-14
2008 Q2	97.7	-3	-6	9	7	83.3	-14	-10	-22	10	-14
Q3	89.9	-10	-15	12	-2	82.2	-19	-12	-28	23	-14
Q4	75.6	-25	-36	18	-22	78.1	-27	-11	-34	49	-14
2009 Q1	65.7	-36	-56	20	-31	72.5	-33	-11	-41	64	-14
Q2	70.2	-33	-62	18	-21	69.9	-28	-9	-34	59	-11
2009 Mar.	64.6	-38	-61	21	-32	-	-34	-11	-44	69	-13
Apr.	67.3	-35	-60	20	-25	70.3	-31	-10	-38	63	-11
May	70.2	-33	-61	18	-21	-	-28	-9	-33	58	-13
June	73.2	-32	-63	16	-16	-	-25	-7	-29	55	-9
July	76.0	-30	-61	14	-13	69.5	-23	-6	-23	53	-10
Aug.	80.6	-26	-56	13	-8	-	-22	-5	-21	53	-9

	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
2005	-7	-12	-2	-7	-12	13	4	11	5	10	18
2006	1	-4	6	1	3	14	13	18	13	18	24
2007	0	-8	7	1	4	15	12	19	16	19	23
2008	-14	-20	-7	-7	-6	16	1	2	-5	4	7
2008 Q2	-10	-17	-3	-3	-1	16	7	8	3	9	13
Q3	-14	-21	-7	-9	-9	17	-1	1	-7	3	6
Q4	-23	-31	-16	-15	-16	17	-13	-12	-20	-9	-6
2009 Q1	-31	-36	-26	-19	-21	15	-20	-24	-33	-21	-18
Q2	-34	-42	-25	-17	-23	9	-19	-22	-29	-23	-15
2009 Mar.	-32	-37	-26	-17	-20	9	-22	-25	-34	-23	-19
Apr.	-34	-41	-26	-20	-26	11	-22	-24	-32	-22	-19
May	-34	-44	-23	-14	-18	8	-17	-23	-29	-25	-14
June	-33	-42	-24	-17	-24	9	-17	-20	-26	-22	-11
July	-33	-41	-25	-13	-16	10	-14	-18	-24	-19	-9
Aug.	-32	-40	-23	-14	-20	10	-13	-11	-17	-10	-6

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

1) Difference between the percentages of respondents giving positive and negative replies.
2) The economic sentiment indicator is composed of the industrial, services, consumer, construction and retail trade confidence indicators; the industrial confidence indicator has a weight of 40%, the services confidence indicator a weight of 30%, the consumer confidence indicator a weight of 20% and the two other indicators a weight of 5% each. Values of the economic sentiment indicator above (below) 100 indicate above-average (below-average) economic sentiment, calculated for the period 1990 to 2008.
3) Data are collected in January, April, July and October each year. The quarterly figures shown are averages of two successive surveys. Annual data are derived from quarterly averages.
4) The confidence indicators are calculated as simple averages of the components shown; the assessments of stocks (columns 4 and 17) and unemployment (column 10) are used with inverted signs for the calculation of confidence indicators.

5.3 Labour markets [1)]

(annual percentage changes, unless otherwise indicated)

1. Employment

	Whole economy		By employment status		By economic activity					
	Millions (s.a.)		Employees	Self-employed	Agriculture, hunting, forestry and fishing	Mining, manufacturing and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business services	Public administration, education, health and other services
% of total [2)]	100.0	100.0	85.2	14.8	3.8	17.0	7.5	25.6	16.0	30.0
	1	2	3	4	5	6	7	8	9	10
2005	141.863	1.0	1.1	0.4	-0.7	-1.1	2.7	0.7	2.5	1.5
2006	144.185	1.6	1.8	0.7	-2.0	-0.3	2.7	1.7	3.9	1.8
2007	146.759	1.8	1.9	0.9	-1.4	0.3	4.0	1.9	4.0	1.3
2008	147.929	0.8	1.0	-0.2	-1.5	-0.2	-2.4	1.3	2.5	1.2
2008 Q1	148.118	1.5	1.6	0.8	-1.3	0.3	0.3	2.4	4.0	0.8
Q2	148.207	1.1	1.4	-0.1	-2.0	0.1	-1.6	1.6	3.0	1.4
Q3	147.960	0.6	0.9	-0.9	-1.8	-0.1	-2.9	0.9	2.2	1.1
Q4	147.430	0.0	0.1	-0.8	-1.0	-1.3	-5.3	0.3	0.9	1.4
2009 Q1	146.129	-1.3	-1.2	-2.2	-2.7	-3.0	-7.6	-1.4	-1.2	1.3
	quarter-on-quarter percentage changes (s.a.)									
2008 Q1	0.599	0.4	0.4	0.5	0.7	0.3	-0.4	0.7	1.2	0.0
Q2	0.090	0.1	0.1	-0.4	-1.4	-0.2	-1.2	0.1	0.2	0.6
Q3	-0.247	-0.2	-0.1	-0.4	-0.6	-0.4	-1.5	0.0	0.1	0.1
Q4	-0.531	-0.4	-0.3	-0.7	0.3	-1.0	-2.2	-0.4	-0.6	0.6
2009 Q1	-1.301	-0.9	-0.9	-1.0	-1.0	-1.4	-2.6	-1.0	-1.0	0.0

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		77.9		22.1		50.4		49.6	
	1	2	3	4	5	6	7	8	9	10
2005	13.714	9.0	10.674	7.9	3.041	17.5	6.913	8.1	6.801	10.0
2006	12.878	8.3	10.054	7.3	2.824	16.4	6.386	7.5	6.491	9.4
2007	11.660	7.5	9.114	6.6	2.546	14.9	5.730	6.7	5.930	8.5
2008	11.893	7.6	9.266	6.6	2.627	15.4	6.000	6.9	5.893	8.3
2008 Q2	11.601	7.4	9.044	6.4	2.558	15.0	5.785	6.7	5.816	8.2
Q3	11.956	7.6	9.307	6.6	2.649	15.6	6.072	7.0	5.884	8.3
Q4	12.658	8.0	9.842	7.0	2.816	16.6	6.549	7.6	6.108	8.6
2009 Q1	13.862	8.8	10.771	7.6	3.091	18.3	7.324	8.5	6.538	9.2
Q2	14.745	9.3	11.487	8.1	3.258	19.4	7.873	9.1	6.872	9.6
2009 Feb.	13.865	8.8	10.772	7.6	3.093	18.3	7.332	8.5	6.533	9.2
Mar.	14.255	9.0	11.076	7.8	3.178	18.8	7.572	8.7	6.683	9.4
Apr.	14.556	9.2	11.320	8.0	3.236	19.2	7.759	8.9	6.797	9.5
May	14.755	9.3	11.487	8.1	3.267	19.4	7.884	9.1	6.871	9.6
June	14.923	9.4	11.653	8.2	3.269	19.6	7.975	9.2	6.948	9.7
July	15.090	9.5	11.807	8.3	3.283	19.7	8.054	9.3	7.036	9.8

Source: Eurostat.

1) Data refer to Euro 16. Data for employment refer to persons and are based on the ESA 95. Data for unemployment refer to persons and follow ILO recommendations.
2) In 2008.
3) Adult: 25 years of age and over; youth: below 25 years of age; rates are expressed as a percentage of the labour force for the relevant age group.
4) Rates are expressed as a percentage of the labour force for the relevant gender.

GOVERNMENT FINANCE

6

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

1. Euro area – revenue

	Total	Current revenue										Capital revenue		Memo: fiscal burden [2)]
			Direct taxes	Households	Corporations	Indirect taxes	Received by EU institutions	Social contributions	Employers	Employees	Sales		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	45.5	12.2	9.4	2.7	13.5	0.5	15.6	8.2	4.7	2.1	0.2	0.3	41.6
2002	45.1	44.8	11.8	9.2	2.5	13.5	0.4	15.6	8.2	4.6	2.1	0.3	0.3	41.2
2003	45.0	44.4	11.4	9.0	2.3	13.5	0.4	15.7	8.3	4.6	2.1	0.6	0.5	41.1
2004	44.5	44.1	11.3	8.7	2.5	13.5	0.3	15.5	8.2	4.5	2.1	0.5	0.4	40.8
2005	44.8	44.3	11.5	8.8	2.7	13.7	0.3	15.4	8.1	4.5	2.2	0.5	0.3	40.9
2006	45.4	45.0	12.1	8.9	3.0	13.9	0.3	15.3	8.1	4.5	2.1	0.3	0.3	41.5
2007	45.5	45.2	12.4	9.1	3.1	13.8	0.3	15.1	8.0	4.4	2.1	0.3	0.3	41.7
2008	44.8	44.6	12.2	9.3	2.7	13.3	0.3	15.3	8.1	4.4	2.1	0.2	0.3	41.0

2. Euro area – expenditure

	Total	Current expenditure								Capital expenditure				Memo: primary expenditure [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	22.4	1.8	0.5	3.9	2.5	1.5	0.1	44.4
2005	47.3	43.4	10.4	5.0	3.0	25.0	22.3	1.7	0.5	3.9	2.5	1.4	0.0	44.3
2006	46.7	42.8	10.2	5.0	2.9	24.8	22.0	1.7	0.5	3.8	2.5	1.4	0.0	43.7
2007	46.1	42.3	10.0	5.0	3.0	24.4	21.6	1.6	0.4	3.9	2.5	1.3	0.0	43.1
2008	46.7	42.9	10.1	5.1	3.0	24.8	21.9	1.6	0.4	3.8	2.5	1.3	0.0	43.8

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

	Deficit (-)/surplus (+)					Primary deficit (-)/ surplus (+)	Government consumption [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	19.8	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	19.9	10.3	4.8	5.0	1.8	2.1	8.2	11.7
2002	-2.6	-2.1	-0.5	-0.2	0.2	0.9	20.2	10.4	4.9	5.1	1.8	2.1	8.3	12.0
2003	-3.1	-2.4	-0.5	-0.2	0.0	0.2	20.5	10.5	5.0	5.2	1.9	2.1	8.3	12.2
2004	-3.0	-2.5	-0.4	-0.3	0.2	0.2	20.4	10.4	5.0	5.1	1.9	2.1	8.3	12.1
2005	-2.5	-2.2	-0.3	-0.2	0.2	0.4	20.4	10.4	5.0	5.1	1.9	2.2	8.2	12.3
2006	-1.3	-1.4	-0.1	-0.2	0.4	1.6	20.3	10.2	5.0	5.2	1.9	2.1	8.0	12.2
2007	-0.7	-1.2	0.0	0.0	0.5	2.3	20.0	10.0	5.0	5.2	1.9	2.1	7.9	12.1
2008	-1.9	-2.0	-0.2	-0.1	0.4	1.1	20.4	10.1	5.1	5.2	1.9	2.1	8.1	12.3

4. Euro area countries – deficit (-)/surplus (+) [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	-5.1	1.0	-2.9	-4.3	-2.4	0.0	-2.9	-0.3	-1.6	-6.1	-1.4	-2.8	2.8
2006	0.3	-1.5	3.0	-2.8	2.0	-2.3	-3.3	-1.2	1.4	-2.6	0.6	-1.6	-3.9	-1.3	-3.5	4.0
2007	-0.2	-0.2	0.2	-3.6	2.2	-2.7	-1.5	3.4	3.6	-2.2	0.3	-0.5	-2.6	0.5	-1.9	5.2
2008	-1.2	-0.1	-7.1	-5.0	-3.8	-3.4	-2.7	0.9	2.6	-4.7	1.0	-0.4	-2.6	-0.9	-2.2	4.2

Sources: ECB for euro area aggregated data; European Commission for data relating to countries' deficit/surplus.
1) The data refer to the Euro 16. Revenue, expenditure and deficit/surplus are based on the ESA 95. Transactions involving the EU budget are included and consolidated. Transactions among Member States' governments are not consolidated.
2) The fiscal burden comprises taxes and social contributions.
3) Comprises total expenditure minus interest expenditure.
4) Corresponds to final consumption expenditure (P.3) of general government in the ESA 95.
5) Includes proceeds from the sale of UMTS licences and settlements under swaps and forward rate agreements.

6.2 Debt [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	71.9	2.9	14.4	4.3	50.4	48.7	25.4	13.7	9.7	23.2
2000	69.2	2.7	13.2	3.7	49.6	44.1	22.1	12.4	9.7	25.1
2001	68.2	2.8	12.4	4.0	49.0	42.0	20.6	11.1	10.3	26.2
2002	67.9	2.7	11.8	4.6	48.9	40.1	19.4	10.6	10.0	27.9
2003	69.1	2.1	12.4	5.0	49.6	39.4	19.6	11.1	8.7	29.7
2004	69.4	2.2	11.9	5.0	50.4	37.6	18.5	10.8	8.3	31.8
2005	70.0	2.4	11.8	4.7	51.1	35.5	17.2	11.2	7.1	34.5
2006	68.2	2.4	11.4	4.1	50.3	33.8	17.3	9.4	7.1	34.4
2007	66.0	2.2	10.8	4.2	48.8	32.1	16.6	8.6	6.9	33.9
2008	69.3	2.3	10.8	6.7	49.5	32.2	16.9	8.1	7.1	37.1

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

	Total	Issued by [4]				Original maturity			Residual maturity			Currencies	
		Central gov.	State gov.	Local gov.	Social security funds	Up to 1 year	Over 1 year		Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Euro or participating currencies [5]	Other currencies
								Variable interest rate					
	1	2	3	4	5	6	7	8	9	10	11	12	13
1999	71.9	60.4	6.0	5.1	0.4	7.3	64.6	7.0	13.5	27.8	30.6	69.9	2.0
2000	69.2	58.1	5.8	4.9	0.4	6.5	62.7	6.3	13.4	27.8	28.0	67.4	1.8
2001	68.2	57.0	6.0	4.7	0.4	7.0	61.2	5.3	13.7	26.6	27.9	66.6	1.5
2002	67.9	56.6	6.2	4.7	0.4	7.6	60.3	5.2	15.5	25.3	27.2	66.7	1.3
2003	69.1	56.9	6.5	5.0	0.6	7.8	61.2	5.0	14.9	26.0	28.2	68.1	0.9
2004	69.4	57.3	6.6	5.1	0.4	7.8	61.6	4.7	14.8	26.2	28.5	68.6	0.9
2005	70.0	57.6	6.7	5.2	0.5	7.9	62.1	4.6	14.8	25.5	29.6	69.0	1.0
2006	68.2	55.8	6.5	5.4	0.5	7.4	60.8	4.3	14.4	24.0	29.8	67.6	0.6
2007	66.0	54.0	6.2	5.2	0.5	7.4	58.5	4.3	14.1	22.5	29.3	65.6	0.4
2008	69.3	57.2	6.6	5.2	0.4	10.2	59.2	4.5	17.5	22.1	29.7	68.8	0.5

3. Euro area countries

	BE	DE	IE	GR	ES	FR	IT	CY	LU	MT	NL	AT	PT	SI	SK	FI
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
2005	92.2	67.8	27.5	98.8	43.0	66.4	105.8	69.1	6.1	69.8	51.8	63.7	63.6	27.0	34.2	41.4
2006	87.9	67.6	24.9	95.9	39.6	63.7	106.5	64.6	6.7	63.7	47.4	62.0	64.7	26.7	30.4	39.2
2007	84.0	65.1	25.0	94.8	36.2	63.8	103.5	59.4	6.9	62.1	45.6	59.4	63.5	23.4	29.4	35.1
2008	89.6	65.9	43.2	97.6	39.5	68.0	105.8	49.1	14.7	64.1	58.2	62.5	66.4	22.8	27.6	33.4

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

1) The data refer to the Euro 16. Gross general government debt at nominal value and consolidated between sub-sectors of government. Holdings by non-resident governments are not consolidated. Data are partially estimated.
2) Holders resident in the country whose government has issued the debt.
3) Includes residents of euro area countries other than the country whose government has issued the debt.
4) Excludes debt held by general government in the country whose government has issued it.
5) Before 1999, this comprises debt in ECU, in domestic currency and in the currencies of other Member States which have adopted the euro.

6.3 Change in debt [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]			Other creditors [6]
										MFIs	Other financial corporations	
	1	2	3	4	5	6	7	8	9	10	11	12
2000	1.1	1.1	0.0	-0.1	0.0	-0.5	-0.3	1.9	-2.1	-2.0	-0.6	3.1
2001	1.9	1.9	-0.1	0.1	0.2	-0.3	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	-0.5	-0.5	-0.1	2.6
2003	3.1	3.3	-0.2	0.0	-0.6	0.9	0.6	2.1	0.5	0.7	0.8	2.6
2004	3.1	3.2	-0.1	0.0	0.2	0.1	0.1	2.7	-0.2	-0.3	0.1	3.3
2005	3.0	3.0	0.0	0.0	0.3	0.3	-0.1	2.6	-0.8	-0.6	0.8	3.8
2006	1.5	1.4	0.1	0.0	0.2	0.2	-0.4	1.5	0.0	0.9	-1.2	1.5
2007	1.1	1.1	0.0	0.0	-0.1	-0.1	0.3	1.0	-0.1	0.2	-0.4	1.2
2008	5.3	5.2	0.1	0.0	0.1	0.4	2.6	2.2	1.1	0.8	-0.2	4.2

2. Euro area – deficit-debt adjustment

	Change in debt	Deficit (-) / surplus (+) [7]	Deficit-debt adjustment [8]											
			Total	Transactions in main financial assets held by general government							Valuation effects		Other changes in volume	Other [9]
				Total	Currency and deposits	Loans	Securities [10]	Shares and other equity				Exchange rate effects		
									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	-0.4	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	3.0	-2.5	0.5	0.6	0.3	0.1	0.1	0.1	-0.3	0.2	0.0	0.0	0.0	-0.1
2006	1.5	-1.3	0.2	0.3	0.3	-0.1	0.3	-0.2	-0.4	0.1	0.1	0.0	0.0	-0.1
2007	1.1	-0.7	0.4	0.5	0.2	0.0	0.3	0.0	-0.3	0.1	0.0	0.0	0.0	-0.1
2008	5.3	-1.9	3.4	3.1	0.8	0.9	0.7	0.8	-0.1	0.7	0.1	0.0	0.0	0.1

Source: ECB.
1) The data refer to the Euro 16 and are partially estimated. Annual change in gross nominal consolidated debt is expressed as a percentage of GDP, i.e. [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: 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 Q1	42.0	41.5	9.8	12.9	15.5	1.7	0.7	0.5	0.2	38.5
Q2	45.8	44.4	11.9	12.8	15.7	2.0	1.4	1.4	1.2	41.5
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	13.2	14.1	16.2	2.9	0.8	1.0	0.3	43.8
2004 Q1	41.4	40.9	9.6	12.9	15.3	1.7	0.6	0.4	0.3	38.0
Q2	44.8	44.0	12.0	12.9	15.3	2.0	1.1	0.8	0.6	40.8
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	13.0	14.2	16.2	2.9	0.7	1.0	0.4	43.8
2005 Q1	41.9	41.4	9.9	13.0	15.2	1.7	0.6	0.5	0.3	38.4
Q2	44.4	43.8	11.7	13.2	15.1	2.0	1.1	0.6	0.3	40.2
Q3	43.4	42.7	11.0	13.0	15.2	1.9	0.7	0.7	0.3	39.5
Q4	49.1	48.3	13.4	14.2	16.1	2.9	0.8	0.8	0.3	43.9
2006 Q1	42.4	41.9	10.2	13.4	15.1	1.6	0.8	0.4	0.3	38.9
Q2	45.5	45.0	12.3	13.5	15.1	1.9	1.3	0.5	0.3	41.2
Q3	43.8	43.2	11.5	13.0	15.2	2.0	0.8	0.5	0.3	39.9
Q4	49.4	48.8	14.0	14.3	15.9	2.9	0.9	0.6	0.3	44.5
2007 Q1	42.1	41.8	10.3	13.5	14.8	1.7	0.8	0.4	0.3	38.8
Q2	45.7	45.3	12.8	13.4	15.0	1.8	1.5	0.4	0.3	41.5
Q3	43.7	43.2	12.1	12.8	14.9	1.9	0.8	0.5	0.3	40.1
Q4	49.8	49.2	14.5	14.2	15.8	3.0	0.9	0.5	0.3	44.7
2008 Q1	41.9	41.6	10.6	12.9	14.8	1.7	0.9	0.3	0.2	38.5
Q2	44.9	44.6	12.8	12.8	15.0	1.8	1.5	0.4	0.3	40.7
Q3	43.1	42.8	11.8	12.5	15.1	1.9	0.8	0.3	0.3	39.5
Q4	48.8	48.4	13.6	13.6	16.2	3.0	1.1	0.5	0.3	43.7
2009 Q1	42.3	42.1	10.6	12.5	15.4	1.8	1.0	0.2	0.2	38.8

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				Investment	Capital transfers		
							Social benefits	Subsidies					
	1	2	3	4	5	6	7	8	9	10	11	12	13
2003 Q1	46.8	43.3	10.3	4.6	3.5	24.9	21.3	1.3	3.5	1.9	1.6	-4.9	-1.3
Q2	47.1	43.6	10.4	4.7	3.4	25.1	21.6	1.3	3.5	2.3	1.2	-1.3	2.1
Q3	47.1	43.4	10.2	4.8	3.3	25.1	21.6	1.3	3.7	2.5	1.2	-4.4	-1.1
Q4	51.1	46.3	11.1	5.6	3.1	26.6	23.0	1.5	4.8	3.3	1.6	-1.9	1.2
2004 Q1	46.3	43.0	10.3	4.7	3.2	24.8	21.3	1.2	3.4	1.9	1.5	-5.0	-1.8
Q2	46.6	43.2	10.4	4.7	3.3	24.8	21.5	1.3	3.4	2.3	1.1	-1.8	1.5
Q3	46.1	42.7	9.9	4.8	3.1	24.8	21.4	1.3	3.4	2.4	1.0	-3.3	-0.2
Q4	50.9	45.7	11.0	5.7	2.9	26.1	22.6	1.4	5.2	3.1	2.1	-1.9	1.0
2005 Q1	46.8	43.0	10.2	4.6	3.1	25.1	21.3	1.2	3.7	1.9	1.8	-4.9	-1.8
Q2	46.1	42.7	10.2	4.8	3.2	24.5	21.4	1.1	3.4	2.3	1.1	-1.7	1.5
Q3	45.8	42.3	9.9	4.9	3.0	24.6	21.2	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	-1.4	1.3
2006 Q1	45.2	42.1	10.0	4.6	2.9	24.5	21.0	1.2	3.1	1.9	1.2	-2.8	0.1
Q2	45.4	42.2	10.2	4.8	3.1	24.1	21.1	1.1	3.2	2.3	1.0	0.1	3.1
Q3	45.3	41.9	9.8	4.8	2.9	24.4	21.1	1.2	3.4	2.5	1.0	-1.6	1.4
Q4	50.3	45.0	10.7	5.7	2.7	25.9	22.3	1.4	5.3	3.2	2.2	-0.9	1.8
2007 Q1	44.2	41.1	9.8	4.6	2.9	23.7	20.3	1.2	3.2	2.0	1.2	-2.1	0.8
Q2	44.5	41.4	9.9	4.7	3.2	23.6	20.6	1.1	3.2	2.3	0.9	1.2	4.3
Q3	45.0	41.2	9.5	4.8	3.0	23.9	20.7	1.2	3.7	2.5	1.2	-1.3	1.7
Q4	50.3	45.1	10.6	5.7	2.8	26.0	22.3	1.5	5.1	3.3	1.8	-0.5	2.3
2008 Q1	44.5	41.3	9.7	4.6	2.9	24.1	20.4	1.2	3.2	2.0	1.2	-2.5	0.4
Q2	45.0	41.7	10.0	4.8	3.1	23.7	20.6	1.1	3.3	2.3	1.0	-0.1	3.1
Q3	45.3	41.8	9.6	4.9	3.0	24.3	21.1	1.2	3.5	2.5	1.0	-2.2	0.8
Q4	51.7	46.5	11.0	5.9	2.8	26.9	22.9	1.4	5.1	3.3	1.8	-2.8	0.0
2009 Q1	47.9	44.5	10.5	5.0	3.0	26.0	22.2	1.3	3.4	2.1	1.2	-5.6	-2.6

Source: ECB calculations based on Eurostat and national data.

1) The data refer to the Euro 16. Revenue, expenditure and deficit/surplus are based on the ESA 95. Transactions between the EU budget and entities outside the government sector are not included. Otherwise, and except for different data transmission deadlines, the quarterly data are consistent with the annual data. The data are not seasonally adjusted.

2) The fiscal burden comprises taxes and social contributions.

6.5 Quarterly debt and change in debt [1]
(as a percentage of GDP)

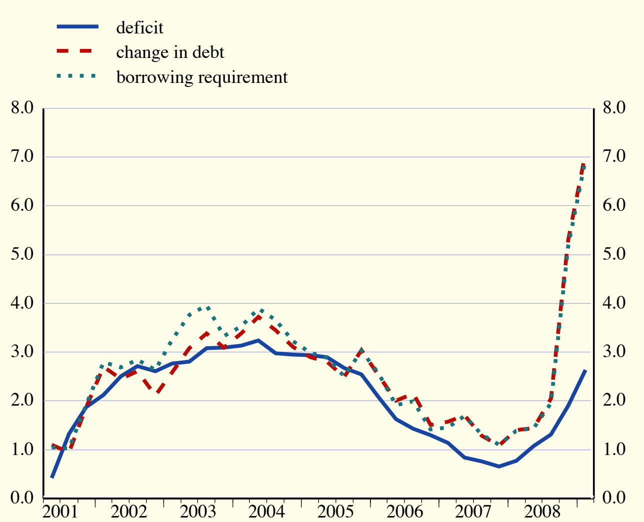
1. Euro area − Maastricht debt by financial instrument [2]

	Total	Financial instruments			
		Currency and deposits	Loans	Short-term securities	Long-term securities
	1	2	3	4	5
2006 Q2	70.4	2.5	11.6	4.9	51.4
Q3	69.8	2.5	11.6	4.7	51.0
Q4	68.2	2.4	11.4	4.1	50.3
2007 Q1	68.5	2.4	11.4	4.8	49.9
Q2	68.6	2.2	11.1	5.1	50.2
Q3	67.7	2.1	11.0	5.1	49.4
Q4	66.0	2.2	10.8	4.2	48.8
2008 Q1	66.8	2.1	11.0	5.0	48.8
Q2	67.1	2.1	11.0	4.9	49.0
Q3	67.1	2.1	10.8	5.5	48.6
Q4	69.3	2.3	10.8	6.7	49.5
2009 Q1	73.1	2.3	10.9	7.9	52.0

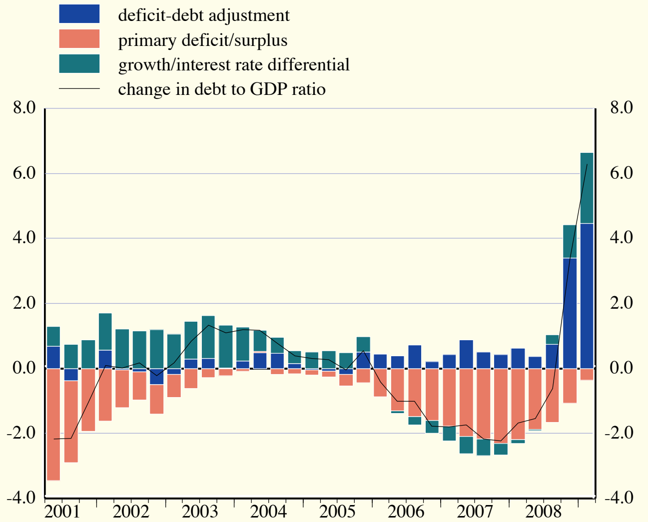
2. Euro area − deficit-debt adjustment

	Change in debt	Deficit (-)/ surplus (+)	Deficit-debt adjustment								Memo: 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 Q2	3.2	0.1	3.3	3.3	2.6	0.1	0.4	0.1	0.6	-0.6	2.6
Q3	1.2	-1.6	-0.4	-0.9	-0.7	-0.2	0.2	-0.2	0.3	0.3	0.9
Q4	-2.9	-0.9	-3.9	-2.4	-1.5	-0.5	-0.2	-0.2	-0.2	-1.3	-2.8
2007 Q1	4.9	-2.1	2.8	1.9	1.0	0.0	0.7	0.2	-0.2	1.1	5.1
Q2	3.7	1.2	4.9	4.9	4.0	0.0	0.6	0.3	0.2	-0.2	3.5
Q3	-0.5	-1.3	-1.7	-1.7	-2.1	0.1	0.4	-0.1	0.1	-0.1	-0.6
Q4	-3.5	-0.5	-4.0	-2.9	-2.0	-0.1	-0.6	-0.3	-0.1	-0.9	-3.4
2008 Q1	6.0	-2.5	3.5	3.2	2.0	-0.1	0.9	0.4	-0.1	0.4	6.2
Q2	3.7	-0.1	3.6	3.6	2.0	0.2	1.1	0.2	0.1	0.0	3.6
Q3	2.0	-2.2	-0.2	-1.0	-1.6	-0.1	0.1	0.7	0.5	0.3	1.5
Q4	9.3	-2.8	6.5	6.7	0.7	3.4	0.8	1.8	0.0	-0.2	9.3
2009 Q1	13.5	-5.6	8.0	6.9	4.9	1.5	-0.2	0.7	-0.1	1.1	13.6

C29 Deficit, borrowing requirement and change in debt
(four-quarter moving sum as a percentage of GDP)



C30 Maastricht debt
(annual change in the debt to GDP ratio and underlying factors)



Source: ECB calculations based on Eurostat and national data.
1) The data refer to the Euro 16.
2) The stock data in quarter t are expressed as a percentage of the sum of GDP in t and the previous three quarters.

7 EXTERNAL TRANSACTIONS AND POSITIONS

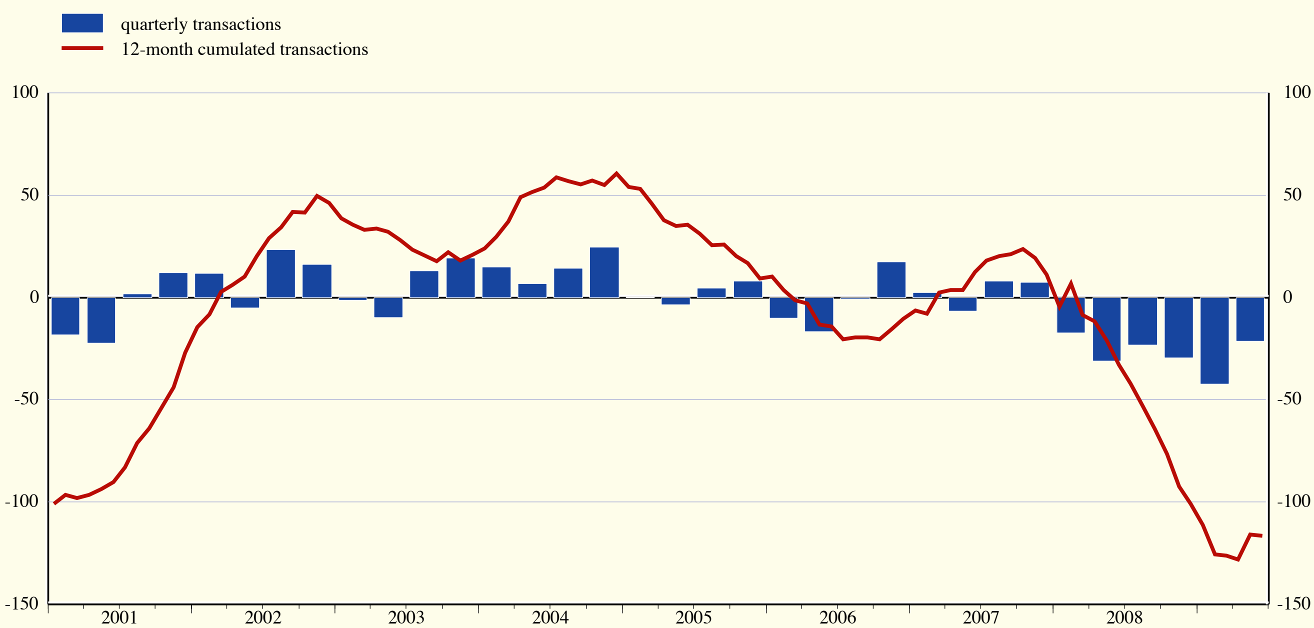
7.1 Summary balance of payments [1]

(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
2006	-10.5	12.3	43.3	13.6	-79.7	9.2	-1.2	141.4	-157.6	293.7	3.3	2.9	-0.9	-140.2
2007	11.1	46.4	49.2	1.4	-85.9	13.7	24.8	41.2	-92.5	159.7	-67.0	46.0	-5.1	-66.0
2008	-101.0	-6.0	42.8	-41.3	-96.4	12.0	-89.0	303.3	-242.3	441.5	-56.7	164.6	-3.9	-214.3
2008 Q2	-31.1	6.1	13.1	-32.0	-18.3	3.1	-28.0	79.7	-53.4	27.3	-8.9	114.8	0.0	-51.7
Q3	-23.1	-9.0	13.4	-3.0	-24.6	1.9	-21.2	61.7	-35.9	121.5	-8.4	-17.2	1.6	-40.4
Q4	-29.5	-0.6	6.2	-9.8	-25.3	1.0	-28.5	126.3	-77.7	204.2	-16.7	17.0	-0.4	-97.9
2009 Q1	-42.4	-10.3	0.8	-2.6	-30.2	1.5	-40.8	147.9	-38.5	179.4	14.3	-13.0	5.7	-107.0
Q2	-21.5	10.8	8.8	-23.6	-17.5	2.5	-19.0	16.7	-8.2	94.3	27.3	-94.2	-2.5	2.3
2008 June	0.4	2.6	6.1	-3.6	-4.7	0.6	0.9	14.9	-25.1	43.8	4.8	-9.0	0.5	-15.9
July	-4.1	0.4	4.3	-0.6	-8.2	0.9	-3.2	48.5	-1.6	29.1	-0.1	23.4	-2.3	-45.3
Aug.	-11.5	-7.1	5.0	-1.1	-8.2	0.5	-10.9	0.4	-11.8	19.3	-8.3	-1.1	2.3	10.6
Sep.	-7.5	-2.3	4.1	-1.2	-8.2	0.5	-7.1	12.8	-22.5	73.1	0.1	-39.5	1.6	-5.7
Oct.	-8.1	3.9	1.5	-2.7	-10.9	-0.1	-8.2	75.0	-12.0	142.6	-3.2	-44.5	-7.9	-66.7
Nov.	-16.0	-4.0	1.4	-4.2	-9.2	1.3	-14.6	15.1	-51.9	53.7	-9.5	23.2	-0.4	-0.5
Dec.	-5.3	-0.5	3.3	-2.9	-5.2	-0.3	-5.6	36.3	-13.9	7.9	-4.0	38.3	7.9	-30.7
2009 Jan.	-28.4	-13.9	0.2	-3.5	-11.2	0.2	-28.3	45.4	-9.4	2.3	7.2	39.9	5.3	-17.2
Feb.	-7.0	0.3	0.5	-1.7	-6.2	0.5	-6.5	34.5	-8.5	81.4	2.9	-42.5	1.2	-28.0
Mar.	-7.0	3.3	0.0	2.6	-12.9	0.9	-6.1	68.0	-20.6	95.7	4.2	-10.4	-0.8	-61.9
Apr.	-9.4	3.9	2.3	-7.2	-8.4	2.0	-7.4	-2.5	-4.5	-9.0	7.7	3.1	0.1	9.9
May	-11.9	2.2	3.6	-11.4	-6.2	0.2	-11.6	26.6	4.8	58.0	10.4	-44.4	-2.3	-15.0
June	-0.3	4.7	2.8	-5.0	-2.9	0.3	0.0	-7.4	-8.5	45.2	9.2	-53.0	-0.3	7.4
	12-month cumulated transactions													
2009 June	-116.5	-9.1	29.2	-39.0	-97.6	6.9	-109.6	352.6	-160.4	599.4	16.6	-107.5	4.5	-243.0

C31 B.o.p. current account balance

(EUR billions)



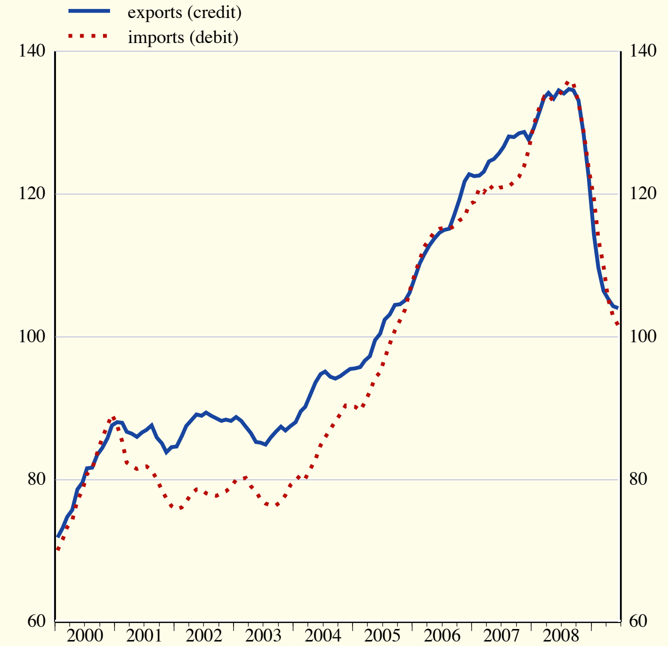
Source: ECB.
1) The sign convention is explained in the general notes.

7.2 Current and capital accounts
(EUR billions; transactions)

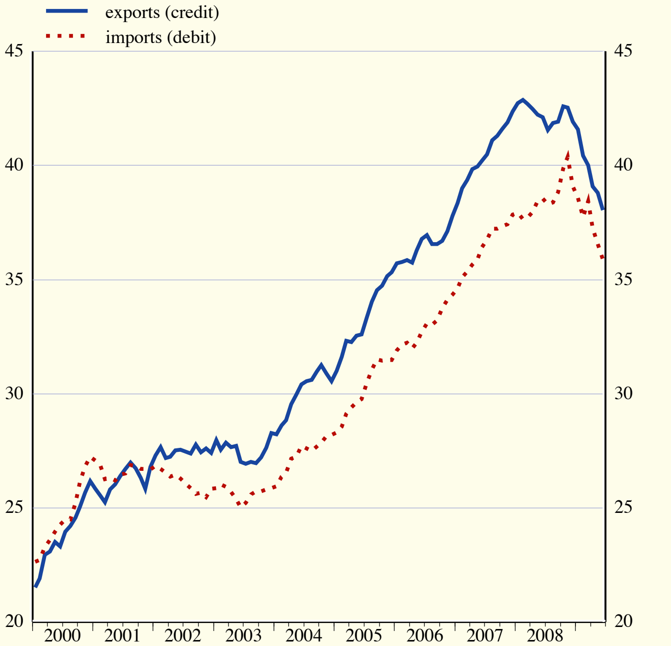
1. Summary current and capital accounts

	Current account													Capital account	
	Total			Goods		Services		Income		Current transfers					
	Credit	Debit	Net	Credit	Debit	Credit	Debit	Credit	Debit	Credit		Debit		Credit	Debit
											Workers remit-tances		Workers remit-tances		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2006	2,423.8	2,434.3	-10.5	1,396.8	1,384.5	440.8	397.5	496.4	482.8	89.8	5.4	169.5	17.4	23.9	14.7
2007	2,686.1	2,675.0	11.1	1,513.7	1,467.3	490.3	441.1	592.3	591.0	89.8	6.4	175.7	20.5	25.9	12.2
2008	2,761.1	2,862.0	-101.0	1,579.5	1,585.5	506.5	463.8	586.0	627.3	89.0	6.7	185.5	21.3	25.7	13.7
2008 Q2	709.2	740.4	-31.1	407.8	401.7	126.1	113.0	153.4	185.3	22.0	1.5	40.3	5.3	7.3	4.1
Q3	696.6	719.8	-23.1	403.1	412.1	136.2	122.8	143.8	146.7	13.5	1.8	38.1	5.4	4.8	2.9
Q4	674.8	704.2	-29.5	378.4	379.0	127.3	121.0	141.7	151.5	27.4	1.8	52.7	5.5	4.7	3.8
2009 Q1	560.0	602.4	-42.4	308.3	318.6	108.9	108.1	117.7	120.3	25.1	1.4	55.4	4.9	4.2	2.6
Q2	562.9	584.4	-21.5	311.0	300.2	113.0	104.3	121.3	144.9	17.5	-	35.0	-	4.8	2.3
2009 Apr.	185.8	195.2	-9.4	104.1	100.2	36.7	34.3	39.6	46.8	5.4	.	13.8	.	2.7	0.7
May	184.3	196.2	-11.9	99.2	97.1	37.3	33.7	42.0	53.4	5.8	.	12.0	.	0.9	0.7
June	192.8	193.1	-0.3	107.7	102.9	39.1	36.3	39.7	44.7	6.3	.	9.2	.	1.1	0.9
	Seasonally adjusted														
2008 Q2	702.1	718.9	-16.8	403.4	401.6	126.4	115.7	148.4	154.5	23.9	.	47.1	.	.	.
Q3	696.4	719.9	-23.5	403.5	406.4	125.8	116.5	147.8	154.9	19.3	.	42.1	.	.	.
Q4	653.8	697.1	-43.2	366.6	370.4	125.8	117.3	139.0	160.3	22.5	.	49.0	.	.	.
2009 Q1	581.4	625.7	-44.3	319.3	329.7	120.0	115.3	121.6	133.0	20.5	.	47.7	.	.	.
Q2	562.9	574.4	-11.5	312.2	304.6	114.1	107.7	117.6	121.4	19.0	.	40.7	.	.	.
2009 Jan.	197.1	218.8	-21.7	107.3	115.4	41.5	39.2	42.3	47.9	6.0	.	16.2	.	.	.
Feb.	194.2	206.9	-12.7	106.9	108.0	39.4	37.8	40.0	45.9	7.9	.	15.1	.	.	.
Mar.	190.1	200.1	-10.0	105.2	106.3	39.2	38.3	39.3	39.1	6.6	.	16.4	.	.	.
Apr.	187.6	193.7	-6.1	104.1	101.7	38.7	35.7	38.6	41.5	6.2	.	14.8	.	.	.
May	190.1	190.2	-0.1	103.5	100.6	38.6	35.6	41.7	39.7	6.4	.	14.3	.	.	.
June	185.2	190.5	-5.3	104.6	102.4	36.9	36.4	37.3	40.1	6.4	.	11.6	.	.	.

C32 B.o.p. goods
(EUR billions, seasonally adjusted; three-month moving average)



C33 B.o.p. services
(EUR billions, seasonally adjusted; three-month moving average)



Source: ECB.

7.2 Current and capital accounts
(EUR billions)

2. Income account
(transactions)

	Compensation of employees		Investment income													
	Credit	Debit	Total		Direct investment						Portfolio investment				Other investment	
			Credit	Debit	Equity				Debt		Equity		Debt		Credit	Debit
					Credit		Debit		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	478.9	472.9	182.7	41.4	111.5	36.6	20.6	20.2	39.2	99.1	103.6	91.5	132.9	150.6
2007	18.7	10.2	573.6	580.7	207.0	75.0	130.5	38.6	26.1	24.4	45.5	116.1	117.5	113.2	177.5	196.5
2008	19.1	10.4	566.9	616.8	189.4	61.9	134.5	47.4	29.8	25.5	42.7	124.4	123.7	128.1	181.3	204.3
2008 Q1	4.9	2.0	142.2	141.7	50.1	22.2	31.7	15.9	6.8	6.2	9.7	21.0	30.3	31.4	45.3	51.4
Q2	4.7	2.6	148.7	182.7	52.0	13.3	34.7	4.6	7.5	6.9	14.4	58.5	30.4	31.4	44.4	51.2
Q3	4.6	3.1	139.2	143.6	45.8	18.1	31.9	15.5	7.1	6.1	10.2	23.8	32.0	31.1	44.0	50.7
Q4	4.9	2.7	136.8	148.8	41.5	8.3	36.3	11.4	8.4	6.3	8.4	21.0	31.0	34.1	47.5	51.0
2009 Q1	4.6	2.1	113.1	118.3	38.9	12.9	28.5	17.1	5.2	5.4	7.3	13.5	25.8	33.1	35.8	37.7

3. Geographical breakdown
(cumulated transactions)

2008 Q2 to 2009 Q1	Total	European Union 27 (outside the euro area)						Brazil	Canada	China	India	Japan	Russia	Switzer-land	United States	Other
		Total	Den-mark	Sweden	United Kingdom	Other EU countries	EU insti-tutions									
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
	Credits															
Current account	2,640.6	949.6	57.8	80.4	487.6	267.2	56.5	39.1	34.2	83.1	29.8	54.9	96.1	183.3	383.7	786.8
Goods	1,497.5	509.5	34.7	50.4	217.4	206.9	0.0	21.8	18.0	64.0	22.4	32.3	73.0	90.9	183.2	482.5
Services	498.5	166.8	12.5	13.1	107.1	28.6	5.6	7.5	6.7	14.7	5.6	11.1	13.5	49.3	77.7	145.5
Income	556.6	210.6	9.8	15.4	150.1	28.5	6.7	9.6	8.8	4.0	1.7	11.2	9.2	36.3	115.9	149.3
Investment income	537.8	204.1	9.7	15.2	148.5	27.8	2.9	9.5	8.7	4.0	1.7	11.2	9.1	29.3	114.1	146.0
Current transfers	88.1	62.7	0.8	1.6	12.9	3.2	44.2	0.2	0.7	0.3	0.1	0.4	0.4	6.8	6.9	9.5
Capital account	21.0	17.7	0.1	0.0	1.2	0.2	16.2	0.0	0.0	0.0	0.0	0.0	0.1	0.5	1.4	1.1
	Debits															
Current account	2,766.8	870.3	46.6	80.3	419.8	221.2	102.4	-	31.2	-	-	96.7	-	178.2	388.9	-
Goods	1,511.3	412.0	29.7	47.1	164.1	171.1	0.0	26.6	14.0	177.7	20.7	52.7	101.1	79.1	141.9	485.4
Services	465.0	140.6	8.3	11.3	87.7	33.1	0.2	5.6	6.8	11.3	4.6	8.3	9.0	39.6	97.0	142.4
Income	603.9	204.7	7.6	20.7	155.7	12.1	8.6	-	8.6	-	-	35.2	-	53.5	142.0	-
Investment income	593.4	198.6	7.5	20.6	154.2	7.7	8.6	-	8.6	-	-	35.1	-	53.0	141.0	-
Current transfers	186.5	112.9	1.0	1.2	12.4	4.8	93.6	1.5	1.8	2.5	0.7	0.6	0.5	6.0	8.0	52.0
Capital account	13.4	2.5	0.0	0.1	1.2	0.2	1.0	0.2	1.1	0.1	0.2	0.1	0.1	0.6	1.4	7.3
	Net															
Current account	-126.1	79.3	11.3	0.1	67.7	46.1	-45.9	-	3.0	-	-	-41.8	-	5.1	-5.1	-
Goods	-13.8	97.4	5.0	3.3	53.4	35.8	0.0	-4.8	3.9	-113.7	1.7	-20.4	-28.1	11.8	41.3	-2.9
Services	33.5	26.2	4.2	1.8	19.4	-4.5	5.3	1.9	0.0	3.4	1.0	2.8	4.5	9.8	-19.3	3.1
Income	-47.4	5.9	2.3	-5.3	-5.6	16.4	-1.9	-	0.2	-	-	-24.0	-	-17.2	-26.1	-
Investment income	-55.7	5.5	2.2	-5.4	-5.7	20.1	-5.7	-	0.2	-	-	-23.9	-	-23.7	-26.9	-
Current transfers	-98.4	-50.2	-0.2	0.4	0.6	-1.6	-49.4	-1.2	-1.1	-2.2	-0.6	-0.2	-0.1	0.7	-1.1	-42.5
Capital account	7.5	15.2	0.1	-0.1	0.0	0.0	15.2	-0.1	-1.0	-0.1	-0.2	-0.1	0.0	-0.1	0.0	-6.2

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)														
2004	8,602.5	9,518.4	-915.9	109.5	121.2	-11.7	2,268.7	2,235.4	3,045.0	4,080.2	-37.4	3,045.2	3,202.9	281.0
2005	10,785.2	11,605.3	-820.2	132.4	142.4	-10.1	2,790.8	2,444.3	3,887.5	5,109.1	-21.4	3,805.8	4,052.0	322.5
2006	12,258.8	13,306.1	-1,047.3	143.3	155.5	-12.2	3,131.7	2,728.7	4,371.5	5,866.5	-20.8	4,448.7	4,711.0	327.7
2007	13,750.6	14,915.4	-1,164.9	152.8	165.7	-12.9	3,526.1	3,091.6	4,653.8	6,340.0	-10.2	5,233.5	5,483.9	347.4
2008 Q4	13,069.7	14,873.5	-1,803.9	140.9	160.3	-19.4	3,742.5	3,223.1	3,723.6	5,985.8	1.2	5,228.2	5,664.6	374.2
2009 Q1	12,776.8	14,762.3	-1,985.5	138.8	160.4	-21.6	3,771.7	3,229.1	3,609.5	6,029.9	-44.8	5,044.7	5,503.3	395.7
Changes to outstanding amounts														
2004	740.8	888.6	-147.8	9.4	11.3	-1.9	99.2	151.2	389.4	494.0	-17.3	295.4	243.4	-25.7
2005	2,182.7	2,086.9	95.7	26.8	25.6	1.2	522.1	209.0	842.5	1,028.9	16.0	760.6	849.1	41.5
2006	1,473.6	1,700.8	-227.1	17.2	19.9	-2.7	340.9	284.3	484.0	757.4	0.6	642.9	659.0	5.2
2007	1,491.8	1,609.3	-117.5	16.6	17.9	-1.3	394.4	362.9	282.3	473.5	10.6	784.7	772.9	19.7
2008 Q4	-859.4	-311.8	-547.6	-36.3	-13.2	-23.1	-34.9	24.4	-557.5	-43.2	-22.0	-248.3	-292.9	3.3
2009 Q1	-292.8	-111.2	-181.6	-13.4	-5.1	-8.3	29.2	6.0	-114.0	44.0	-46.0	-183.6	-161.3	21.6
Transactions														
2005	1,329.2	1,339.4	-10.2	16.3	16.4	-0.1	358.4	152.4	416.2	543.3	17.3	554.9	643.7	-17.7
2006	1,680.0	1,821.4	-141.4	19.6	21.3	-1.7	417.4	259.8	527.6	821.4	-3.3	737.4	740.3	0.9
2007	1,896.7	1,937.9	-41.2	21.1	21.5	-0.5	474.2	381.7	439.5	599.3	67.0	910.9	956.9	5.1
2008	395.2	698.5	-303.3	4.3	7.5	-3.3	348.1	105.8	-20.2	421.4	56.7	6.7	171.4	3.9
2008 Q4	-373.1	-246.8	-126.3	-15.8	-10.4	-5.3	47.6	-30.1	-160.7	43.4	16.7	-277.1	-260.1	0.4
2009 Q1	-246.1	-98.2	-147.9	-11.2	-4.5	-6.7	79.3	40.8	-72.2	107.2	-14.3	-233.2	-246.2	-5.7
Q2	-80.5	-63.8	-16.7	-3.6	-2.9	-0.7	89.1	80.8	10.5	104.8	-27.3	-155.2	-249.4	2.5
2009 Feb.	-132.4	-97.9	-34.5	.	.	.	21.0	12.5	-40.9	40.5	-2.9	-108.4	-150.9	-1.2
Mar.	-122.5	-54.6	-68.0	.	.	.	33.4	12.8	-63.1	32.6	-4.2	-89.6	-100.0	0.8
Apr.	78.7	76.2	2.5	.	.	.	59.2	54.7	-0.6	-9.6	-7.7	28.0	31.1	-0.1
May	-138.5	-111.9	-26.6	.	.	.	14.3	19.0	8.9	66.9	-10.4	-153.5	-197.9	2.3
June	-20.7	-28.1	7.4	.	.	.	15.6	7.1	2.2	47.5	-9.2	-29.6	-82.6	0.3
Other changes														
2004	-76.9	97.0	-173.9	-1.0	1.2	-2.2	-69.8	61.8	43.6	76.2	-25.8	-11.7	-41.0	-13.3
2005	853.5	747.5	105.9	10.5	9.2	1.3	163.7	56.5	426.3	485.6	-1.4	205.7	205.4	59.2
2006	-206.4	-120.6	-85.7	-2.4	-1.4	-1.0	-76.5	24.5	-43.6	-63.9	3.9	-94.4	-81.3	4.3
2007	-404.9	-328.5	-76.3	-4.5	-3.6	-0.8	-79.7	-18.8	-157.2	-125.8	-56.4	-126.1	-184.0	14.6
Other changes due to exchange rate changes														
2004	-168.8	-96.4	-72.4	-2.1	-1.2	-0.9	-36.0	7.4	-62.3	-50.2	.	-61.2	-53.5	-9.4
2005	369.3	214.4	154.9	4.5	2.6	1.9	86.9	-18.2	136.8	118.1	.	126.9	114.5	18.7
2006	-321.7	-207.9	-113.8	-3.8	-2.4	-1.3	-70.7	11.7	-131.1	-118.0	.	-104.6	-101.5	-15.3
2007	-501.6	-244.1	-257.5	-5.6	-2.7	-2.9	-110.0	27.1	-194.5	-124.1	.	-182.2	-147.1	-14.9
Other changes due to price changes														
2004	102.1	218.6	-116.5	1.3	2.8	-1.5	30.7	25.0	100.3	193.6	-25.8	.	.	-3.1
2005	288.1	327.5	-39.4	3.5	4.0	-0.5	60.7	48.6	186.6	278.9	-1.4	.	.	42.1
2006	297.0	309.5	-12.5	3.5	3.6	-0.1	61.2	39.4	215.7	270.1	3.9	.	.	16.3
2007	156.6	-63.8	220.3	1.7	-0.7	2.4	29.6	12.3	151.7	-76.1	-56.4	.	.	31.6
Other changes due to other adjustments														
2004	-10.3	-25.2	15.0	-0.1	-0.3	0.2	-64.5	29.4	5.6	-67.2	.	49.5	12.5	-0.8
2005	195.5	205.6	-10.2	2.4	2.5	-0.1	16.0	26.1	102.9	88.6	.	78.8	90.9	-2.2
2006	-181.4	-222.3	40.9	-2.1	-2.6	0.5	-67.0	-26.6	-128.2	-216.0	.	10.2	20.3	3.7
2007	-59.5	-20.7	-38.9	-0.7	-0.2	-0.4	0.6	-58.2	-114.3	74.4	.	56.0	-36.8	-1.9
Growth rates of outstanding amounts														
2004	10.3	9.1	-	.	.	.	7.8	4.2	12.8	11.5	.	11.1	9.5	-4.1
2005	14.9	13.7	-	.	.	.	15.2	6.8	13.1	12.8	.	17.6	19.5	-5.8
2006	15.7	15.8	-	.	.	.	15.0	10.6	13.8	16.3	.	19.5	18.4	0.2
2007	15.5	14.5	-	.	.	.	15.2	14.0	10.0	10.1	.	20.5	20.4	1.6
2008 Q4	2.8	4.7	-	.	.	.	10.0	3.4	-0.7	7.0	.	0.1	3.2	1.1
2009 Q1	-3.0	0.1	-	.	.	.	7.2	1.7	-4.0	6.3	.	-9.5	-7.1	-1.9
Q2	-4.2	-1.4	.	.	.	.	8.4	4.5	-6.6	5.4	.	-10.4	-11.4	-1.3

Source: ECB.
1) Net financial derivatives are included in assets.

7.3 Financial account

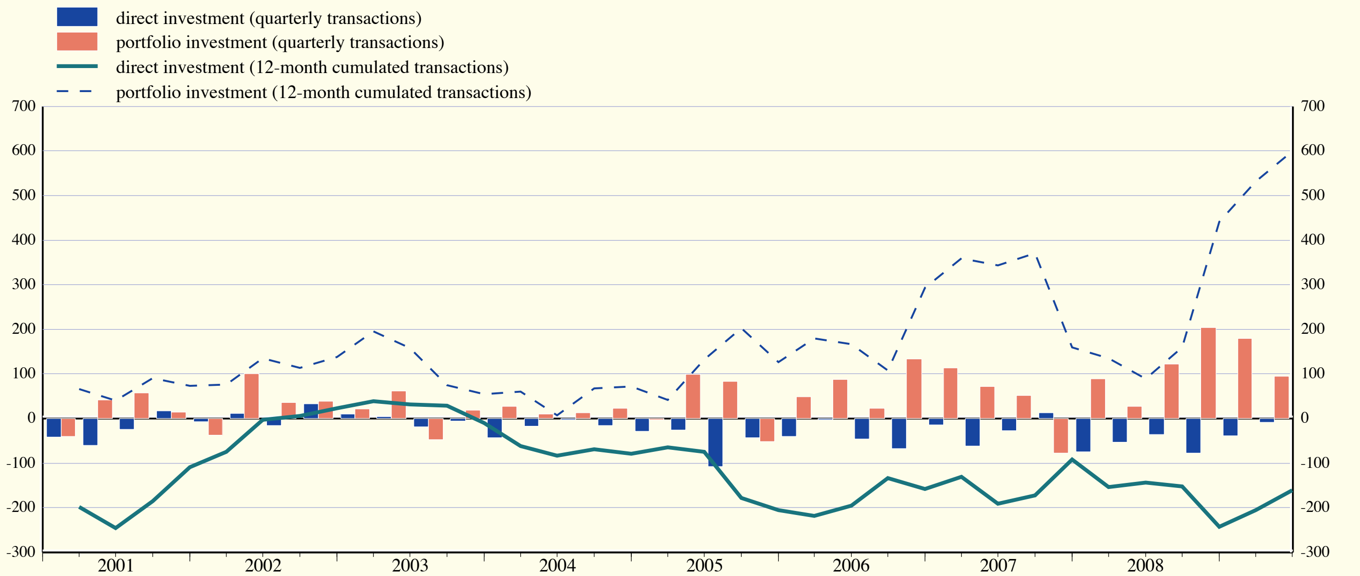
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

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	into MFIs	into Non-MFIs	Total	to MFIs	to Non-MFIs
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Oustanding amounts (international investment position)													
2006	3,131.7	2,540.4	217.4	2,323.0	591.3	2.2	589.1	2,728.7	2,091.9	65.5	2,026.4	636.8	9.7	627.1
2007	3,526.1	2,844.3	246.4	2,597.9	681.9	6.3	675.6	3,091.6	2,343.9	69.1	2,274.8	747.7	14.9	732.8
2008 Q4	3,742.5	2,951.6	248.7	2,703.0	790.9	6.1	784.7	3,223.1	2,394.4	75.8	2,318.6	828.7	17.1	811.6
2009 Q1	3,771.7	2,953.9	254.8	2,699.0	817.8	12.0	805.8	3,229.1	2,403.7	77.7	2,325.9	825.5	17.3	808.2
	Transactions													
2007	474.2	355.5	24.6	330.9	118.7	-0.1	118.8	381.7	267.4	5.2	262.2	114.3	1.4	112.9
2008	348.1	227.5	14.0	213.5	120.6	-0.2	120.8	105.8	76.9	-1.3	78.2	28.9	1.5	27.4
2008 Q4	47.6	27.9	5.8	22.1	19.7	-0.3	20.0	-30.1	8.6	0.0	8.6	-38.7	-0.2	-38.6
2009 Q1	79.3	36.2	9.1	27.1	43.1	0.9	42.2	40.8	34.7	1.0	33.7	6.1	0.1	5.9
Q2	89.1	65.8	10.3	55.5	23.3	0.6	22.7	80.8	62.8	0.3	62.5	18.1	1.1	16.9
2009 Feb.	21.0	8.7	0.9	7.8	12.3	0.7	11.6	12.5	8.8	0.5	8.3	3.6	0.1	3.6
Mar.	33.4	13.1	4.0	9.0	20.4	-1.2	21.6	12.8	13.9	-1.7	15.7	-1.1	-0.2	-1.0
Apr.	59.2	49.7	6.7	43.0	9.5	1.5	7.9	54.7	47.8	0.3	47.5	6.9	0.1	6.8
May	14.3	7.7	0.7	6.9	6.6	0.1	6.5	19.0	5.0	-0.1	5.1	14.1	0.1	14.0
June	15.6	8.4	2.8	5.5	7.2	-1.1	8.3	7.1	10.0	0.1	9.9	-3.0	0.9	-3.9
	Growth rates													
2006	15.0	14.6	20.1	14.1	17.1	-2.9	17.2	10.6	12.3	10.2	12.4	5.5	-1.2	5.6
2007	15.2	14.0	11.1	14.3	20.1	-82.4	20.3	14.0	12.8	8.5	12.9	18.0	9.0	18.2
2008 Q4	10.0	8.1	5.7	8.3	17.8	-4.5	18.0	3.4	3.3	-1.9	3.5	3.9	8.4	3.8
2009 Q1	7.2	5.1	6.0	5.0	15.8	-19.9	16.2	1.7	2.9	-0.7	3.0	-1.8	8.3	-2.0
Q2	8.4	6.8	7.0	6.8	14.6	7.8	14.6	4.5	5.9	2.9	5.9	0.8	9.0	0.6

C34 B.o.p. net direct and portfolio investment

(EUR billions)



Source: ECB.

7.3 Financial account

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

3. Portfolio investment assets

	Total	Equity					Debt instruments									
							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)															
2006	4,371.5	1,936.2	127.8	2.8	1,808.4	37.0	2,056.0	875.0	13.0	1,181.0	14.1	379.3	311.6	11.1	67.7	0.2
2007	4,653.8	1,984.7	145.2	2.4	1,839.5	44.6	2,231.5	937.4	15.5	1,294.0	16.9	437.7	350.6	33.9	87.1	0.5
2008 Q4	3,723.6	1,144.8	70.6	3.0	1,074.1	28.0	2,134.3	955.1	19.9	1,179.2	17.0	444.5	376.9	61.6	67.6	1.2
2009 Q1	3,609.5	1,053.7	62.2	2.9	991.4	27.9	2,089.4	913.5	17.1	1,175.9	16.1	466.5	389.1	58.9	77.4	1.7
	Transactions															
2007	439.5	79.5	36.0	-0.4	43.6	5.5	282.5	153.6	3.8	128.9	2.0	77.5	68.5	25.0	9.0	0.3
2008	-20.2	-113.2	-55.4	0.6	-57.8	-0.5	88.6	48.2	10.3	40.4	2.4	4.4	21.8	21.2	-17.4	0.3
2008 Q4	-160.7	-49.9	-4.0	0.4	-45.8	-1.3	-62.1	-16.7	-1.1	-45.4	-0.5	-48.8	-22.1	-5.1	-26.7	0.2
2009 Q1	-72.2	-34.4	-7.9	0.0	-26.6	0.2	-57.4	-40.5	-2.4	-16.9	-1.2	19.7	13.4	-0.5	6.3	0.4
Q2	10.5	5.4	1.2	0.0	4.2	-	7.9	-14.8	3.5	22.7	-	-2.8	-0.4	-6.6	-2.4	-
2009 Feb.	-40.9	-28.9	-5.4	0.0	-23.5	.	-16.2	-5.3	0.1	-10.9	.	4.2	2.6	0.0	1.6	.
Mar.	-63.1	-18.4	-5.3	0.0	-13.2	.	-38.9	-32.8	-1.4	-6.1	.	-5.7	-6.6	-0.1	0.9	.
Apr.	-0.6	-2.5	0.1	-0.1	-2.6	.	6.9	-6.6	0.6	13.5	.	-5.1	0.3	1.3	-5.4	.
May	8.9	3.0	1.2	0.0	1.8	.	-0.1	-9.9	-0.2	9.8	.	6.0	2.2	-1.9	3.9	.
June	2.2	4.8	-0.1	0.0	4.9	.	1.1	1.7	3.1	-0.6	.	-3.8	-2.9	-6.1	-0.9	.
	Growth rates															
2006	13.8	9.0	17.5	0.9	8.4	22.1	17.1	24.1	15.8	12.5	9.0	21.3	22.2	220.7	20.4	-27.3
2007	10.0	4.0	29.0	-13.1	2.3	14.4	13.8	17.8	30.1	10.8	14.0	20.8	22.5	225.0	13.0	173.4
2008 Q4	-0.7	-6.6	-37.8	26.0	-3.9	-1.3	4.0	5.1	48.9	3.2	14.6	0.7	6.1	82.5	-22.2	52.8
2009 Q1	-4.0	-7.3	-23.2	19.1	-6.1	0.8	-0.4	-2.3	7.9	1.1	4.3	-10.1	-5.9	51.3	-27.8	74.6
Q2	-6.6	-8.6	-17.6	15.0	-8.0	-	-4.1	-7.5	0.2	-1.5	-	-12.2	-10.2	-21.6	-21.9	-

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)											
2006	5,866.5	2,910.8	657.6	2,253.2	2,656.9	953.8	1,705.5	1,019.2	298.8	125.7	173.2	138.0
2007	6,340.0	3,103.1	754.7	2,348.3	2,917.3	1,128.0	1,789.3	1,113.4	319.6	153.4	166.1	142.5
2008 Q4	5,985.8	2,135.2	574.2	1,561.0	3,255.2	1,148.8	2,106.4	1,374.1	595.4	172.4	423.0	355.9
2009 Q1	6,029.9	2,065.0	593.5	1,471.5	3,337.3	1,139.0	2,198.3	1,437.6	627.6	169.8	457.9	405.3
	Transactions											
2007	599.3	127.6	76.7	50.6	433.0	229.7	203.4	148.6	38.6	41.1	-2.6	8.1
2008	421.4	-73.5	94.8	-168.6	274.7	42.3	232.6	205.5	220.2	-6.3	226.4	199.2
2008 Q4	43.4	-42.4	19.2	-61.9	-20.0	-44.8	24.7	40.8	105.8	-10.5	116.3	109.1
2009 Q1	107.2	-10.9	4.3	-15.3	82.1	-13.7	95.8	65.4	36.0	1.2	34.8	51.1
Q2	104.8	-5.1	-11.9	6.7	96.3	33.0	63.3	-	13.6	-12.2	25.8	-
2009 Feb.	40.5	-3.2	.	.	39.6	.	.	.	4.1	.	.	.
Mar.	32.6	24.3	.	.	15.2	.	.	.	-6.9	.	.	.
Apr.	-9.6	-21.9	.	.	-15.4	.	.	.	27.7	.	.	.
May	66.9	11.5	.	.	55.9	.	.	.	-0.5	.	.	.
June	47.5	5.3	.	.	55.8	.	.	.	-13.6	.	.	.
	Growth rates											
2006	16.3	12.1	17.5	10.6	22.9	25.9	21.2	15.2	1.5	21.5	-10.0	-11.2
2007	10.1	4.4	11.4	2.3	16.3	24.3	11.9	14.6	12.7	33.7	-0.2	6.6
2008 Q4	7.0	-3.2	13.0	-8.7	9.6	3.8	13.1	18.9	65.6	-3.5	135.5	144.6
2009 Q1	6.3	-5.6	3.8	-9.1	9.6	0.9	14.6	17.6	65.3	-5.9	133.9	135.0
Q2	5.4	-5.2	-0.7	-7.1	7.0	-1.4	11.9	-	58.7	-14.2	122.6	-

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			Trade credits	Loans/currency and deposits	
											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)														
2006	4,448.7	14.1	12.7	1.4	2,937.6	2,874.9	62.8	120.0	14.2	58.2	15.4	1,377.1	187.9	1,062.1	395.6
2007	5,233.5	39.1	37.7	1.4	3,342.5	3,271.4	71.1	107.1	12.7	48.1	13.5	1,744.8	191.1	1,387.7	441.7
2008 Q4	5,228.2	28.8	27.7	1.0	3,273.9	3,214.9	59.0	101.2	12.0	41.2	7.2	1,824.3	189.2	1,409.7	443.7
2009 Q1	5,044.7	21.7	21.4	0.3	3,093.8	3,037.2	56.6	106.7	12.0	45.4	14.5	1,822.5	176.9	1,416.2	446.2
	Transactions														
2007	910.9	22.0	22.0	0.0	548.3	541.0	7.3	-7.6	-1.4	-7.2	-2.0	348.3	13.7	292.7	38.7
2008	6.7	-9.0	-9.0	0.0	-44.7	-60.0	15.3	-6.6	-1.1	-6.7	-5.9	67.0	9.3	-1.2	-44.8
2008 Q4	-277.1	-6.9	-7.0	0.0	-240.9	-250.8	10.0	0.0	-0.3	1.0	-1.9	-29.3	-9.5	-19.0	-3.7
2009 Q1	-233.2	-8.2	-8.2	0.0	-222.1	-220.3	-1.8	6.5	0.0	5.8	9.1	-9.4	-8.6	-1.1	-1.7
Q2	-155.2	7.0	-	-	-81.8	-	-	-4.3	-	-	-5.3	-76.1	-	-	-23.5
2009 Feb.	-108.4	-3.6	.	.	-92.5	.	.	-7.8	.	.	-4.5	-4.4	.	.	-9.8
Mar.	-89.6	-2.2	.	.	-90.0	.	.	0.8	.	.	0.8	1.9	.	.	4.0
Apr.	28.0	1.6	.	.	39.6	.	.	-9.9	.	.	-10.2	-3.4	.	.	-7.3
May	-153.5	0.0	.	.	-64.6	.	.	3.8	.	.	3.7	-92.8	.	.	-21.2
June	-29.6	5.3	.	.	-56.8	.	.	1.8	.	.	1.2	20.1	.	.	4.9
	Growth rates														
2006	19.5	-37.6	-40.0	1.6	21.1	21.3	10.7	-5.5	-26.1	-4.3	24.5	20.0	3.4	24.5	8.5
2007	20.5	157.3	173.8	-1.7	18.8	18.9	11.5	-6.4	-9.7	-12.4	-13.1	25.2	7.4	27.3	9.8
2008 Q4	0.1	-26.4	-27.1	5.0	-1.3	-1.8	21.7	-6.2	-8.6	-14.1	-45.7	3.8	4.8	-0.1	-10.6
2009 Q1	-9.5	-57.3	-58.7	6.0	-13.6	-14.1	11.2	4.6	-6.4	9.0	35.9	-0.9	-2.9	-3.1	-14.2
Q2	-10.4	-28.7	-	-	-13.3	-	-	-5.5	-	-	-42.6	-4.7	-	-	-6.9

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)														
2006	4,711.0	116.3	116.1	0.2	3,484.8	3,430.4	54.5	51.6	0.0	47.5	4.1	1,058.2	146.8	819.6	91.7
2007	5,483.9	201.7	201.4	0.2	3,938.7	3,871.7	67.0	51.8	0.0	46.6	5.2	1,291.7	158.4	1,024.1	109.3
2008 Q4	5,664.6	481.5	481.2	0.3	3,762.9	3,704.2	58.6	61.7	0.0	57.7	3.9	1,358.6	166.4	1,076.7	115.5
2009 Q1	5,503.3	404.0	400.9	3.2	3,708.6	3,650.0	58.6	58.6	0.0	55.2	3.4	1,332.1	161.0	1,057.1	114.0
	Transactions														
2007	956.9	91.4	91.4	0.0	635.2	630.4	4.8	-0.9	0.0	-1.8	0.9	231.3	9.9	224.4	-3.0
2008	171.4	280.0	280.0	0.1	-181.4	-192.3	10.9	9.5	0.0	10.9	-1.4	63.2	6.3	57.5	-0.5
2008 Q4	-260.1	110.6	110.7	-0.1	-411.7	-418.0	6.3	9.0	0.0	8.6	0.4	32.0	-3.9	29.0	6.8
2009 Q1	-246.2	-81.5	-84.4	2.9	-112.1	-110.8	-1.3	-2.1	0.0	-0.9	-1.2	-50.5	-8.8	-37.1	-4.7
Q2	-249.4	-89.3	-	-	-81.4	-	-	-3.0	-	-	-	-75.7	-	-	-
2009 Feb.	-150.9	-28.1	.	.	-105.7	.	.	-5.2	.	.	.	-11.9	.	.	.
Mar.	-100.0	5.6	.	.	-114.2	.	.	1.1	.	.	.	7.5	.	.	.
Apr.	31.1	-28.9	.	.	37.8	.	.	-0.6	.	.	.	22.8	.	.	.
May	-197.9	-20.2	.	.	-66.7	.	.	0.1	.	.	.	-111.2	.	.	.
June	-82.6	-40.2	.	.	-52.5	.	.	-2.6	.	.	.	12.7	.	.	.
	Growth rates														
2006	18.4	22.4	22.4	5.7	16.1	16.1	13.3	3.6	-24.1	4.2	-3.2	27.3	9.8	31.9	17.6
2007	20.4	79.2	79.4	-6.9	18.3	18.5	8.8	-1.6	29.1	-3.6	18.0	21.4	6.7	27.4	-1.5
2008 Q4	3.2	140.9	141.1	20.8	-4.6	-4.9	16.1	18.3	-4.8	23.5	-28.3	4.9	4.0	5.6	-0.8
2009 Q1	-7.1	82.4	81.3	709.6	-13.6	-14.0	9.2	15.5	0.9	17.9	-19.4	-2.3	-3.5	-1.6	-7.5
Q2	-11.4	19.0	-	-	-15.0	-	-	12.2	-	-	-	-7.0	-	-	-

Source: ECB.

7.3 Financial account

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

7. Reserve assets

	Reserve assets													Memo	
	Total	Monetary gold		Special drawing rights	Reserve position in the IMF	Foreign exchange								Other claims	Other foreign currency assets	Predetermined short-term net drains on foreign currency
		In EUR billions	In fine troy ounces (millions)			Total	Currency and deposits		Securities				Financial derivatives			
							With monetary authorities and the BIS	With banks	Total	Equity	Bonds and notes	Money market instruments				
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
	Outstanding amounts (international investment position)															
2005	320.1	163.4	375.861	4.3	10.6	141.7	12.6	21.4	107.9	0.6	69.4	38.0	-0.2	0.0	25.6	-17.9
2006	325.8	176.3	365.213	4.6	5.2	139.7	6.3	22.5	110.7	0.5	79.3	30.8	0.3	0.0	24.6	-21.5
2007	347.4	201.0	353.688	4.6	3.6	138.2	7.2	22.0	108.5	0.4	87.8	20.3	0.5	0.0	44.3	-38.5
2008 Q3	370.9	216.8	350.634	4.6	4.0	145.4	11.6	18.1	117.8	0.5	100.0	17.2	-2.1	0.0	187.3	-185.3
Q4	374.2	217.0	349.190	4.7	7.3	145.1	7.6	8.0	129.5	0.6	111.0	17.9	0.0	0.1	262.8	-245.7
2009 Q1	395.7	240.4	349.059	4.8	8.4	142.1	8.4	3.7	129.9	0.6	108.2	21.1	0.1	0.1	155.4	-141.4
2009 May	392.2	240.6	347.784	4.6	10.8	136.0	7.9	5.9	121.9	-	-	-	0.4	0.1	103.1	-90.7
June	381.5	229.8	347.546	4.2	11.3	136.1	9.5	6.5	119.9	-	-	-	0.2	0.1	77.6	-65.6
July	386.5	230.8	347.531	4.2	11.5	139.2	9.2	9.7	120.1	-	-	-	0.2	0.8	67.6	-59.5
	Transactions															
2006	0.9	-4.2	-	0.5	-5.2	9.8	-6.1	2.4	13.6	0.0	19.3	-5.7	0.0	0.0	-	-
2007	5.1	-3.2	-	0.3	-0.9	8.8	1.0	1.6	6.2	0.0	14.5	-8.3	0.0	0.0	-	-
2008	3.9	-2.1	-	-0.1	3.7	2.3	4.9	-15.7	11.8	0.1	15.8	-4.1	1.3	0.1	-	-
2008 Q4	0.4	-0.9	-	0.0	3.2	-2.0	0.5	-10.7	7.1	0.0	6.2	0.9	1.1	0.1	-	-
2009 Q1	-5.7	-0.9	-	0.0	0.9	-5.7	2.2	-4.9	-3.7	0.0	-6.6	2.9	0.6	0.0	-	-
Q2	2.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Growth rates															
2005	-5.8	-2.8	-	4.4	-44.7	-3.8	-2.0	-23.7	1.6	2.2	6.9	-7.9	20.5	-	-	-
2006	0.2	-2.4	-	11.6	-48.8	7.2	-48.4	10.6	13.1	0.0	28.4	-15.3	-73.2	-	-	-
2007	1.6	-1.7	-	7.3	-18.2	6.3	15.0	6.2	5.7	1.1	18.5	-27.5	-59.1	-	-	-
2008 Q4	1.1	-1.0	-	-2.6	104.7	1.7	66.0	-69.0	10.8	27.7	18.0	-20.7	-26.2	-	-	-
2009 Q1	-1.9	-1.1	-	4.6	131.3	-6.3	139.6	-90.4	6.7	2.6	3.8	24.9	1,001.7	-	-	-
Q2	-1.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Source: ECB.

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

8. Geographical breakdown

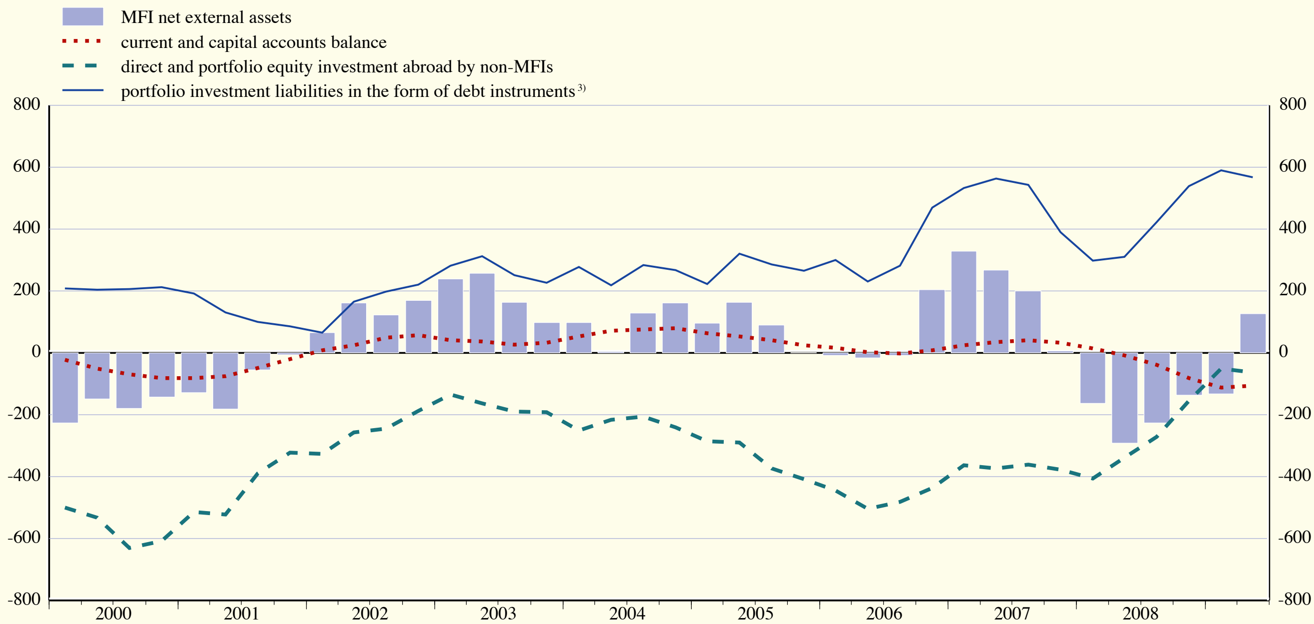
	Total	European Union 27 (outside the euro area)						Canada	China	Japan	Switzer-land	United States	Offshore financial centres	Internat. organisa-tions	Other countries
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions								
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2007	Outstanding amounts (international investment position)														
Direct investment	434.6	-97.4	-4.0	-32.9	-277.8	217.6	-0.3	23.7	27.0	-11.0	112.6	-67.4	-37.4	-0.2	484.6
Abroad	3,526.1	1,285.8	37.1	82.5	916.2	249.9	0.0	91.6	30.7	69.1	350.1	684.4	391.6	0.0	622.8
Equity/reinvested earnings	2,844.3	1,012.7	32.3	55.2	710.0	215.2	0.0	67.8	24.1	57.8	292.5	525.9	366.1	0.0	497.4
Other capital	681.9	273.1	4.9	27.3	206.2	34.7	0.0	23.8	6.6	11.4	57.6	158.6	25.5	0.0	125.3
In the euro area	3,091.6	1,383.2	41.2	115.4	1,194.0	32.3	0.3	67.9	3.7	80.1	237.4	751.9	429.0	0.3	138.2
Equity/reinvested earnings	2,343.9	1,127.8	33.6	93.7	988.2	12.1	0.2	56.6	0.9	65.7	181.6	552.6	267.8	0.1	90.8
Other capital	747.7	255.4	7.6	21.7	205.8	20.2	0.1	11.3	2.7	14.4	55.9	199.3	161.2	0.2	47.4
Portfolio investment assets	4,653.8	1,371.3	68.2	139.3	995.5	97.8	70.6	82.5	42.0	241.9	132.4	1,493.5	630.2	26.8	633.3
Equity	1,984.7	415.3	11.4	45.9	335.4	22.1	0.5	20.3	39.5	141.7	115.7	635.1	285.3	1.0	331.0
Debt instruments	2,669.2	956.0	56.8	93.4	660.1	75.6	70.1	62.3	2.5	100.2	16.6	858.4	344.9	25.9	302.4
Bonds and notes	2,231.5	781.0	52.7	78.2	505.6	75.0	69.4	58.6	2.2	63.5	12.9	713.3	303.1	24.8	272.0
Money market instruments	437.7	174.9	4.0	15.1	154.5	0.6	0.7	3.6	0.3	36.7	3.8	145.1	41.8	1.1	30.4
Other investment	-250.4	-163.9	-155.4	-8.8	122.2	43.5	-165.5	-66.0	-45.3	-31.5	-54.9	-71.1	-91.2	-23.8	297.4
Assets	5,233.5	2,571.9	104.5	72.3	2,242.6	141.7	10.8	23.5	35.0	81.3	266.2	840.1	516.8	57.5	841.1
General government	107.1	21.6	0.8	0.1	10.3	1.2	9.2	0.0	1.8	0.2	0.1	3.1	1.4	38.3	40.7
MFIs	3,381.6	1,916.2	86.7	52.1	1,663.5	113.0	0.8	15.0	15.3	45.0	157.5	411.6	353.5	18.7	448.8
Other sectors	1,744.8	634.1	16.9	20.1	568.8	27.5	0.9	8.5	17.9	36.1	108.6	425.4	162.0	0.5	351.6
Liabilities	5,483.9	2,735.8	259.8	81.0	2,120.5	98.1	176.4	89.5	80.3	112.8	321.1	911.2	608.1	81.3	543.7
General government	51.8	28.9	0.0	0.3	2.4	0.0	26.2	0.0	0.0	0.5	0.8	6.3	0.3	11.9	3.0
MFIs	4,140.4	2,142.4	249.6	58.4	1,660.0	72.6	101.9	81.5	62.2	89.0	247.6	525.1	523.7	66.8	402.1
Other sectors	1,291.7	564.5	10.2	22.4	458.0	25.6	48.3	8.0	18.1	23.3	72.7	379.8	84.1	2.6	138.7
2008 Q2 to 2009 Q1	Cumulated transactions														
Direct investment	205.6	86.5	-0.4	7.1	54.4	25.4	0.0	-7.4	3.1	-1.2	-34.7	91.9	18.2	0.0	49.4
Abroad	260.6	82.1	1.7	19.3	40.2	20.9	0.0	2.3	3.3	3.8	-20.2	98.1	35.5	0.0	55.7
Equity/reinvested earnings	146.2	33.7	0.9	7.9	11.7	13.1	0.0	4.4	4.1	3.5	-18.5	63.7	18.0	0.0	37.3
Other capital	114.4	48.4	0.8	11.4	28.4	7.8	0.0	-2.1	-0.7	0.3	-1.7	34.3	17.5	0.0	18.5
In the euro area	55.0	-4.5	2.1	12.2	-14.3	-4.5	0.0	9.7	0.3	5.0	14.6	6.2	17.3	0.0	6.3
Equity/reinvested earnings	69.1	-8.6	0.1	6.8	-17.5	2.0	0.0	7.8	0.2	2.8	7.7	23.2	22.8	0.0	13.1
Other capital	-14.1	4.1	2.0	5.4	3.2	-6.5	0.0	1.9	0.0	2.2	6.9	-17.0	-5.5	0.0	-6.8
Portfolio investment assets	-159.3	30.2	7.2	-3.1	24.4	-2.8	4.6	13.0	-1.3	-16.0	-0.4	-86.9	-77.4	2.7	-23.4
Equity	-103.2	-16.6	0.9	-4.1	-12.8	-0.5	0.1	9.0	-1.1	-13.8	2.3	-37.4	-28.6	0.0	-17.0
Debt instruments	-56.1	46.8	6.3	1.0	37.2	-2.3	4.5	4.0	-0.2	-2.2	-2.6	-49.5	-48.8	2.7	-6.4
Bonds and notes	-5.8	61.8	3.4	4.2	54.5	-3.5	3.3	3.6	-0.1	-13.1	0.4	-20.2	-53.1	3.1	11.8
Money market instruments	-50.2	-15.0	3.0	-3.2	-17.3	1.2	1.3	0.5	-0.1	10.9	-3.1	-29.3	4.3	-0.3	-18.2
Other investment	-101.6	-240.2	-12.6	-5.8	-265.0	59.3	-16.1	-5.1	-9.3	44.5	19.7	-123.2	118.6	12.2	81.0
Assets	-521.8	-325.7	-23.6	-13.6	-341.1	52.7	-0.1	1.4	-9.3	-17.5	-51.7	-134.5	8.1	-9.4	16.8
General government	4.7	4.5	-1.3	-0.2	6.1	-0.5	0.4	0.0	0.0	0.0	0.0	0.1	0.0	1.2	-1.2
MFIs	-510.4	-294.6	-18.5	-11.4	-313.6	49.2	-0.4	0.2	-10.6	-8.0	-48.9	-94.9	-16.0	-10.5	-27.0
Other sectors	-16.1	-35.6	-3.8	-2.0	-33.6	3.9	-0.2	1.2	1.3	-9.5	-2.8	-39.7	24.1	0.0	45.0
Liabilities	-420.1	-85.5	-11.0	-7.7	-76.1	-6.6	16.0	6.5	-0.1	-62.0	-71.4	-11.4	-110.5	-21.6	-64.1
General government	7.9	2.8	0.0	-0.1	1.5	0.0	1.4	0.0	0.0	-0.1	0.0	0.1	0.1	5.0	0.1
MFIs	-397.1	-88.4	-11.1	-6.8	-73.8	-4.4	7.6	5.2	0.1	-59.7	-69.2	45.9	-121.4	-26.4	-83.2
Other sectors	-30.9	0.1	0.1	-0.9	-3.8	-2.3	7.0	1.3	-0.2	-2.2	-2.2	-57.3	10.8	-0.2	19.0

Source: ECB.

7.4 Monetary presentation of the balance of payments [1]
(EUR billions; transactions)

	B.o.p. items balancing transactions in the external counterpart of M3											Memo: Transactions in the external counterpart of M3
	Current and capital accounts balance	Direct investment		Portfolio investment			Other investment		Financial derivatives	Errors and omissions	Total of columns 1 to 10	
		By resident units abroad (non-MFIs)	By non-resident units in the euro area	Assets	Liabilities		Assets	Liabilities				
				Non-MFIs	Equity [2]	Debt instruments [3]	Non-MFIs	Non-MFIs				
	1	2	3	4	5	6	7	8	9	10	11	12
2006	7.9	-390.3	264.2	-282.3	237.5	468.9	-225.0	225.8	3.6	-138.5	171.8	204.9
2007	32.4	-451.4	379.2	-182.4	81.9	389.8	-340.9	230.4	-67.3	-64.8	7.0	6.8
2008	-81.9	-334.8	103.6	35.2	-124.0	538.3	-61.2	73.3	-56.6	-213.8	-122.0	-136.0
2008 Q2	-25.8	-39.2	-9.4	-85.4	-33.9	151.6	0.7	-14.2	-8.8	-52.8	-117.3	-127.1
Q3	-19.5	-97.0	52.1	22.8	-69.6	170.1	-21.8	2.9	-8.5	-41.6	-10.2	1.9
Q4	-26.8	-42.3	-30.7	117.9	-39.4	143.5	28.8	41.3	-16.5	-95.6	80.2	75.0
2009 Q1	-40.8	-69.3	40.6	37.2	-7.8	123.5	2.9	-52.6	14.3	-107.0	-59.1	-82.1
Q2	-19.0	-78.2	79.7	-24.4	-7.4	129.7	80.4	-78.7	27.3	2.3	111.7	131.1
2008 June	1.2	-24.4	0.4	-19.0	12.0	61.2	2.7	-0.6	4.7	-14.6	23.7	16.4
July	-2.5	-38.0	22.9	7.1	-8.2	30.2	-1.7	14.1	-0.1	-44.4	-20.6	-11.8
Aug.	-10.6	-21.5	11.1	-2.2	-17.0	33.3	4.8	-9.1	-8.4	9.5	-10.1	-7.8
Sep.	-6.4	-37.4	18.1	17.9	-44.5	106.6	-25.0	-2.2	0.0	-6.8	20.4	21.6
Oct.	-7.6	-8.0	-2.0	75.6	-58.0	92.0	-17.3	41.2	-3.2	-67.4	45.2	42.5
Nov.	-14.2	-28.3	-21.0	12.9	3.0	60.7	3.0	19.2	-9.6	0.8	26.5	11.6
Dec.	-4.9	-6.0	-7.7	29.4	15.7	-9.3	43.1	-19.0	-3.7	-29.0	8.5	20.9
2009 Jan.	-28.3	-19.2	15.3	-13.9	-50.4	54.9	-6.7	-44.1	7.2	-17.2	-102.3	-121.1
Feb.	-6.5	-19.4	12.4	32.8	-0.2	57.5	12.3	-17.1	2.9	-28.0	46.7	44.7
Mar.	-6.1	-30.7	13.0	18.4	42.7	11.1	-2.7	8.6	4.2	-61.9	-3.5	-5.7
Apr.	-7.4	-51.0	54.6	-5.5	-29.1	27.6	13.3	22.2	7.7	9.9	42.4	33.6
May	-11.6	-13.5	19.0	-15.5	20.0	52.7	89.0	-111.1	10.4	-15.0	24.4	34.2
June	0.0	-13.8	6.1	-3.4	1.7	49.4	-21.9	10.1	9.2	7.4	44.9	63.3
	12-month cumulated transactions											
2009 June	-106.1	-286.9	141.8	153.5	-124.2	566.7	90.3	-87.1	16.6	-241.9	122.6	125.9

C35 Main b.o.p. transactions underlying the developments in MFI net external assets [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.
2) Excluding money market fund shares/units.
3) Excluding debt securities with a maturity of up to two years issued by euro area MFIs.

7.5 Trade in goods

1. Values and volumes by product group [1]

(seasonally adjusted, unless otherwise indicated)

	Total (n.s.a.)		Exports (f.o.b.)					Imports (c.i.f.)					
			Total				Memo:	Total				Memo:	
	Exports	Imports		Intermediate	Capital	Consumption	Manufactures		Intermediate	Capital	Consumption	Manufactures	Oil
	1	2	3	4	5	6	7	8	9	10	11	12	13
	Values (EUR billions; annual percentage changes for columns 1 and 2)												
2007	11.0	8.4	1,507.8	739.8	326.6	401.3	1,282.7	1,491.2	914.0	234.5	323.1	1,019.8	227.5
2008	3.9	7.4	1,563.4	770.4	334.2	409.7	1,308.2	1,593.1	1,011.5	228.8	327.7	1,022.0	288.2
2008 Q3	5.7	12.6	399.5	199.0	84.3	102.8	332.1	411.6	269.8	58.4	82.5	258.8	85.5
Q4	-5.0	-2.3	366.5	176.5	80.9	95.2	305.6	372.8	229.3	55.9	80.4	241.5	55.2
2009 Q1	-21.3	-20.8	310.8	148.6	65.6	85.4	259.6	320.1	181.4	49.4	77.4	214.8	35.6
Q2	-24.0	-26.5	306.6	.	.	.	253.0	304.1	.	.	.	201.2	.
2009 Jan.	-25.0	-22.7	103.4	48.6	21.2	28.7	85.6	108.4	62.3	16.1	26.0	72.8	11.8
Feb.	-23.5	-21.6	103.1	49.5	22.4	28.2	85.7	105.5	59.9	16.5	25.6	70.4	11.2
Mar.	-15.4	-18.2	104.3	50.5	22.1	28.5	88.2	106.2	59.2	16.8	25.8	71.6	12.6
Apr.	-26.5	-27.1	103.4	50.6	21.3	28.0	86.5	103.1	57.2	16.2	25.2	68.4	13.0
May	-23.1	-27.0	101.6	48.7	21.1	27.6	84.5	100.5	55.4	15.5	24.8	67.2	13.6
June	-22.2	-25.6	101.5	.	.	.	82.0	100.5	.	.	.	65.6	.
	Volume indices (2000 = 100; annual percentage changes for columns 1 and 2)												
2007	8.6	6.8	144.4	141.3	153.1	144.5	142.1	129.1	123.2	143.3	141.4	134.8	107.7
2008	1.6	-0.4	146.5	142.0	156.2	146.1	143.6	127.9	121.3	141.1	140.8	133.5	106.4
2008 Q3	2.7	1.3	148.4	144.5	157.8	145.8	145.3	126.8	121.2	146.3	141.4	134.7	106.6
Q4	-7.5	-5.5	136.3	128.7	149.2	135.8	131.8	121.5	114.7	133.4	134.4	122.3	106.7
2009 Q1	-21.3	-14.8	117.6	111.7	120.1	123.5	112.2	113.3	104.8	117.4	128.5	110.3	99.3
Q2	.	.	.	.	.	.	.	.	.	.	.	.	.
2009 Jan.	-25.0	-16.8	117.8	109.3	116.5	126.3	111.3	115.5	108.4	115.6	129.4	112.2	102.0
Feb.	-23.6	-15.8	116.4	111.1	122.8	121.0	110.6	112.0	103.8	118.1	127.5	108.5	94.4
Mar.	-15.4	-11.7	118.8	114.8	121.1	123.1	114.7	112.3	102.4	118.6	128.7	110.2	101.4
Apr.	-25.5	-20.4	119.0	115.8	118.7	123.0	114.0	111.0	100.0	115.9	129.8	107.6	99.6
May	-22.1	-19.2	117.0	112.2	117.6	119.5	111.2	108.0	96.9	111.1	126.5	105.8	98.2
June	.	.	.	.	.	.	.	.	.	.	.	.	.

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: Manufacturing	Total (index 2005 = 100)	Total					Memo: 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
2007	101.8	0.4	2.7	-0.5	0.9	1.8	0.4	105.9	0.1	2.3	-3.5	0.5	1.6	-0.3
2008	103.5	1.6	1.5	-0.4	2.4	25.2	1.5	112.7	6.5	0.2	-3.4	2.4	28.2	0.8
2008 Q4	102.7	0.7	2.6	1.3	2.7	-16.0	0.6	106.9	-1.7	0.9	-1.5	3.8	-8.5	0.1
2009 Q1	101.2	-1.3	-1.1	1.3	1.4	-32.3	-1.4	101.4	-8.4	-4.1	-0.3	2.7	-28.0	-2.4
Q2	100.9	-2.8	-3.9	1.6	1.0	-36.8	-2.8	101.4	-12.4	-6.5	0.1	1.4	-35.4	-4.2
2009 Feb.	101.4	-1.2	-1.3	1.4	1.5	-31.3	-1.3	101.6	-8.4	-4.3	-0.1	2.8	-27.9	-2.3
Mar.	100.9	-1.8	-2.0	1.5	1.3	-35.1	-1.8	101.1	-9.2	-5.0	0.3	2.7	-29.9	-2.8
Apr.	100.8	-2.1	-2.9	1.8	1.2	-36.1	-2.1	100.5	-10.8	-5.5	0.5	2.3	-33.7	-3.2
May	100.9	-2.9	-3.9	1.5	1.0	-37.8	-2.8	101.1	-13.1	-6.8	0.1	1.3	-37.1	-4.5
June	101.1	-3.3	-4.9	1.4	0.8	-36.5	-3.3	102.7	-13.2	-7.3	-0.2	0.6	-35.1	-5.0
July	101.1	-3.6	-5.9	1.1	0.4	.	-3.4	.	.	.	.	.	.	.

Source: Eurostat.

1) Product groups according to the classification by Broad Economic Categories. Unlike the product groups shown in Table 2, intermediate and consumption product groups include agricultural and energy products.

2) Product groups according to the classification of Main Industrial Groupings. Unlike the product groups shown in Table 1, intermediate and consumer goods do not include energy products, and agricultural goods are not covered. Manufacturing has a different composition compared with the data shown in columns 7 and 12 of Table 1. Data shown are price indices which follow the pure price change for a basket of products and are not simple ratios of the value and volume data shown in Table 1, which are affected by changes in the composition and quality of traded goods. These indices differ from the GDP deflators for imports and exports (shown in Table 3 in Section 5.1) mainly because the latter include all goods and services and cover cross-border trade within the euro area.

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	European Union 27 (outside the euro area)				Russia	Switzer-land	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.)														
2007	1,507.8	34.2	55.7	230.9	216.3	67.9	82.3	41.5	195.9	296.1	60.6	34.3	87.6	61.8	137.8
2008	1,563.4	35.1	54.2	221.7	231.5	78.5	86.3	42.8	187.1	308.2	65.7	33.7	100.7	68.3	149.0
2008 Q1	398.6	8.9	14.0	57.3	58.8	19.7	21.3	12.3	49.6	79.1	17.2	8.8	24.1	16.2	37.1
Q2	398.8	9.1	14.5	58.3	60.0	20.3	22.1	11.3	47.5	77.9	16.8	8.5	25.0	16.7	36.0
Q3	399.5	9.1	14.1	56.5	60.3	20.8	21.8	10.8	46.4	76.8	16.0	8.3	26.7	17.9	38.2
Q4	366.5	8.0	11.6	49.6	52.3	17.7	21.1	8.4	43.6	74.4	15.7	8.1	24.8	17.5	37.7
2009 Q1	310.8	7.4	10.0	42.2	43.8	12.6	19.9	7.7	39.6	65.5	15.4	7.0	23.3	12.7	26.2
Q2	306.6	.	.	.	.	12.1	19.2	8.2	37.2	69.3	16.6	6.9	22.5	12.1	.
2009 Jan.	103.4	2.6	3.3	14.1	14.8	4.2	6.7	2.5	12.9	20.7	4.7	2.4	7.7	4.2	9.8
Feb.	103.1	2.3	3.3	13.9	14.2	4.3	6.7	2.5	12.9	22.2	5.1	2.4	7.9	4.3	8.5
Mar.	104.3	2.4	3.4	14.2	14.8	4.1	6.5	2.7	13.8	22.6	5.6	2.2	7.7	4.2	7.9
Apr.	103.4	2.3	3.2	14.2	14.4	4.2	6.4	2.7	12.6	23.1	5.6	2.3	7.6	4.1	8.6
May	101.6	2.2	3.1	13.7	14.0	3.8	6.3	2.8	12.4	23.0	5.6	2.2	7.4	4.1	8.7
June	101.5	.	.	.	.	4.1	6.4	2.7	12.2	23.2	5.4	2.4	7.5	3.9	.
	% share of total exports														
2008	100.0	2.2	3.5	14.2	14.8	5.0	5.5	2.7	12.0	19.7	4.2	2.2	6.4	4.4	9.6
	Imports (c.i.f.)														
2007	1,491.2	28.8	52.2	169.6	169.6	102.2	67.2	32.4	131.7	455.6	172.6	59.1	113.4	75.2	93.4
2008	1,593.1	30.2	52.4	165.2	185.6	117.8	69.7	32.3	137.2	477.9	184.3	56.8	139.6	81.0	104.2
2008 Q1	402.8	7.3	13.7	43.7	46.3	29.5	16.8	8.5	34.6	121.0	44.7	14.7	34.6	20.2	26.4
Q2	406.0	7.8	13.7	42.5	47.5	30.6	17.5	8.5	33.7	119.8	45.4	14.6	37.0	20.0	27.3
Q3	411.6	8.0	13.4	42.2	48.0	33.4	17.9	8.2	35.2	123.6	47.7	14.0	37.4	21.1	23.2
Q4	372.8	7.2	11.5	36.9	43.8	24.2	17.4	7.1	33.7	113.4	46.5	13.5	30.6	19.7	27.3
2009 Q1	320.1	6.9	9.3	31.4	39.0	17.4	16.7	6.6	33.1	98.6	42.2	11.4	23.8	14.9	22.5
Q2	304.1	.	.	.	.	17.8	16.1	6.3	28.2	91.6	39.8	10.2	22.9	14.2	.
2009 Jan.	108.4	2.3	3.1	10.7	12.8	6.2	5.6	2.1	10.3	34.1	14.6	4.3	8.1	4.9	8.3
Feb.	105.5	2.3	3.1	10.3	12.7	5.2	5.6	2.2	11.0	32.1	13.7	3.6	8.2	4.9	7.9
Mar.	106.2	2.3	3.1	10.4	13.4	6.0	5.5	2.3	11.8	32.5	13.9	3.5	7.5	5.1	6.3
Apr.	103.1	2.1	2.9	10.0	12.9	5.7	5.5	2.0	9.4	31.5	13.8	3.4	7.9	4.8	8.4
May	100.5	2.1	2.9	10.0	12.9	5.8	5.3	2.1	9.8	30.4	13.1	3.4	7.3	4.6	7.3
June	100.5	.	.	.	.	6.3	5.2	2.1	9.1	29.7	12.9	3.4	7.7	4.7	.
	% share of total imports														
2008	100.0	1.9	3.3	10.4	11.6	7.4	4.4	2.0	8.6	30.0	11.6	3.6	8.7	5.1	6.6
	Balance														
2007	16.6	5.4	3.5	61.3	46.7	-34.3	15.1	9.0	64.2	-159.6	-112.0	-24.8	-25.8	-13.4	44.4
2008	-29.7	4.9	1.8	56.5	45.9	-39.3	16.6	10.5	49.9	-169.7	-118.6	-23.1	-38.9	-12.7	44.8
2008 Q1	-4.2	1.6	0.3	13.7	12.5	-9.8	4.5	3.8	15.0	-41.9	-27.6	-5.9	-10.5	-4.0	10.6
Q2	-7.2	1.3	0.8	15.8	12.5	-10.3	4.6	2.8	13.7	-41.9	-28.6	-6.0	-12.0	-3.3	8.7
Q3	-12.0	1.1	0.7	14.3	12.3	-12.6	3.9	2.7	11.3	-46.9	-31.7	-5.8	-10.7	-3.2	15.1
Q4	-6.3	0.8	0.0	12.7	8.5	-6.6	3.7	1.3	9.9	-39.0	-30.8	-5.3	-5.7	-2.2	10.4
2009 Q1	-9.3	0.5	0.6	10.8	4.8	-4.8	3.2	1.1	6.5	-33.1	-26.8	-4.4	-0.4	-2.2	3.7
Q2	2.5	.	.	.	.	-5.6	3.1	2.0	9.0	-22.3	-23.2	-3.2	-0.4	-2.0	.
2009 Jan.	-5.0	0.4	0.1	3.4	2.0	-2.0	1.1	0.3	2.6	-13.4	-9.9	-1.9	-0.3	-0.7	1.5
Feb.	-2.5	0.0	0.2	3.6	1.5	-0.9	1.1	0.3	1.9	-9.9	-8.6	-1.1	-0.3	-0.6	0.6
Mar.	-1.9	0.1	0.3	3.8	1.3	-1.9	0.9	0.4	1.9	-9.8	-8.3	-1.3	0.3	-0.9	1.6
Apr.	0.3	0.1	0.3	4.2	1.5	-1.5	0.9	0.7	3.2	-8.4	-8.2	-1.1	-0.3	-0.6	0.2
May	1.1	0.0	0.2	3.8	1.2	-2.0	1.0	0.7	2.6	-7.4	-7.5	-1.1	0.1	-0.6	1.4
June	1.0	.	.	.	.	-2.1	1.2	0.6	3.2	-6.5	-7.5	-1.0	-0.2	-0.9	.

Source: Eurostat.

8 EXCHANGE RATES

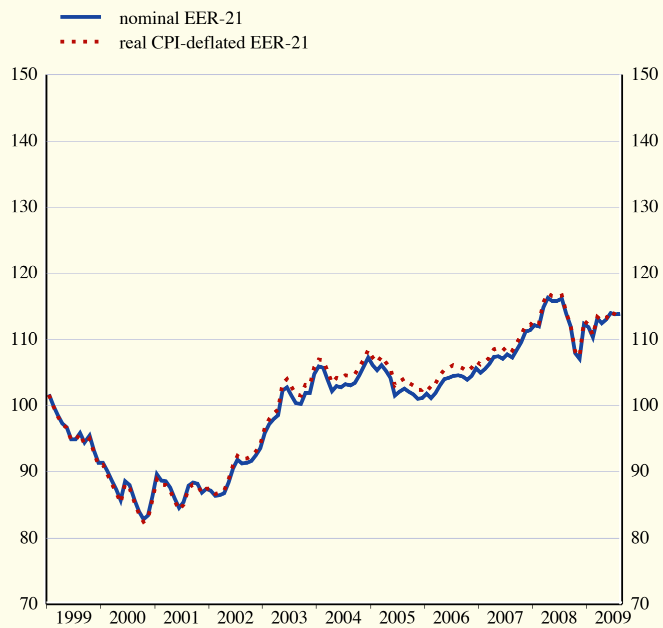
8.1 Effective exchange rates [1)]

(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
2006	103.7	105.0	103.3	102.3	102.2	100.7	110.1	103.8
2007	107.9	109.0	107.2	105.7	105.1	103.8	114.3	107.1
2008	113.0	113.6	110.3	110.3	111.0	109.0	120.0	111.1
2008 Q2	116.0	116.7	113.5	113.2	113.4	112.1	122.9	114.1
Q3	114.1	114.3	110.6	111.3	112.1	109.9	120.8	111.6
Q4	109.1	109.6	105.8	106.3	108.9	105.5	116.7	107.7
2009 Q1	111.9	112.2	107.2	108.5	114.0	109.3	120.1	110.4
Q2	113.2	113.5	108.0	.	.	.	121.1	111.3
2008 Aug.	113.9	114.1	110.5	-	-	-	120.3	111.1
Sep.	112.0	112.1	108.4	-	-	-	118.7	109.4
Oct.	107.9	108.2	104.7	-	-	-	115.4	106.4
Nov.	107.1	107.5	103.8	-	-	-	114.5	105.6
Dec.	112.4	112.9	108.7	-	-	-	120.3	111.0
2009 Jan.	111.9	112.3	107.5	-	-	-	119.9	110.4
Feb.	110.4	110.7	105.7	-	-	-	118.6	109.1
Mar.	113.3	113.4	108.2	-	-	-	121.6	111.7
Apr.	112.5	112.8	107.3	-	-	-	120.5	110.7
May	113.0	113.3	107.8	-	-	-	120.9	111.0
June	114.0	114.3	108.8	-	-	-	122.0	112.0
July	113.8	113.8	109.3	-	-	-	121.9	111.6
Aug.	113.9	113.7	109.7	-	-	-	122.0	111.6
	% change versus previous month							
2009 Aug.	0.1	0.0	0.4	-	-	-	0.1	0.0
	% change versus previous year							
2009 Aug.	0.0	-0.3	-0.7	-	-	-	1.4	0.4

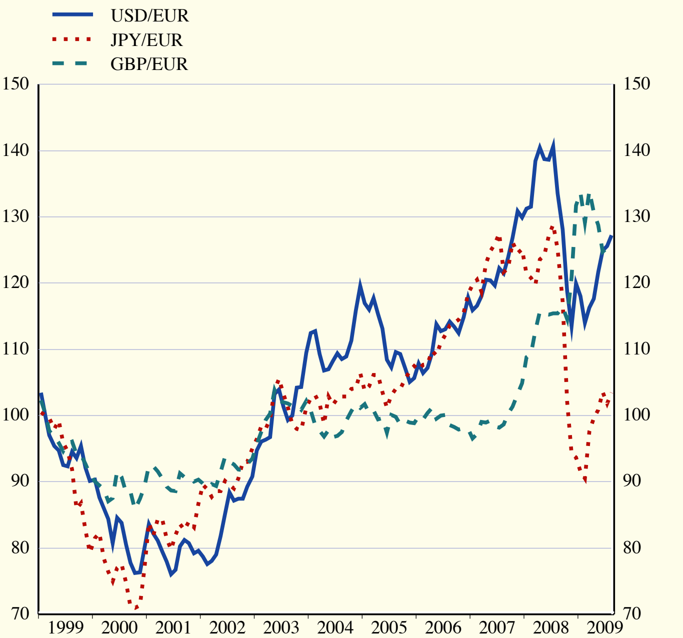
C36 Effective exchange rates

(monthly averages; index 1999 Q1=100)



C37 Bilateral exchange rates

(monthly averages; index 1999 Q1=100)



Source: ECB.

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

8.2 Bilateral exchange rates

(period averages; units of national currency per euro)

	Danish krone	Swedish krona	Pound sterling	US dollar	Japanese yen	Swiss franc	South Korean won	Hong Kong dollar	Singapore dollar	Canadian dollar	Norwegian krone	Australian dollar
	1	2	3	4	5	6	7	8	9	10	11	12
2006	7.4591	9.2544	0.68173	1.2556	146.02	1.5729	1,198.58	9.7545	1.9941	1.4237	8.0472	1.6668
2007	7.4506	9.2501	0.68434	1.3705	161.25	1.6427	1,272.99	10.6912	2.0636	1.4678	8.0165	1.6348
2008	7.4560	9.6152	0.79628	1.4708	152.45	1.5874	1,606.09	11.4541	2.0762	1.5594	8.2237	1.7416
2008 Q4	7.4512	10.2335	0.83907	1.3180	126.71	1.5249	1,796.44	10.2191	1.9588	1.5916	8.9328	1.9606
2009 Q1	7.4514	10.9410	0.90878	1.3029	122.04	1.4977	1,847.59	10.1016	1.9709	1.6223	8.9472	1.9648
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
2009 Feb.	7.4514	10.9069	0.88691	1.2785	118.30	1.4904	1,843.90	9.9128	1.9411	1.5940	8.7838	1.9723
Mar.	7.4509	11.1767	0.91966	1.3050	127.65	1.5083	1,894.48	10.1138	1.9949	1.6470	8.8388	1.9594
Apr.	7.4491	10.8796	0.89756	1.3190	130.25	1.5147	1,760.14	10.2229	1.9823	1.6188	8.7867	1.8504
May	7.4468	10.5820	0.88445	1.3650	131.85	1.5118	1,710.18	10.5807	1.9939	1.5712	8.7943	1.7831
June	7.4457	10.8713	0.85670	1.4016	135.39	1.5148	1,768.80	10.8638	2.0357	1.5761	8.9388	1.7463
July	7.4458	10.8262	0.86092	1.4088	133.09	1.5202	1,778.43	10.9182	2.0421	1.5824	8.9494	1.7504
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
	% change versus previous month											
2009 Aug.	0.0	-5.6	0.2	1.3	1.7	0.2	-0.5	1.3	0.8	-1.9	-3.2	-2.4
	% change versus previous year											
2009 Aug.	-0.2	8.8	8.8	-4.7	-17.3	-6.0	12.9	-5.4	-2.1	-1.5	8.6	0.7

	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
2006	28.342	15.6466	0.6962	3.4528	264.26	3.8959	1.9558	3.5258	7.3247	1.8090
2007	27.766	15.6466	0.7001	3.4528	251.35	3.7837	1.9558	3.3353	7.3376	1.7865
2008	24.946	15.6466	0.7027	3.4528	251.51	3.5121	1.9558	3.6826	7.2239	1.9064
2008 Q4	25.344	15.6466	0.7090	3.4528	263.36	3.7658	1.9558	3.8165	7.1752	2.0261
2009 Q1	27.601	15.6466	0.7061	3.4528	294.19	4.4988	1.9558	4.2682	7.4116	2.1635
Q2	26.679	15.6466	0.7065	3.4528	285.71	4.4523	1.9558	4.1963	7.3528	2.1410
2009 Feb.	28.461	15.6466	0.7056	3.4528	298.30	4.6467	1.9558	4.2864	7.4309	2.1280
Mar.	27.231	15.6466	0.7083	3.4528	304.14	4.6210	1.9558	4.2828	7.4430	2.2340
Apr.	26.774	15.6466	0.7093	3.4528	295.26	4.4326	1.9558	4.2041	7.4172	2.1277
May	26.731	15.6466	0.7092	3.4528	281.93	4.4103	1.9558	4.1700	7.3515	2.1251
June	26.545	15.6466	0.7015	3.4528	280.46	4.5084	1.9558	4.2131	7.2954	2.1675
July	25.793	15.6466	0.7006	3.4528	272.06	4.2965	1.9558	4.2184	7.3307	2.1378
Aug.	25.646	15.6466	0.7013	3.4528	270.05	4.1311	1.9558	4.2183	7.3287	2.1236
	% change versus previous month									
2009 Aug.	-0.6	0.0	0.1	0.0	-0.7	-3.9	0.0	0.0	0.0	-0.7
	% change versus previous year									
2009 Aug.	5.6	0.0	-0.4	0.0	14.5	25.5	0.0	19.6	1.9	20.2

	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
2006	2.7333	10.0096	87.76	56.8435	11,512.37	4.6044	13.6936	1.9373	64.379	34.1117	8.5312	47.594
2007	2.6594	10.4178	87.63	56.4186	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
2008 Q4	3.0102	9.0155	261.87	64.0069	14,469.21	4.6798	17.1856	2.2829	63.653	35.9649	13.0786	45.904
2009 Q1	3.0168	8.9066	-	64.7948	15,174.96	4.7259	18.7267	2.4498	62.133	44.4165	12.9740	46.038
Q2	2.8245	9.3107	-	66.3982	14,334.53	4.8340	18.1648	2.2565	65.097	43.7716	11.5242	47.294
2009 Feb.	2.9685	8.7406	-	62.8849	15,233.33	4.6466	18.6536	2.4851	60.832	45.8079	12.8005	45.156
Mar.	3.0198	8.9210	-	66.8026	15,477.84	4.7949	19.1278	2.4527	63.105	45.1451	12.9870	46.667
Apr.	2.9197	9.0110	-	66.0471	14,552.65	4.7562	17.7645	2.3123	63.462	44.2135	11.8784	46.741
May	2.8232	9.3157	-	66.1762	14,137.45	4.8057	17.9969	2.2663	64.600	43.5678	11.4475	47.241
June	2.7391	9.5786	-	66.9191	14,315.40	4.9305	18.6813	2.1967	67.036	43.5553	11.2718	47.844
July	2.7221	9.6246	-	68.2333	14,241.51	4.9963	18.8143	2.1873	67.724	44.3881	11.2007	47.969
Aug.	2.6314	9.7485	-	68.9570	14,270.78	5.0185	18.5571	2.1097	68.803	45.1972	11.3415	48.543
	% change versus previous month											
2009 Aug.	-3.3	1.3	-	1.1	0.2	0.4	-1.4	-3.5	1.6	1.8	1.3	1.2
	% change versus previous year											
2009 Aug.	9.2	-5.0	-	7.2	4.2	0.7	22.7	0.0	2.2	24.7	-1.1	-4.2

Source: ECB.

1) For these currencies the ECB computes and publishes euro reference exchange rates as from 1 January 2008. Previous data are indicative.

2) The most recent rate for the Icelandic krona refers to 3 December 2008.

3) For this currency the ECB computes and publishes euro reference exchange rates as from 1 January 2009. Previous data are indicative.

DEVELOPMENTS OUTSIDE THE EURO AREA

9.1 In other EU Member States

(annual percentage changes, unless otherwise indicated)

1. Economic and financial developments

	Bulgaria	Czech Republic	Denmark	Estonia	Latvia	Lithuania	Hungary	Poland	Romania	Sweden	United Kingdom
	1	2	3	4	5	6	7	8	9	10	11
					HICP						
2007	7.6	3.0	1.7	6.7	10.1	5.8	7.9	2.6	4.9	1.7	2.3
2008	12.0	6.3	3.6	10.6	15.3	11.1	6.0	4.2	7.9	3.3	3.6
2008 Q4	9.0	4.4	3.0	8.7	11.9	9.4	4.2	3.6	6.9	2.7	3.9
2009 Q1	5.1	1.5	1.7	3.7	9.0	8.4	2.7	3.6	6.8	2.1	3.0
Q2	3.1	1.0	1.1	0.2	4.4	4.9	3.6	4.3	6.1	1.7	2.1
2009 Mar.	4.0	1.7	1.6	2.5	7.9	7.4	2.8	4.0	6.7	1.9	2.9
Apr.	3.8	1.3	1.1	0.9	5.9	5.9	3.2	4.3	6.5	1.8	2.3
May	3.0	0.9	1.1	0.3	4.4	4.9	3.8	4.2	5.9	1.7	2.2
June	2.6	0.8	0.9	-0.5	3.1	3.9	3.7	4.2	5.9	1.6	1.8
July	1.0	-0.1	0.7	-0.4	2.1	2.6	4.9	4.5	5.0	1.8	1.8
					General government deficit (-)/surplus (+) as a % of GDP						
2006	3.0	-2.6	5.2	2.9	-0.5	-0.4	-9.2	-3.9	-2.2	2.5	-2.7
2007	0.1	-0.6	4.5	2.7	-0.4	-1.0	-4.9	-1.9	-2.5	3.8	-2.7
2008	1.5	-1.5	3.6	-3.0	-4.0	-3.2	-3.4	-3.9	-5.4	2.5	-5.5
					General government gross debt as a % of GDP						
2006	22.7	29.6	31.3	4.3	10.7	18.0	65.6	47.7	12.4	45.9	43.4
2007	18.2	28.9	26.8	3.5	9.0	17.0	65.8	44.9	12.7	40.5	44.2
2008	14.1	29.8	33.3	4.8	19.5	15.6	73.0	47.1	13.6	38.0	52.0
					Long-term government bond yield as a % per annum, period average						
2009 Feb.	7.09	4.74	3.55	-	11.50	14.50	10.65	5.97	8.42	2.93	3.23
Mar.	7.73	5.16	3.44	-	11.32	14.50	11.65	6.22	9.38	2.94	3.00
Apr.	7.24	5.25	3.50	-	11.15	14.50	10.63	6.19	9.77	3.18	3.16
May	7.08	5.06	3.62	-	11.09	14.50	10.01	6.31	8.32	3.57	3.41
June	7.30	5.45	3.76	-	12.75	14.50	10.15	6.34	11.26	3.62	3.53
July	7.56	5.41	3.74	-	12.75	14.50	8.81	6.19	11.46	3.37	3.55
					3-month interest rate as a % per annum, period average						
2009 Feb.	6.61	2.50	3.86	6.90	10.65	7.19	-	4.69	14.61	1.52	2.09
Mar.	6.58	2.49	3.28	7.11	12.08	7.11	-	4.30	14.49	1.16	1.83
Apr.	6.05	2.50	2.94	6.51	12.43	6.94	9.56	4.20	13.61	1.00	1.53
May	5.98	2.30	2.67	6.27	13.41	6.81	11.30	4.52	11.23	0.95	1.36
June	5.94	2.17	2.35	6.20	21.25	8.14	-	4.60	10.22	0.97	1.24
July	5.69	2.09	2.06	6.16	16.94	8.41	10.13	4.26	9.21	0.67	1.00
					Real GDP						
2007	6.2	6.1	1.6	6.3	10.0	8.9	1.2	6.8	6.2	2.6	2.6
2008	6.0	3.0	-1.2	-3.6	-4.6	3.0	0.6	4.9	7.1	-0.2	0.7
2008 Q4	3.5	-0.1	-3.7	-9.7	-10.8	-1.3	-2.2	2.6	2.9	-5.1	-1.8
2009 Q1	-3.5	-3.4	-4.3	-15.1	-18.6	-11.6	-5.6	1.7	-6.2	-6.3	-4.9
Q2	.	.	.	.	-18.2	-20.4	-7.4	1.4	-8.7	-6.3	-5.5
					Current and capital accounts balance as a % of GDP						
2007	-27.2	-2.6	0.7	-16.9	-20.6	-12.8	-5.3	-3.6	-12.9	8.5	-2.5
2008	-24.5	-2.2	2.3	-7.7	-11.2	-9.7	-7.6	-4.4	-11.8	7.6	-1.5
2008 Q4	-28.7	-5.2	2.6	-3.4	-7.0	-2.9	-10.0	-4.9	-8.3	5.5	-2.0
2009 Q1	-15.3	4.6	0.1	1.2	4.1	4.6	1.1	3.2	-3.4	7.3	-2.4
Q2	.	.	.	.	.	3.8	.	2.6	-5.0	3.5	.
					Unit labour costs						
2007	14.2	2.9	4.2	19.7	27.3	10.3	5.2	2.6	.	4.7	3.0
2008	16.2	6.1	7.1	16.7	23.0	10.6	.	6.5	.	2.6	2.3
2008 Q3	13.0	4.1	7.9	19.6	24.5	12.0	-	4.8	-	2.0	1.7
Q4	17.5	7.9	9.1	13.8	18.5	9.3	-	12.2	-	6.0	1.6
2009 Q1	16.1	4.4	7.2	9.9	3.6	10.0	-	3.9	-	8.2	3.1
					Standardised unemployment rate as a % of labour force (s.a.)						
2007	6.9	5.3	3.8	4.6	6.0	4.3	7.4	9.6	6.4	6.1	5.3
2008	5.6	4.4	3.4	5.6	7.5	5.9	7.8	7.2	5.8	6.2	5.6
2008 Q4	5.2	4.5	3.9	7.7	10.3	8.1	8.1	6.9	5.9	6.8	6.3
2009 Q1	6.0	5.5	4.8	11.0	13.3	11.1	9.3	7.7	6.2	7.5	7.1
Q2	6.7	6.1	5.9	13.3	16.3	14.3	10.2	8.2	.	8.6	.
2009 Mar.	6.4	5.8	5.2	-	14.2	12.1	9.7	8.0	6.2	7.9	7.3
Apr.	6.5	6.0	5.7	-	15.4	13.0	10.0	8.2	.	8.3	7.5
May	6.6	6.1	5.9	-	16.4	14.3	10.3	8.2	.	8.6	7.7
June	6.8	6.3	6.1	-	17.1	15.6	10.3	8.2	.	8.9	.
July	7.0	6.4	5.9	-	17.4	16.7	10.3	8.2	.	9.2	.

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

9.2 In the United States and Japan

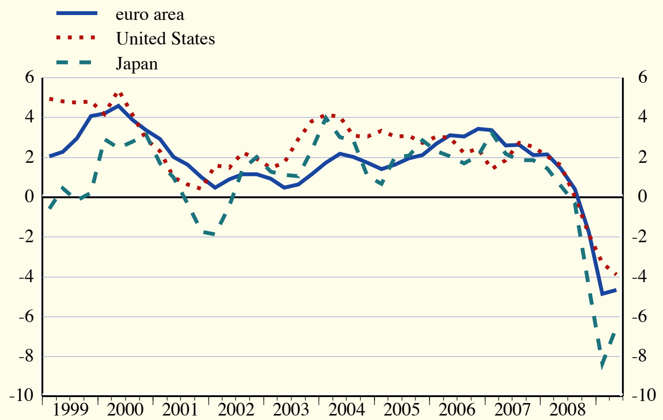
(annual percentage changes, unless otherwise indicated)

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						
2005	3.4	2.3	3.1	4.2	5.1	4.2	3.57	4.84	1.2441	-3.3	48.2
2006	3.2	2.8	2.7	2.7	4.6	5.0	5.20	5.41	1.2556	-2.2	47.7
2007	2.9	2.3	2.1	1.6	4.6	5.8	5.30	5.35	1.3705	-2.8	48.3
2008	3.8	1.0	0.4	-3.1	5.8	6.9	2.93	4.39	1.4708	-6.5	56.0
2008 Q2	4.4	0.1	1.6	-0.9	5.4	6.5	2.75	4.66	1.5622	-6.9	48.8
Q3	5.3	1.8	0.0	-3.9	6.1	6.1	2.91	4.69	1.5050	-6.4	52.0
Q4	1.6	1.7	-1.9	-8.7	6.9	8.3	2.77	3.71	1.3180	-8.1	56.0
2009 Q1	0.0	0.6	-3.3	-14.0	8.1	9.5	1.24	3.03	1.3029	-9.8	59.7
Q2	-1.2	-0.6	-3.9	-15.0	9.3	8.7	0.84	3.63	1.3632	.	.
2009 Apr.	-0.7	-	-	-14.4	8.9	8.3	1.11	3.17	1.3190	-	-
May	-1.3	-	-	-15.2	9.4	8.8	0.82	3.54	1.3650	-	-
June	-1.4	-	-	-15.4	9.5	9.0	0.62	4.17	1.4016	-	-
July	-2.1	-	-	-14.3	9.4	8.1	0.52	3.92	1.4088	-	-
Aug.	.	-	-	.	.	.	0.42	4.00	1.4268	-	-
					Japan						
2005	-0.3	-2.1	1.9	1.4	4.4	1.8	0.06	1.49	136.85	-6.7	163.2
2006	0.2	-0.5	2.0	4.5	4.1	1.0	0.30	1.98	146.02	-1.6	160.0
2007	0.1	-1.1	2.3	2.8	3.8	1.6	0.79	1.89	161.25	-2.5	156.1
2008	1.4	1.6	-0.7	-3.4	4.0	2.1	0.93	1.67	152.45	.	.
2008 Q2	1.4	0.5	0.6	0.8	4.0	2.0	0.92	1.85	163.35	.	.
Q3	2.2	1.3	-0.3	-1.4	4.0	2.2	0.90	1.75	161.83	.	.
Q4	1.0	4.4	-4.5	-14.6	4.0	1.8	0.96	1.46	126.71	.	.
2009 Q1	-0.1	5.0	-8.3	-34.6	4.5	2.1	0.67	1.24	122.04	.	.
Q2	-1.0	.	-6.5	-27.9	5.2	2.6	0.53	1.41	132.59	.	.
2009 Apr.	-0.1	-	-	-30.7	5.0	2.7	0.57	1.41	130.25	-	-
May	-1.1	-	-	-29.6	5.2	2.7	0.53	1.38	131.85	-	-
June	-1.8	-	-	-23.6	5.4	2.5	0.49	1.43	135.39	-	-
July	-2.2	-	-	-22.9	5.7	2.7	0.43	1.39	133.09	-	-
Aug.	.	-	-	.	.	.	0.40	1.49	135.31	-	-

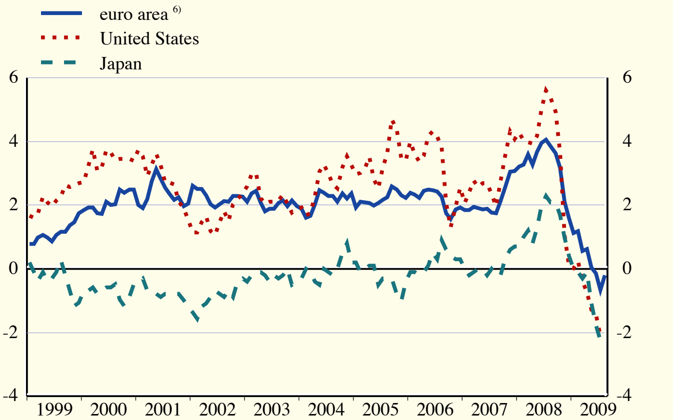
C38 Real gross domestic product

(annual percentage changes; quarterly)



C39 Consumer price indices

(annual percentage changes; monthly)



Sources: National data (columns 1, 2 (United States), 3, 4, 5 (United States), 6, 9 and 10); OECD (column 2 (Japan)); Eurostat (column 5 (Japan), euro area chart data); Reuters (columns 7 and 8); ECB calculations (column 11).
1) Seasonally adjusted. The data for the United States refer to the private non-agricultural business sector.
2) Average-of-period values; M2 for US, M2+CDs for Japan.
3) Percentages per annum. For further information on 3-month interbank deposit rate, see Section 4.6.
4) For more information, see Section 8.2.
5) Gross consolidated general government debt (end of period).
6) Data refer to the changing composition of the euro area. For further information, see the General notes.

LIST OF CHARTS

TECHNICAL NOTES

RELATING TO THE EURO AREA OVERVIEW

CALCULATION OF GROWTH RATES FOR MONETARY DEVELOPMENTS

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

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

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

RELATING TO SECTIONS 2.1 TO 2.6

CALCULATION OF TRANSACTIONS

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

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

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

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

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

where L_{t-3} is the amount outstanding at the end of month t-3 (the end of the previous quarter) and, for example, C_t^Q is the reclassification adjustment in the quarter ending in month t.

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

CALCULATION OF GROWTH RATES FOR MONTHLY SERIES

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

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

The base of the index (of the non-seasonally adjusted series) is currently set as December 2006 = 100. Time series of the index of adjusted outstanding amounts are available on the ECB's website (www.ecb.europa.eu) under the "Money, banking and financial markets" sub-section of the "Statistics" section.

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

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

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

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

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

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

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

CALCULATION OF GROWTH RATES FOR QUARTERLY SERIES

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

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

The annual growth rate in the four quarters ending in month t, i.e. a_t, may be calculated using formula g).

SEASONAL ADJUSTMENT OF THE EURO AREA MONETARY STATISTICS [1]

The approach used relies on a multiplicative decomposition through X-12-ARIMA.[2] The seasonal adjustment may include a day-of-the-week adjustment, and for some series is carried out indirectly by means of a linear combination of components. In particular, this is the case for M3, derived by aggregating the seasonally adjusted series for M1, M2 less M1, and M3 less M2.

The seasonal adjustment procedures are first applied to the index of adjusted outstanding amounts.[3] The resulting estimates of the seasonal factors are then applied to the levels and to the adjustments arising from reclassifications and revaluations, in turn yielding seasonally adjusted transactions. Seasonal (and trading day) factors are revised at annual intervals or as required.

RELATING TO SECTIONS 3.1 TO 3.5

EQUALITY OF USES AND RESOURCES

In Table 3.1 the data conform to a basic accounting identity. As regards non-financial transactions, total uses equal total resources for each transaction category. Likewise in the financial account, this accounting identity is also reflected, i.e. for each financial instrument category, total transactions in financial assets equal total transactions in liabilities. In the other changes in assets account and the financial balance sheets, total financial assets equal total liabilities for each financial instrument category, with the exception of monetary gold and special drawing rights, which are by definition not a liability of any sector.

CALCULATION OF BALANCING ITEMS

The balancing items at the end of each account in Tables 3.1 and 3.2 are computed as follows:

The trade balance equals imports minus exports of goods and services vis-à-vis the euro area rest of the world.

1 For details, see “Seasonal adjustment of monetary aggregates and HICP for the euro area”, ECB (August 2000) and the “Statistics” section of the ECB’s website (www.ecb.europa.eu), under the “Money, banking and financial markets” sub-section.

2 For details, see Findley, D., Monsell, B., Bell, W., Otto, M., and Chen, B. C. (1998), “New Capabilities and Methods of the X-12-ARIMA Seasonal Adjustment Program”, Journal of Business and Economic Statistics, 16, 2, pp.127-152, or “X-12-ARIMA Reference Manual”, Time Series Staff, Bureau of the Census, Washington, D.C.
For internal purposes, the model-based approach of TRAMO-SEATS is also used. For details on TRAMO-SEATS, see Gomez, V. and Maravall, A. (1996), “Programs TRAMO and SEATS: Instructions for the User”, Banco de España, Working Paper No. 9628, Madrid.

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

Net operating surplus and mixed income is defined for resident sectors only and is calculated as gross value added (gross domestic product at market prices for the euro area) minus compensation of employees (uses) minus other taxes less subsidies on production (uses) minus consumption of fixed capital (uses).

Net national income is defined for resident sectors only and is computed as net operating surplus and mixed income plus compensation of employees (resources) plus taxes less subsidies on production (resources) plus net property income (resources minus uses).

Net disposable income is also only defined for resident sectors and equals net national income plus net current taxes on income and wealth (resources minus uses) plus net social contributions (resources minus uses) plus net social benefits other than social transfers in kind (resources minus uses) plus net other current transfers (resources minus uses).

Net saving is defined for resident sectors and is calculated as net disposable income plus the net adjustment for the change in net equity of households in pension funds reserves (resources minus uses) minus final consumption expenditure (uses). For the rest of the world, current external account is compiled as the trade balance plus all net income (resources minus uses).

Net lending/net borrowing is computed from the capital account as net saving plus net capital transfers (resources minus uses) minus gross capital formation (uses) minus acquisitions less disposals of non-produced non-financial assets (uses) plus consumption of fixed capital (resources). It can also be calculated in the financial account as total transactions in financial assets minus total transactions in liabilities (also known as changes in netfinancial worth (wealth) due to transactions). For the household and non-financial corporation sectors, there is a statistical discrepancy between these balancing items computed from the capital account and the financial account, respectively.

Changes in net worth (wealth) are calculated as changes in net worth (wealth) due to savings and capital transfers plus other changes in net financial worth (wealth). It currently excludes other changes in non-financial assets due to unavailability of data.

Net financial worth (wealth) is calculated as total financial assets minus total liabilities, whereas changes in net financial worth (wealth) are equal to the sum of changes in net financial worth (wealth) due to transactions (lending/ net borrowing from the financial account) and other changes in net financial worth (wealth).

Finally, changes in net financial worth (wealth) due to transactions are computed as total transactions in financial assets minus total transactions in liabilities and other changes in net financial worth (wealth) are calculated as total other changes in financial assets minus total other changes in liabilities.

RELATING TO SECTION 4.3 AND 4.4

CALCULATION OF GROWTH RATES FOR DEBT SECURITIES AND QUOTED SHARES

Growth rates are calculated on the basis of financial transactions and therefore exclude reclassifications, revaluations, exchange rate variations and any other changes which do not arise from transactions. They may be calculated from transactions or from the index of notional stocks. If N_t^M represents the transactions (net issues) in month t and L_t the level outstanding at the end of the month t, the index I_t of notional stocks in month t is defined as:

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

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

k) $$a_t = \left[\prod_{i=0}^{11}\left(1 + {N^M_{t-i}}\big/{L_{t-1-i}}\right) - 1\right] \times 100$$

l) $$a_t = \left({I_t}\big/{I_{t-12}} - 1\right) \times 100$$

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

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

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

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 basis for the calculation are financial transactions, which exclude reclassifications, revaluations or any other changes that do not arise from transactions. Exchange rate variations are not included as all quoted shares covered are denominated in euro.

SEASONAL ADJUSTMENT OF SECURITIES ISSUES STATISTICS [4]

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

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

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

o) $$a_t = \left[\prod_{i=0}^{5}\left(1 + {N^M_{t-i}}\big/{L_{t-1-i}}\right) - 1\right] \times 100$$

p) $$a_t = \left({I_t}\big/{I_{t-6}} - 1\right) \times 100$$

RELATING TO TABLE 1 IN SECTION 5.1

SEASONAL ADJUSTMENT OF THE HICP [4]

The approach used relies on multiplicative decomposition through X-12-ARIMA (see footnote 2 on page S78). The seasonal adjustment of the overall HICP for the euro area is carried out indirectly by aggregating the seasonally adjusted euro area series for processed food, unprocessed food, industrial goods excluding energy, and services. Energy is added without adjustment since there is no statistical evidence of seasonality. Seasonal factors are revised at annual intervals or as required.

4 For details, see "Seasonal adjustment of monetary aggregates and HICP for the euro area", ECB (August 2000) and the "Statistics" section of the ECB's website (www.ecb.europa.eu), under the "Money, banking and financial markets" sub-section.

RELATING TO TABLE 2 IN SECTION 7.1

SEASONAL ADJUSTMENT OF THE BALANCE OF PAYMENTS CURRENT ACCOUNT

The approach relies on multiplicative decomposition through X-12-ARIMA (see footnote 2 on page S78). The raw data for goods, services and income are pre-adjusted to take a working-day effect into account. The working-day adjustment in goods and services is corrected for national public holidays. The seasonal adjustment for these items is carried out using these pre-adjusted series. The seasonal adjustment of the total current account is carried out by aggregating the seasonally adjusted euro area series for goods, services, income and current transfers. Seasonal (and trading day) factors are revised at semi-annual intervals or as required.

RELATING TO SECTION 7.3

CALCULATION OF GROWTH RATES FOR THE QUARTERLY AND ANNUAL SERIES

The annual growth rate for quarter t is calculated on the basis of quarterly transactions (F_t) and positions (L_t), as follows:

$$a_t = \left(\prod_{i=t-3}^{t} \left(1 + \frac{F_i}{L_{i-1}} \right) - 1 \right) \times 100$$

The growth rate for the annual series is equal to the growth rate in the last quarter of the year.

GENERAL NOTES

The "Euro area statistics" section of the Monthly Bulletin focuses on statistics for the euro area as a whole. More detailed and longer runs of data, with further explanatory notes, are available in the "Statistics" section of the ECB's website (www.ecb.europa.eu). This allows user-friendly access to data via the ECB's Statistical Data Warehouse (http://sdw.ecb.europa.eu/), which includes search and download facilities. Further services available under the "Data services" sub-section include the subscription to different datasets and a repository of compressed Comma Separated Value (CSV) files. For further information, please contact us at: statistics@ecb.europa.eu.

In general, the cut-off date for the statistics included in the Monthly Bulletin is the day preceding the first meeting in the month of the ECB's Governing Council. For this issue, the cut-off date was 2 September 2009.

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

The statistical series referring to the changing composition of the euro area are based on the euro area composition at the time to which the statistics relate. Thus, data prior to 2001 refer to the Euro 11, i.e. the following 11 EU Member States: Belgium, Germany, Ireland, Spain, France, Italy, Luxembourg, the Netherlands, Austria, Portugal and Finland. Data from 2001 to 2006 refer to the Euro 12, i.e. the Euro 11 plus Greece. Data for 2007 refer to the Euro 13, i.e. the Euro 12 plus Slovenia. Data for 2008 refer to the Euro 15, i.e. the Euro 13 plus Cyprus and Malta, and data as of 2009 refer to the Euro 16, i.e. the Euro 15 plus Slovakia.

Given that the composition of the European currency unit (ECU) does not coincide with the former currencies of the countries that have adopted the single currency, pre-1999 amounts originally expressed in the participating currencies and converted into ECU at current ECU exchange rates are affected by movements in the currencies of EU Member States that have not adopted the euro. To avoid this effect on the monetary statistics, the pre-1999 data in Sections 2.1 to 2.8 are expressed in units converted from national currencies at the irrevocable euro exchange rates established on 31 December 1998. Unless otherwise indicated, price and cost statistics before 1999 are based on data expressed in national currency terms.

Methods of aggregation and/or consolidation (including cross-country consolidation) have been used where appropriate.

Recent data are often provisional and may be revised. Discrepancies between totals and their components may arise from rounding.

The group "Other EU Member States" comprises Bulgaria, the Czech Republic, Denmark, Estonia, Latvia, Lithuania, Hungary, Poland, Romania, Sweden and the United Kingdom.

In most cases, the terminology used within the tables follows international standards, such as those contained in the European System of Accounts 1995 (ESA 95) and the IMF Balance of Payments Manual. Transactions refer to voluntary exchanges (measured directly or derived), while flows also encompass changes in outstanding amounts owing to price and exchange rate changes, write-offs, and other changes.

In the tables, the term "up to (x) years" means "up to and including (x) years".

OVERVIEW

Developments in key indicators for the euro area are summarised in an overview table.

MONETARY POLICY STATISTICS

Section 1.4 shows statistics on minimum reserve and liquidity factors. Maintenance periods for minimum reserve requirements start every month on the settlement day of the main refinancing operation (MRO) following the Governing Council meeting at which the monthly assessment of the monetary policy stance is scheduled, and end on the day preceding the corresponding settlement day in the following month. Annual and quarterly observations refer to averages of the last reserve maintenance period of the year/quarter.

Table 1 in Section 1.4 shows the components of the reserve base of credit institutions subject to reserve requirements. The liabilities vis-à-vis other credit institutions subject to the ESCB's minimum reserve system, the ECB and participating national central banks (NCBs) are excluded from the reserve base. When a credit institution cannot provide evidence of the amount of its issues of debt securities with a maturity of up to two years held by the institutions mentioned above, it may deduct a certain percentage of these liabilities from its reserve base. The percentage for calculating the reserve base was 10% until November 1999 and 30% thereafter.

Table 2 in Section 1.4 contains average data for completed maintenance periods. The amount of the reserve requirement of each individual credit institution is first calculated by applying the reserve ratio for the corresponding categories of liabilities to the eligible liabilities, using the balance sheet data from the end of each calendar month. Subsequently, each credit institution deducts from this figure a lump-sum allowance of €100,000. The resulting required reserves are then aggregated at the euro area level (column 1). The current account holdings (column 2) are the aggregate average daily current account holdings of credit institutions, including those that serve the fulfilment of reserve requirements. The excess reserves (column 3) are the average current account holdings over the maintenance period in excess of the required reserves. The deficiencies (column 4) are defined as the average shortfalls of current account holdings from required reserves over the maintenance period, computed on the basis of those credit institutions that have not fulfilled their reserve requirement. The interest rate on minimum reserves (column 5) is equal to the average, over the maintenance period, of the ECB's rate (weighted according to the number of calendar days) on the Eurosystem's MROs (see Section 1.3).

Table 3 in Section 1.4 shows the banking system's liquidity position, which is defined as the current account holdings in euro of credit institutions in the euro area with the Eurosystem. All amounts are derived from the consolidated financial statement of the Eurosystem. The other liquidity-absorbing operations (column 7) exclude the issuance of debt certificates initiated by NCBs in Stage Two of EMU. The net other factors (column 10) represent the netted remaining items in the consolidated financial statement of the Eurosystem. The credit institutions' current accounts (column 11) are equal to the difference between the sum of liquidity-providing factors (columns 1 to 5) and the sum of liquidity-absorbing factors (columns 6 to 10). The base money (column 12) is calculated as the sum of the deposit facility (column 6), the banknotes in circulation (column 8) and the credit institutions' current account holdings (column 11).

MONEY, BANKING AND INVESTMENT FUNDS

Section 2.1 shows the aggregated balance sheet of the monetary financial institution (MFI) sector, i.e. the sum of the harmonised balance sheets of all MFIs resident in the euro area. MFIs are central banks, credit institutions as defined under Community law, money market funds and other institutions whose business it is to receive deposits and/or close substitutes for deposits from entities other than MFIs and, for their own account (at least in economic terms), to grant credits and/or make investments in securities. A complete list of MFIs is published on the ECB's website.

Section 2.2 shows the consolidated balance sheet of the MFI sector, which is obtained by netting the aggregated balance sheet positions between MFIs in the euro area. Due to limited heterogeneity in recording practices, the sum of the inter-MFI positions is not necessarily zero; the balance is shown in column 10 of the liabilities side of Section 2.2. Section 2.3 sets out the euro area monetary aggregates and counterparts. These are derived from the consolidated MFI balance sheet, and include positions of non-MFIs resident in the euro area held with MFIs resident in the euro area; they also take account of some monetary assets/liabilities of central government. Statistics on monetary aggregates and counterparts are adjusted for seasonal and trading-day effects. The external liabilities item of Sections 2.1 and 2.2 shows the holdings by non-euro area residents of (i) shares/units issued by money market funds located in the euro area and (ii) debt securities issued with a maturity of up to two years by MFIs located in the euro area. In Section 2.3, however, these holdings are excluded from the monetary aggregates and contribute to the item "net external assets".

Section 2.4 provides an analysis by sector, type and original maturity of loans granted by MFIs other than the Eurosystem (the banking system) resident in the euro area. Section 2.5 shows an analysis, by sector and instrument, of deposits held with the euro area banking system. Section 2.6 shows the securities held by the euro area banking system, by type of issuer.

Sections 2.2 to 2.6 include transactions, which are derived as differences in outstanding amounts adjusted for reclassifications, revaluations, exchange rate variations and any other changes that do not arise from transactions. Section 2.7 shows selected revaluations that are used in the derivation of transactions. Sections 2.2 to 2.6 also provide growth rates in terms of annual percentage changes based on the transactions. Section 2.8 shows a quarterly currency breakdown of selected MFI balance sheet items.

Details of the sector definitions are set out in the "Monetary Financial Institutions and Markets Statistics Sector Manual – Guidance for the statistical classification of customers. Third Edition" (ECB, March 2007). The "Guidance Notes to the Regulation ECB/2001/13 on the MFI Balance Sheet Statistics" (ECB, November 2002) explains practices that NCBs are recommended to follow. Since 1 January 1999, the statistical information has been collected and compiled on the basis of Regulation ECB/1998/16 of 1 December 1998 concerning the consolidated balance sheet of the Monetary Financial Institutions sector[1], as last amended by Regulation ECB/2003/10[2].

In line with this Regulation, the balance sheet item "money market paper" has been merged with the item "debt securities" on both the assets and liabilities side of the MFI balance sheet.

Section 2.9 shows end-of-quarter outstanding amounts for the balance sheet of the euro area investment funds (other than money market funds). The balance sheet is aggregated and therefore includes, among the liabilities, holdings by investment funds of shares/units issued by other investment funds. Total assets/liabilities are also broken down by investment policy (equity funds, bond funds, mixed funds, real estate funds and other funds) and by type of investor (general public funds and special investors' funds). Section 2.10 shows the aggregated balance sheet for each investment fund sector, as identified by investment policy and type of investor.

1 OJ L 356, 30.12.1998, p. 7.
2 OJ L 250, 2.10.2003, p. 19.

EURO AREA ACCOUNTS

Section 3.1 shows quarterly integrated euro area accounts data, which provide comprehensive information on the economic activities of households (including non-profit institutions serving households), non-financial corporations, financial corporations and general government, as well as on the interaction between these sectors and both the euro area and the rest of the world. The non-seasonally adjusted data on current prices are displayed for the last available quarter, following a simplified sequence of accounts in accordance with the methodological framework of the European System of Accounts 1995 (ESA 95).

In short, the sequence of accounts (transactions) comprises: (1) the generation of income account, which shows how the production activity translates into various categories of income; (2) the allocation of primary income account, which records receipts and expenses relating to various forms of property income (for the economy as a whole, the balancing item of the primary income account is the national income); (3) the secondary distribution of income account, which shows how the national income of an institutional sector changes because of current transfers; (4) the use of income account, which shows how disposable income is spent on consumption or saved; (5) the capital account, which shows how savings and net capital transfers are spent in the acquisition of non-financial assets (the balancing item of the capital account is net lending/net borrowing); and (6) the financial account, which records the net acquisitions of financial assets and the net incurrence of liabilities. As each non-financial transaction is mirrored by a financial transaction, the balancing item of the financial account conceptually also equals net lending/net borrowing as calculated from the capital account.

In addition, opening and closing financial balance sheets are presented, which provide a picture of the financial wealth of each individual sector at a given point in time. Finally, other changes in financial assets and liabilities (e.g. those resulting from the impact of changes in asset prices) are also shown.

The sector coverage of the financial account and of the financial balance sheets is more detailed for the financial corporations sector, showing a breakdown into MFIs, other financial intermediaries (including financial auxiliaries), and insurance corporations and pension funds.

Section 3.2 shows four-quarter cumulated flows (transactions) for the so-called non-financial accounts of the euro area (i.e. accounts (1) to (5) above) also following the simplified sequence of accounts.

Section 3.3 shows four-quarter cumulated flows (transactions and other changes) for households' income, expenditure and accumulation accounts, and outstanding amounts for the financial balance sheet accounts, following a more analytical presentation. Sector-specific transactions and balancing items are arranged so as to more easily depict financing and investment decisions of households, whilst respecting the account identities as presented in Sections 3.1 and 3.2.

Section 3.4 displays four-quarter cumulated flows (transactions) for non-financial corporations' income and accumulation accounts, and outstanding amounts for the financial balance sheet accounts, following a more analytical presentation.

Section 3.5 shows four-quarter cumulated financial flows (transactions and other changes) and outstanding amounts for the financial balance sheets of insurance corporations and pension funds.

FINANCIAL MARKETS

The series on financial market statistics for the euro area cover the EU Member States that had adopted the euro at the time to which the statistics relate (changing composition), with the exception of statistics on securities issues (Tables 4.1 to 4.4), which relate to the Euro 16 (i.e. the Euro 15 plus Slovakia) for the whole time series (fixed composition).

Statistics on securities other than shares and quoted shares (Sections 4.1 to 4.4) are produced by the ECB using data from the ESCB and the BIS. Section 4.5 presents MFI interest rates on euro-denominated deposits and loans by euro area residents. Statistics on money market interest rates, long-term government bond yields and stock market indices (Sections 4.6 to 4.8) are produced by the ECB using data from wire services.

Statistics on securities issues cover securities other than shares (debt securities), which are presented in Sections 4.1, 4.2 and 4.3, and quoted shares, which are presented in Section 4.4. Debt securities are broken down into short-term and long-term securities. "Short-term" means securities with an original maturity of one year or less (in exceptional cases two years or less). Securities with a longer maturity, or with optional maturity dates, the latest of which is more than one year away, or with indefinite maturity dates, are classified as "long-term". Long-term debt securities issued by euro area residents are broken down further into fixed and variable rate issues. Fixed rate issues consist of issues where the coupon rate does not change during the life of the issues. Variable rate issues include all issues where the coupon is periodically re-fixed by reference to an independent interest rate or index. The statistics on debt securities are estimated to cover approximately 95% of total issues by euro area residents. The euro-denominated securities indicated in Sections 4.1, 4.2 and 4.3 also include items expressed in national denominations of the euro.

Section 4.1 shows securities other than shares, by original maturity, residency of the issuer and currency. The section presents outstanding amounts, gross issues and net issues of securities other than shares denominated in euro and securities other than shares issued by euro area residents in euro and in all currencies for total and long-term debt securities. Net issues differ from the changes in outstanding amounts owing to valuation changes, reclassifications and other adjustments. This section also presents seasonally adjusted statistics, including annualised six-month seasonally adjusted growth rates for total and long-term debt securities. The latter are calculated from the seasonally adjusted index of notional stocks, from which the seasonal effects have been removed. See the Technical notes for details.

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

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

Section 4.3 shows non-seasonally and seasonally adjusted growth rates for debt securities issued by euro area residents (broken down by maturity, type of instrument, sector of the issuer and currency), which are based on financial transactions that occur when an institutional unit incurs or redeems liabilities. The growth rates therefore exclude reclassifications, revaluations, exchange rate variations and any other changes that do not arise from transactions. The seasonally adjusted growth rates have been annualised for presentational purposes. See the Technical notes for details.

Section 4.4, columns 1, 4, 6 and 8, show the outstanding amounts of quoted shares issued by euro area residents broken down by issuing sector. The monthly data for quoted shares issued by non-financial corporations correspond to the quarterly series shown in Section 3.4 (financial balance sheet, quoted shares).

Section 4.4, columns 3, 5, 7 and 9, show annual growth rates for quoted shares issued by euro area residents (broken down by the sector of the issuer), which are based on financial transactions that occur when an issuer issues or redeems shares for cash excluding investments in the issuers' own shares. The calculation of annual growth rates excludes reclassifications, revaluations and any other changes that do not arise from transactions.

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

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

Section 4.6 presents money market interest rates for the euro area, the United States and Japan. For the euro area, a broad spectrum of money market interest rates is covered, ranging from interest rates on overnight deposits to those on twelve-month deposits. Before January 1999, synthetic euro area interest rates were calculated on the basis of national rates weighted by GDP. With the exception of the overnight rate to December 1998, monthly, quarterly and yearly values are period averages. Overnight deposits are represented by interbank deposit bid rates up to December 1998. From January 1999, column 1 of Section 4.6 shows the euro overnight index average (EONIA). These are end-of-period rates up to December 1998 and period averages thereafter. From January 1999, interest rates on one-, three-, six- and twelve-month deposits are euro interbank offered rates (EURIBOR); until December 1998, London interbank offered rates (LIBOR) where available. For the United States and Japan, interest rates on three-month deposits are represented by LIBOR.

Table 4.7 shows end-of-period rates estimated from nominal spot yield curves based on AAA-rated euro-denominated bonds issued by euro area central governments. The yield curves are estimated using the Svensson model[3]. Spreads between the ten-year rates and the three-month and two-year rates are also released. Additional yield curves (daily releases, including charts and tables) and the corresponding methodological information are available at http://www.ecb.europa.eu/stats/money/yc/html/index.en.html. Daily data may also be downloaded.

Section 4.8 shows stock market indices for the euro area, the United States and Japan.

PRICES, OUTPUT, DEMAND AND LABOUR MARKETS

Most of the data described in this section are produced by the European Commission (mainly Eurostat) and national statistical authorities. Euro area results are obtained by aggregating data for individual countries. As far as possible, the data are harmonised and comparable. Statistics on hourly labour costs, GDP and expenditure components, value added by economic activity, industrial production, retail sales and passenger

3 Svensson, L. E., "Estimating and Interpreting Forward Interest Rates: Sweden 1992-1994", Centre for Economic Policy Research, Discussion Paper No 1051, 1994.

car registrations are adjusted for the variations in the number of working days.

The Harmonised Index of Consumer Prices (HICP) for the euro area (Table 1 in Section 5.1) is available from 1995 onwards. It is based on national HICPs, which follow the same methodology in all euro area countries. The breakdown by goods and services components is derived from the classification of individual consumption by purpose (Coicop/HICP). The HICP covers monetary expenditure by households on final consumption in the economic territory of the euro area. The table includes seasonally adjusted HICP data and experimental HICP-based estimates of administered prices, which are compiled by the ECB.

Industrial producer prices (Table 2 in Section 5.1), industrial production, industrial new orders, industrial turnover and retail sales (Section 5.2) are covered by Council Regulation (EC) No 1165/98 of 19 May 1998 concerning short-term statistics.[4] 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,[5] has been applied in the production of short-term statistics. The breakdown by end-use of products for industrial producer prices and industrial production is the harmonised sub-division of industry excluding construction (NACE Revision 2 sections B to E) into main industrial groupings (MIGs), as defined by Commission Regulation (EC) No 656/2007 of 14 June 2007[6].Industrial producer prices reflect the ex-factory gate prices of producers. They include indirect taxes except VAT and other deductible taxes. Industrial production reflects the value added of the industries concerned.

The two non-energy commodity price indices shown in Table 3 in Section 5.1 are compiled with the same commodity coverage but using two different weighting schemes: one based on the respective commodity imports of the euro area (columns 2-4), and the other (columns 5-7) based on estimated euro area domestic demand, or "use", taking into account information on imports, exports and the domestic production of each commodity (ignoring for simplicity inventories, which are assumed to be relatively stable over the observed period). The import-weighted commodity price index is appropriate for analysing external developments, while the use-weighted index is suitable for the specific purpose of analysing international commodity price pressures on euro area inflation. The use-weighted commodity price indices are experimental data. For more details on compilation of the ECB commodity price indices, refer to Box 1 in the December 2008 issue of the Monthly Bulletin.

The labour cost indices (Table 5 in Section 5.1) measure the changes in labour costs per hour worked in industry (including construction) and market services. Their methodology is laid down in Regulation (EC) No 450/2003 of the European Parliament and of the Council of 27 February 2003 concerning the labour cost index[7] and in the implementing Commission Regulation (EC) No 1216/2003 of 7 July 2003.[8] A breakdown of hourly labour costs for the euro area is available by labour cost component (wages and salaries, and employers' social contributions plus employment-related taxes paid by the employer less subsidies received by the employer) and by economic activity. The ECB calculates the indicator of negotiated wages (memo item in Table 3 of Section 5.1) on the basis of non-harmonised, national-definition data.

Unit labour cost components (Table 4 in Section 5.1), GDP and its components (Tables 1 and 2 in Section 5.2), GDP deflators (Table 3 in Section 5.1) and employment statistics (Table 1 in Section 5.3) are results of the ESA 95 quarterly national accounts.

4 OJ L 162, 5.6.1998, p. 1.
5 OJL L 393, 30.12.2006, p. 1
6 OJ L 155, 15.6.2007, p. 3.
7 OJ L 69, 13.3.2003, p. 1.
8 OJ L 169, 8.7.2003, p. 37.

Industrial new orders (Table 4 in Section 5.2) measure the orders received during the reference period and cover industries working mainly on the basis of orders – in particular the textile, pulp and paper, chemical, metal, capital goods and durable consumer goods industries. The data are calculated on the basis of current prices.

Indices for turnover in industry and for the retail trade (Table 4 in Section 5.2) measure the turnover, including all duties and taxes with the exception of VAT, invoiced during the reference period. Retail trade turnover covers all retail trade (excluding sales of motor vehicles and motorcycles), except automotive fuel. New passenger car registrations cover registrations of both private and commercial passenger cars. The series for the euro area excludes Cyprus and Malta.

Qualitative business and consumer survey data (Table 5 in Section 5.2) draw on the European Commission Business and Consumer Surveys.

Unemployment rates (Table 2 in Section 5.3) conform to International Labour Organization (ILO) guidelines. They refer to persons actively seeking work as a share of the labour force, using harmonised criteria and definitions. The labour force estimates underlying the unemployment rate are different from the sum of the employment and unemployment levels published in Section 5.3.

GOVERNMENT FINANCE

Sections 6.1 to 6.5 show the general government fiscal position in the euro area. The data are mainly consolidated and are based on the ESA 95 methodology. The annual euro area aggregates in Sections 6.1 to 6.3 are compiled by the ECB on the basis of harmonised data provided by the NCBs, which are regularly updated. The deficit and debt data for the euro area countries may therefore differ from those used by the European Commission within the excessive deficit procedure. The quarterly euro area aggregates in Sections 6.4 and 6.5 are compiled by the ECB on the basis of Eurostat and national data.

Section 6.1 presents annual figures on general government revenue and expenditure on the basis of definitions laid down in Commission Regulation (EC) No 1500/2000 of 10 July 2000[9] amending the ESA 95. Section 6.2 shows details of general government gross consolidated debt at nominal value in line with the Treaty provisions on the excessive deficit procedure. Sections 6.1 and 6.2 include summary data for the individual euro area countries owing to their importance in the framework of the Stability and Growth Pact. The deficits/surpluses presented for the individual euro area countries correspond to excessive deficit procedure B.9, as defined by Commission Regulation (EC) No 351/2002 of 25 February 2002 amending Council Regulation (EC) No 3605/93 as regards references to the ESA 95. Section 6.3 presents changes in general government debt. The difference between the change in the government debt and the government deficit – the deficit-debt adjustment – is mainly explained by government transactions in financial assets and by foreign exchange valuation effects. Section 6.4 presents quarterly figures on general government revenue and expenditure on the basis of definitions laid down in Regulation (EC) No 1221/2002 of the European Parliament and of the Council of 10 June 2002 on quarterly non-financial accounts for general government[10]. Section 6.5 presents quarterly figures on gross consolidated government debt, the deficit-debt adjustment and the government borrowing requirement. These figures are compiled using data provided by the Member States under Regulations (EC) No 501/2004 and No 222/2004 and data provided by the NCBs.

EXTERNAL TRANSACTIONS AND POSITIONS

The concepts and definitions used in balance of payments (b.o.p.) and international investment position (i.i.p.) statistics (Sections 7.1 to 7.4) are generally in line with the IMF Balance of Payments Manual (fifth edition, October 1993), the ECB Guideline of 16 July 2004 on the statistical reporting requirements of the ECB

9 OJ L 172, 12.7.2000, p. 3.
10 OJ L 179, 9.7.2002, p. 1.

(ECB/2004/15)[11] and the amending ECB Guideline of 31 May 2007 (ECB/2007/3)[12]. Additional references about the methodologies and sources used in the euro area b.o.p. and i.i.p. statistics can be found in the ECB publication entitled "European Union balance of payments/ international investment position statistical methods" (May 2007), and in the following Task Force reports: "Portfolio investment collection systems" (June 2002), "Portfolio investment income" (August 2003) and "Foreign direct investment" (March 2004), all of which can be downloaded from the ECB's website. In addition, the report by the ECB/European Commission (Eurostat) Task Force on Quality of balance of payments and international investment position statistics (June 2004) is available on the website of the Committee on Monetary, Financial and Balance of Payments Statistics (www.cmfb.org). The annual quality report on the euro area b.o.p./i.i.p., which is based on the Task Force's recommendations, is available on the ECB's website.

The tables in Sections 7.1 and 7.4 follow the sign convention in the IMF Balance of Payments Manual, i.e. surpluses in the current account and in the capital account have a plus sign, while in the financial account a plus sign denotes an increase in liabilities or a decrease in assets. In the tables in Section 7.2, both credit and debit transactions are presented with a plus sign. Furthermore, starting with the February 2008 issue of the Monthly Bulletin, the tables in Section 7.3 have been restructured in order to allow the data on balance of payments, the international investment position and related growth rates to be presented together; in the new tables, transactions in assets and liabilities that correspond to increases in positions are shown with a plus sign.

The euro area b.o.p. is compiled by the ECB. Recent monthly figures should be regarded as provisional. Data are revised when figures for the following month and/or the detailed quarterly b.o.p. are published. Earlier data are revised periodically, or as a result of methodological changes in the compilation of the source data.

In Section 7.2, Table 1 also contains seasonally adjusted data for the current account. Where appropriate, the adjustment also covers working-day, leap-year and/or Easter effects. Table 3 in Section 7.2 and Table 8 in Section 7.3 present a breakdown of the euro area b.o.p. and i.i.p. vis-à-vis main partner countries individually or as a group, distinguishing between EU Member States outside the euro area and countries or areas outside the European Union. The breakdown also shows transactions and positions vis-à-vis EU institutions (which, apart from the ECB, are treated statistically as outside the euro area, regardless of their physical location) and, for some purposes, also offshore centres and international organisations. The breakdown does not cover transactions or positions in portfolio investment liabilities, financial derivatives and international reserves. In addition, separate data are not provided for investment income payable to Brazil, mainland China, India and Russia. The geographical breakdown is described in the article entitled "Euro area balance of payments and international investment position vis-à-vis main counterparts" in the February 2005 issue of the Monthly Bulletin.

The data on the euro area b.o.p. financial account and i.i.p. in Section 7.3 are based on transactions and positions vis-à-vis non-residents of the euro area, considering the euro area as a single economic entity (see also Box 9 in the December 2002 issue of the Monthly Bulletin, Box 5 in the January 2007 issue of the Monthly Bulletin and Box 6 in the January 2008 issue of the Monthly Bulletin). The i.i.p. is valued at current market prices, with the exception of direct investment, where book values are used for unquoted shares, and other investments (e.g. loans and deposits). The quarterly i.i.p. is compiled on the basis of the same methodological framework as the annual i.i.p. As some data sources are not available on a quarterly basis (or are available with a delay), the quarterly i.i.p. is partly estimated on the basis of financial transactions, asset prices and foreign exchange developments.

11 OJ L 354, 30.11.2004, p. 34.
12 OJ L 159, 20.6.2007, p. 48.

Table 1 in Section 7.3 summarises the i.i.p. and financial transactions in the euro area b.o.p. The breakdown of the change in the annual i.i.p. is obtained by applying a statistical model to the i.i.p. changes other than transactions with information from the geographical breakdown and currency composition of assets and liabilities, as well as price indices for different financial assets. In this table, Columns 5 and 6 refer to direct investment by resident units abroad and direct investment by non-resident units in the euro area.

In Table 5 in Section 7.3, the breakdown into "loans" and "currency and deposits" is based on the sector of the non-resident counterpart, i.e. assets vis-à-vis non-resident banks are classified as deposits, whereas assets vis-à-vis other non-resident sectors are classified as loans. This breakdown follows the distinction made in other statistics, such as the MFI consolidated balance sheet, and conforms to the IMF Balance of Payments Manual.

The outstanding amounts of the Eurosystem's international reserves and related assets and liabilities are shown in Section 7.3, Table 7. These figures are not fully comparable with those of the Eurosystem's weekly financial statement owing to differences in coverage and valuation. The data in Table 7 are in line with the recommendations for the template on international reserves and foreign currency liquidity. Changes in the gold holdings of the Eurosystem (column 3) are due to transactions in gold within the terms of the Central Bank Gold Agreement of 26 September 1999, which was updated on 8 March 2004. More information on the statistical treatment of the Eurosystem's international reserves can be found in a publication entitled "Statistical treatment of the Eurosystem's international reserves" (October 2000), which can be downloaded from the ECB's website. The website also contains more comprehensive data in accordance with the template on international reserves and foreign currency liquidity.

Section 7.4 contains a monetary presentation of the euro area balance of payments, in which the balance of payments transactions mirror the transactions in the external counterpart to M3. In portfolio investment liabilities (Columns 5 and 6), the transactions include sales and purchases of equity and debt securities issued by MFIs in the euro area, excluding shares of money market funds and debt securities with a maturity of up to two years. A methodological note on the monetary presentation of the euro area balance of payments is available in the "Statistics" section of the ECB's website. See also Box 1 in the June 2003 issue of the Monthly Bulletin.

Section 7.5 shows data on euro area external trade in goods. The source is Eurostat. Value data and volume indices are seasonally and working day-adjusted. The breakdown by product group in columns 4 to 6 and 9 to 11 of Table 1 in Section 7.5 is in line with the classification by Broad Economic Categories and corresponds to the basic classes of goods in the System of National Accounts. Manufactured goods (columns 7 and 12) and oil (column 13) are in line with the SITC Rev. 4 definition. The geographical breakdown (Table 3 in Section 7.5) shows main trading partners individually or in regional groups. China excludes Hong Kong. On account of differences in definitions, classification, coverage and time of recording, external trade data, in particular for imports, are not fully comparable with the goods item in the b.o.p. statistics (Sections 7.1 and 7.2). Part of the difference arises from the inclusion of insurance and freight services in the recording of goods imported in external trade data.

Industrial import prices and industrial producer export prices (or industrial output prices for the non-domestic market) shown in Table 2 in Section 7.5 were introduced by Regulation (EC) No 1158/2005 of the European Parliament and of the Council of 6 July 2005 amending Council Regulation (EC) No 1165/98, which is the principal legal basis for short-term statistics. The industrial import price index covers industrial products imported from outside the euro area under sections B to E of the Statistical Classification of Products by Activity in the European Economic Community (CPA) and all institutional sectors of the importers except households, governments and non-profit institutions. It reflects the cost, insurance and freight (c.i.f.) price excluding import duties and taxes, and refers to the actual transactions in euro recorded at the point when ownership of the goods is being transferred. The industrial producer export prices cover all industrial products exported directly by euro area producers to the extra-euro area market under sections B to E of NACE Revision 2. Exports from wholesalers and re-exports are not covered. The indices reflect the free on board (f.o.b.) price expressed in euro and calculated at the euro area frontiers, including any indirect taxes except VAT and other deductible taxes. Industrial import prices and industrial producer export prices are available by Main Industrial Groupings (MIGs) as defined by Commission Regulation (EC) No 656/2007 of 14 June 2007. For more details, refer to Box 11 in the December 2008 issue of the Monthly Bulletin.

EXCHANGE RATES

Section 8.1 shows nominal and real effective exchange rate (EER) indices for the euro, calculated by the ECB on the basis of weighted averages of bilateral exchange rates of the euro against the currencies of the euro area's trading partners. A positive change denotes an appreciation of the euro. Weights are based on trade in manufactured goods with the trading partners in the periods 1995-1997 and 1999-2001, and are calculated to account for third-market effects. The EER indices result from the linking at the beginning of 1999 of the indices based on 1995-1997 weights to those based on 1999-2001 weights. The EER-21 group of trading partners is composed of the 11 non-euro area EU Member States plus Australia, Canada, China, Hong Kong, Japan, Norway, Singapore, South Korea, Switzerland and the United States. The EER-41 group includes the EER-21 and the following countries: Algeria, Argentina, Brazil, Chile, Croatia, Iceland, India, Indonesia, Israel, Malaysia, Mexico, Morocco, New Zealand, the Philippines, Russia, South Africa, Taiwan, Thailand, Turkey and Venezuela. Real EERs are calculated using consumer price indices, producer price indices, gross domestic product deflators, unit labour costs in manufacturing and unit labour costs in the total economy.

For more detailed information on the calculation of the EERs, see Box 8 entitled "The effective exchange rates of the euro following the recent euro area and EU enlargements" in the March 2007 issue of the Monthly Bulletin and the ECB's Occasional Paper No 2 ("The effective exchange rates of the euro" by Luca Buldorini, Stelios Makrydakis and Christian Thimann, February 2002), which can be downloaded from the ECB's website.

The bilateral rates shown in Section 8.2 are monthly averages of those published daily as reference rates for these currencies. The reference rate of the Indian rupee vis-à-vis the euro has been inserted for the first time in column 26. However data prior to 1 January 2009 are to be considered as indicative rates

DEVELOPMENTS OUTSIDE THE EURO AREA

Statistics on other EU Member States (Section 9.1) follow the same principles as those for data relating to the euro area. The data for the United States and Japan contained in Section 9.2 are obtained from national sources.

ANNEXES

CHRONOLOGY OF MONETARY POLICY MEASURES OF THE 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 AND 3 SEPTEMBER 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.

THE TARGET (TRANS-EUROPEAN AUTOMATED REAL-TIME GROSS SETTLEMENT EXPRESS TRANSFER) SYSTEM

TARGET is instrumental in promoting the integrated euro area money market, which is a prerequisite for the effective conduct of the single monetary policy, and furthermore contributes to the integration of the euro area financial markets. In the first quarter of 2009, more than 4,500 banks, including branches and subsidiaries, as well as 21 national central banks, used TARGET to initiate payments of their own or on their customers' behalf. TARGET is used to make large-value and time-critical payments, such as payments to facilitate settlements in other interbank funds transfer systems (e.g. Continuous Linked Settlement (CLS) or EURO1), and to settle money market, foreign exchange and securities transactions. It is also used for smaller-value customer payments. TARGET provides intraday finality for transactions and allows the funds credited to a participant's account to become immediately available for other payments.

Since January 2009 the ESCB has applied a new methodology in the collection and reporting of TARGET data in order to improve the quality of the information. This should be considered when comparing data from before and after the implementation date.

PAYMENT FLOWS IN TARGET

In the first quarter of 2009, TARGET settled 21,364,075 transactions with a total value of €152,342 billion, which corresponds to a daily average of 339,112 transactions with a value of €2,418 billion. The highest level of TARGET traffic during this quarter was recorded on 27 February, when 458,538 payments were processed. This corresponded to the usual peak observed on the last business day of the month.

Compared with the same period last year, the number of transactions settled decreased by 9% in volume and 7% in value. This decrease is largely attributable to the financial crisis. Nevertheless, with a market share of 60% in terms of volume and 90% in terms of value, TARGET maintained its dominant position in the market for large-value payment systems operating in euro. The stability of TARGET's market share confirms the strong appetite of banks for settlement in central bank money, in particular in times of market turbulence.

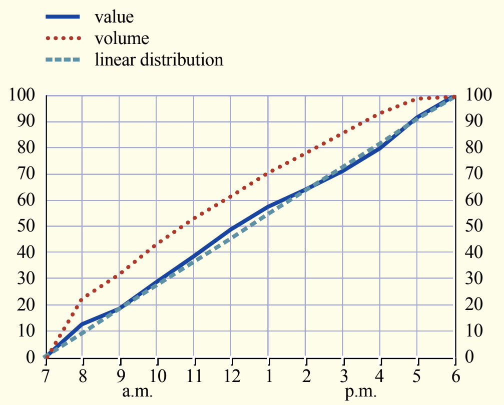
The average proportion of interbank payments was 45% in terms of volume and 92% in terms of value. The average value of an interbank payment processed was €9.5 million, while that of a customer payment was €0.8 million. 65% of the payments had a value of below €50,000, while 11% had a value of above €1 million. On average, there were 59 payments with a value of above €1 billion per day.

INTRADAY PATTERN OF VOLUMES AND VALUES

The chart shows the intraday distribution of TARGET traffic, i.e. the percentage of daily volumes and values processed at different times of the day. In value terms, the curve is very close to the linear distribution. This indicates that turnover is evenly spread throughout the day and that liquidity is circulating appropriately among participants, thereby ensuring the smooth settlement of TARGET transactions. At 1 p.m. CET 57% of the value exchanged in TARGET has already been settled, a figure which reaches 92% one hour before TARGET closes.

Intraday pattern

(percentages)



In volume terms, the curve is well above the linear distribution, with 71% of the volume already exchanged at 1 p.m. CET and 99.6% one hour before TARGET closes.

TARGET AVAILABILITY AND BUSINESS PERFORMANCE

In the first quarter of 2009, TARGET achieved 100% availability, meaning that no incident had an effect on the system's availability. Incidents considered in the calculation of TARGET's availability are those that prevent the processing of payments for ten minutes or more. As a result of the full availability of TARGET, all payments were, on average, processed in less than five minutes. The expectations set for the system were thus fully met.

Table 1 Payment instructions processed by TARGET and EURO1: volume of transactions

(number of payments)

	2008 Q1	2008 Q2	2008 Q3	2008 Q4	2009 Q1
TARGET					
Total volume	23,519,667	24,144,809	23,070,898	23,943,677	21,364,075
Daily average	379,349	377,263	349,559	374,120	339,112
EURO1 (EBA)					
Total volume	15,718,422	16,594,531	16,162,525	15,720,705	13,962,739
Daily average	253,523	259,290	244,887	245,636	221,631

Table 2 Payment instructions processed by TARGET and EURO1: value of transactions

(EUR billions)

	2008 Q1	2008 Q2	2008 Q3	2008 Q4	2009 Q1
TARGET					
Total value	163,420	166,793	164,384	186,661	152,342
Daily average	2,636	2,606	2,491	2,917	2,418
EURO1 (EBA)					
Total value	16,541	17,944	18,504	20,410	17,789
Daily average	267	280	280	319	281

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GLOSSARY

This glossary contains selected items that are frequently used in the Monthly Bulletin. A more comprehensive and detailed glossary can be found on the ECB's website (www.ecb.europa.eu/home/glossary/html/index.en.html).

Autonomous liquidity factors: liquidity factors that do not normally stem from the use of monetary policy instruments. Such factors are, for example, banknotes in circulation, government deposits with the central bank and the net foreign assets of the central bank.

Balance of payments (b.o.p.): a statistical statement that summarises, for a specific period of time, the economic transactions of an economy with the rest of the world.

Bank lending survey (BLS): a quarterly survey on lending policies that has been conducted by the Eurosystem since January 2003. It addresses qualitative questions on developments in credit standards, terms and conditions of loans and loan demand for both enterprises and households to a predefined sample group of banks in the euro area.

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

Capital account: a b.o.p. account that covers all capital transfers and acquisitions/disposals of non-produced, non-financial assets between residents and non-residents.

Capital accounts: part of the system of national (or euro area) accounts consisting of the change in net worth that is due to net saving, net capital transfers and net acquisitions of non-financial assets.

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

Compensation per employee or per hour worked: the total remuneration, in cash or in kind, that is payable by employers to employees, i.e. gross wages and salaries, as well as bonuses, overtime payments and employers' social security contributions, divided by the total number of employees or by the total number of employees' hours worked.

Consolidated balance sheet of the MFI sector: a balance sheet obtained by netting out inter-MFI positions (e.g. inter-MFI loans and deposits) in the aggregated MFI balance sheet. It provides statistical information on the MFI sector's assets and liabilities vis-à-vis residents of the euro area not belonging to this sector (i.e. the general government and other euro area residents) and vis-à-vis non-euro area residents. It is the main statistical source for the calculation of monetary aggregates, and it provides the basis for the regular analysis of the counterparts of M3.

Current account: a b.o.p. account that covers all transactions in goods and services, income and current transfers between residents and non-residents.

Debt (financial accounts): loans, deposit liabilities, debt securities issued and pension fund reserves of non-financial corporations (resulting from employers' direct pension commitments on behalf of their employees), valued at market value at the end of the period.

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

Debt security: a promise on the part of the issuer (i.e. the borrower) to make one or more payment(s) to the holder (the lender) on a specified future date or dates. Such securities usually carry a specific rate of interest (the coupon) and/or are sold at a discount to the amount that will be repaid at maturity. Debt securities issued with an original maturity of more than one year are classified as long-term.

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

Deficit (general government): the general government's net borrowing, i.e. the difference between total government revenue and total government expenditure.

Deficit-debt adjustment (general government): the difference between the general government deficit and the change in general government debt.

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

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

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

Direct investment: cross-border investment for the purpose of obtaining a lasting interest in an enterprise resident in another economy (assumed, in practice, for ownership of at least 10% of the ordinary shares or voting power). Included are equity capital, reinvested earnings and other capital associated with inter-company operations. The direct investment account records net transactions/positions in assets abroad by euro area residents (as "direct investment abroad") and net transactions/positions in euro area assets by non-residents (as "direct investment in the euro area").

Effective exchange rates (EERs) of the euro (nominal/real): weighted averages of bilateral euro exchange rates against the currencies of the euro area's main trading partners. The nominal EER indices for the euro are calculated against two groups of trading partners: the EER-21 (comprising the 11 non-euro area EU Member States and 10 trading partners outside the EU) and the EER-41 (composed of the EER-21 and 20 additional countries). The weights used reflect the share of each partner country in euro area trade and account for competition in third markets. Real EERs are nominal EERs deflated by a weighted average of foreign, relative to domestic, prices or costs. They are thus measures of price and cost competitiveness.

EONIA (euro overnight index average): a measure of the effective interest rate prevailing in the euro interbank overnight market. It is calculated as a weighted average of the interest rates on unsecured overnight lending transactions denominated in euro, as reported by a panel of contributing banks.

Equities: securities representing ownership of a stake in a corporation. They comprise shares traded on stock exchanges (quoted shares), unquoted shares and other forms of equity. Equities usually produce income in the form of dividends.

ERM II (exchange rate mechanism II): the exchange rate arrangement that provides the framework for exchange rate policy cooperation between the euro area countries and the EU Member States not participating in Stage Three of EMU.

EURIBOR (euro interbank offered rate): the rate at which a prime bank is willing to lend funds in euro to another prime bank, computed daily for interbank deposits with different maturities of up to 12 months.

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

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

Eurosystem: the central banking system made up of the ECB and the NCBs of those EU Member States that have already adopted the euro.

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

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

Financial account: a b.o.p. account that covers transactions between residents and non-residents in direct investment, portfolio investment, other investment, financial derivatives and reserve assets.

Financial accounts: part of the system of national (or euro area) accounts showing the financial positions (stocks or balance sheets), financial transactions and other changes of the different institutional sectors of an economy by type of financial asset.

Fixed rate tender: a tender procedure in which the interest rate is specified in advance by the central bank and in which participating counterparties bid the amount of money they wish to transact at the fixed interest rate.

General government: a sector defined in the ESA 95 as comprising resident entities that are engaged primarily in the production of non-market goods and services intended for individual and collective consumption and/or in the redistribution of national income and wealth. Included are central, regional and local government authorities as well as social security funds. Excluded are government-owned entities that conduct commercial operations, such as public enterprises.

Gross domestic product (GDP): the value of an economy's total output of goods and services less intermediate consumption, plus net taxes on products and imports. GDP can be broken down by output, expenditure or income components. The main expenditure aggregates that make up GDP are household final consumption, government final consumption, gross fixed capital formation, changes in inventories, and imports and exports of goods and services (including intra-euro area trade).

Harmonised Index of Consumer Prices (HICP): a measure of the development of consumer prices that is compiled by Eurostat and harmonised for all EU Member States.

Hourly labour cost index: a measure of labour costs, including gross wages and salaries (in cash and in kind, including bonuses) and other labour costs (employers' social contributions plus employment-related taxes paid by the employer minus subsidies received by the employer), per hour actually worked (including overtime).

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

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

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

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

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

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

International investment position (i.i.p.): the value and composition of an economy's outstanding net financial claims on (or financial liabilities to) the rest of the world.

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

Investment funds (except money market funds): financial institutions that pool capital raised from the public and invest it in financial and non-financial assets. See also **MFIs**.

Job vacancies: a collective term covering newly created jobs, unoccupied jobs or jobs about to become vacant in the near future, for which the employer has recently taken active steps to find a suitable candidate.

Key ECB interest rates: the interest rates, set by the Governing Council, which reflect the monetary policy stance of the ECB. They are the rates at the main refinancing operations, on the marginal lending facility and on the deposit facility.

Labour force: the sum total of persons in employment and the number of unemployed.

Labour productivity: the output that can be produced with a given input of labour. It can be measured in several ways, but is commonly measured as GDP (volume) divided by either total employment or total hours worked.

Longer-term refinancing operation: a regular open market operation executed by the Eurosystem in the form of reverse transactions. Such operations are carried out through a monthly standard tender and normally have a maturity of three months.

M1: a narrow monetary aggregate that comprises currency in circulation plus overnight deposits held with MFIs and central government (e.g. at the post office or treasury).

M2: an intermediate monetary aggregate that comprises M1 plus deposits redeemable at a period of notice of up to and including three months (i.e. short-term savings deposits) and deposits with an agreed maturity of up to and including two years (i.e. short-term time deposits) held with MFIs and central government.

M3: a broad monetary aggregate that comprises M2 plus marketable instruments, in particular repurchase agreements, money market fund shares and units, and debt securities with a maturity of up to and including two years issued by MFIs.

Main refinancing operation: a regular open market operation executed by the Eurosystem in the form of reverse transactions. Such operations are carried out through a weekly standard tender and normally have a maturity of one week.

Marginal lending facility: a standing facility of the Eurosystem which counterparties may use to receive overnight credit from an NCB at a pre-specified interest rate against eligible assets.

MFI credit to euro area residents: MFI loans granted to non-MFI euro area residents (including general government and the private sector) and MFI holdings of securities (shares, other equity and debt securities) issued by non-MFI euro area residents.

MFI interest rates: the interest rates that are applied by resident credit institutions and other MFIs, excluding central banks and money market funds, to euro-denominated deposits and loans vis-à-vis households and non-financial corporations resident in the euro area.

MFI longer-term financial liabilities: deposits with an agreed maturity of over two years, deposits redeemable at a period of notice of over three months, debt securities issued by euro area MFIs with an original maturity of more than two years and the capital and reserves of the euro area MFI sector.

MFI net external assets: the external assets of the euro area MFI sector (such as gold, foreign currency banknotes and coins, securities issued by non-euro area residents and loans granted to non-euro area residents) minus the external liabilities of the euro area MFI sector (such as non-euro area residents' deposits and repurchase agreements, as well as their holdings of money market fund shares/units and debt securities issued by MFIs with a maturity of up to and including two years).

MFIs (monetary financial institutions): financial institutions which together form the money-issuing sector of the euro area. These include the Eurosystem, resident credit institutions (as defined in Community law) and all other resident financial institutions whose business is to receive deposits and/or close substitutes for deposits from entities other than MFIs and, for their own account (at least in economic terms), to grant credit and/or invest in securities. The latter group consists predominantly of money market funds, i.e. funds that invest in short-term and low-risk instruments usually with a maturity of one year or less.

Minimum bid rate: the lower limit to the interest rates at which counterparties may submit bids in the variable tenders.

Other investment: an item in the b.o.p. and the i.i.p. that covers the financial transactions/positions with non-residents in trade credits, deposits and loans, and other accounts receivable and payable.

Portfolio investment: euro area residents' net transactions and/or positions in securities issued by non-residents of the euro area ("assets") and non-residents' net transactions and/or positions in securities issued by euro area residents ("liabilities"). Included are equity securities and debt securities (bonds and notes, and money market instruments). Transactions are recorded at the effective price paid or received, less commissions and expenses. To be regarded as a portfolio asset, ownership in an enterprise must be equivalent to less than 10% of the ordinary shares or voting power.

Price stability: the maintenance of price stability is the primary objective of the Eurosystem. The Governing Council defines price stability as a year-on-year increase in the HICP for the euro area of below 2%. The Governing Council has also made it clear that, in the pursuit of price stability, it aims to maintain inflation rates below, but close to, 2% over the medium term.

Purchasing power parity (PPP): the rate at which one currency is converted into another so as to equalise the purchasing power of the two currencies by eliminating the differences in the price levels prevailing in the countries concerned. In their simplest form, PPPs show the ratio of the prices in national currency of the same good or service in different countries.

Reference value for M3 growth: the annual growth rate of M3 over the medium term that is consistent with the maintenance of price stability. At present, the reference value for annual M3 growth is 4½%.

Reserve requirement: the minimum amount of reserves a credit institution is required to hold with the Eurosystem over a predefined maintenance period. Compliance with the requirement is determined on the basis of the average of the daily balances in the reserve accounts over the maintenance period.

Survey of Professional Forecasters (SPF): a quarterly survey that has been conducted by the ECB since 1999 to collect macroeconomic forecasts on euro area inflation, real GDP growth and unemployment from a panel of experts affiliated to financial and non-financial organisations based in the EU.

Unit labour costs: a measure of total labour costs per unit of output calculated for the euro area as the ratio of total compensation per employee to labour productivity (defined as GDP (volume) per person employed).

Variable rate tender: a tender procedure where the counterparties bid both the amount of money they wish to transact with the central bank and the interest rate at which they wish to enter into the transaction.

Write-down: a downward adjustment to the value of loans recorded in the balance sheets of MFIs when it is recognised that the loans have become partly unrecoverable.

Write-off: the removal of the value of loans from the balance sheets of MFIs when the loans are considered to be totally unrecoverable.

Yield curve: a graphical representation of the relationship between the interest rate or yield and the residual maturity at a given point in time for sufficiently homogenous debt securities with different maturity dates. The slope of the yield curve can be measured as the difference between the interest rates or yield at two selected maturities.

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