EN

EUROPEAN CENTRAL BANK

EUROSYSTEM

MONTHLY BULLETIN 12|2008

EUROPEAN CENTRAL BANK

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In 2008 all ECB publications feature a motif taken from the €10 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

At its meeting on 4 December, on the basis of its regular economic and monetary analyses, the Governing Council decided to reduce the key ECB interest rates by a further 75 basis points. Consequently, the interest rate on the main refinancing operations of the Eurosystem was decreased to 2.50% and those on the marginal lending facility and on the deposit facility to 3.00% and 2.00% respectively, with effect from 10 December 2008. This step follows the two 50-basis point reductions in the key ECB interest rates announced on 8 October and 6 November 2008. Overall, since its last meeting, the Governing Council has observed increased evidence that inflationary pressures have diminished further and, looking forward, inflation rates are expected to be in line with price stability over the policy-relevant horizon, supporting the purchasing power of incomes and savings. The decline in inflation rates is due mainly to the fall in commodity prices and the significant slowdown in economic activity. Largely related to the effects of the intensification and broadening of the financial turmoil, both global demand and euro area demand are likely to be dampened for a protracted period of time. At the same time, the Governing Council notes that, while the underlying pace of monetary expansion has remained strong, it has continued to decelerate further. All in all, the Governing Council stresses that the level of uncertainty remains exceptionally high. The Governing Council will continue to keep inflation expectations firmly anchored in line with its medium-term objective in order to support sustainable growth and employment and contribute to financial stability. Accordingly, it will continue to monitor very closely all developments over the period ahead.

Turning to the economic analysis, since September there has been an intensification and broadening of the financial market turmoil. Tensions have increasingly spilled over from the financial sector to the real economy, and the world economy as a whole is feeling their adverse effects. In the euro area, a number of the downside risks to economic activity that were identified previously have materialised, leading in the third quarter to a contraction of 0.2% in real GDP growth, on a quarterly basis, according to Eurostat's first estimate. Available survey data and the monthly indicators for October and November suggest that economic activity has weakened further during the fourth quarter of 2008.

Looking further ahead, on the basis of the Governing Council's analysis and assessment, global economic weakness and very sluggish domestic demand are seen as persisting in the next few quarters. According to the December 2008 Eurosystem staff macroeconomic projections for the euro area, a subsequent recovery should then gradually take place, supported by the fall in commodity prices and assuming that the external environment improves and the financial tensions weaken. Eurosystem staff project annual real GDP growth of between 0.8% and 1.2% for 2008, between -1.0% and 0.0% for 2009 and between 0.5% and 1.5% for 2010. These figures represent substantial downward revisions relative to the previous ECB staff projections for 2008 and 2009 published in September. Forecasts by international organisations have also been revised downwards and are broadly in line with the December 2008 Eurosystem staff projections.

In the view of the Governing Council, the economic outlook remains surrounded by an exceptionally high degree of uncertainty. Risks to economic growth lie on the downside. They relate mainly to the potential for the turmoil in financial markets to have a more significant impact on the real economy, as well as concerns about protectionist pressures and possible disorderly developments owing to global imbalances.

It is crucial that all parties concerned make their contribution to lay sound foundations for a sustainable recovery. For this to materialise as early as possible, it is of the utmost importance to maintain discipline and a medium-term perspective in macroeconomic policy-making. This is the best way to support confidence. The significant measures announced by governments to deal with the financial turmoil should be implemented swiftly so as to help ensure trust in the financial system and to prevent constraints on credit supply to companies and households.

With regard to price developments, annual HICP inflation has declined substantially since July. According to Eurostat's flash estimate, HICP inflation was 2.1% in November, after 3.2% in October and 4.0% in July. The significant decline in headline inflation since the summer mainly reflects the considerable easing in global commodity prices over the past few months, which more than offsets the impact of the sharp rise in unit labour costs in the first half of this year.

Looking forward, lower commodity prices and weakening demand point to inflationary pressures diminishing further. The annual HICP inflation rate is expected to continue to decline in the coming months and to be in line with price stability over the policy-relevant horizon. Depending primarily on future developments in oil and other commodity prices, a faster decline in HICP inflation cannot be excluded around the middle of next year, mainly due to base effects. However, also due to base effects, inflation rates could increase again in the second half of the year, so that any sharp fall in HICP inflation should be short-lived and is therefore not relevant from a monetary policy perspective.

Consistent with this assessment, the December 2008 Eurosystem staff projections foresee annual HICP inflation of between 3.2% and 3.4% for 2008 and declining to between 1.1% and 1.7% for 2009. For 2010, HICP inflation is projected to lie between 1.5% and 2.1%. The HICP inflation projections for 2008 and 2009 have been revised downwards substantially in relation to the September 2008 ECB staff projections, reflecting mainly the large declines in commodity prices and the impact of weakening demand on price developments. In this context, it is important to stress the conditional nature of these projections, which are based on a series of technical assumptions, including market expectations for short and long-term interest rates, as well as futures prices for oil and non-energy commodities. In addition, the projections are based on the expectation of a decline in wage pressure over the projection horizon. Forecasts from international organisations give a broadly similar picture.

Looking through the shorter-term volatility in headline HICP inflation rates, risks to price stability at the policy-relevant horizon are more balanced than in the past. Unexpected further declines in commodity prices could put downward pressure on inflation, while upside risks to price stability could materialise, particularly if the recent fall in commodity prices were to reverse or if domestic price pressures turn out to be stronger than assumed. It is therefore crucial that price and wage-setters fully live up to their responsibilities.

Turning to the monetary analysis, various estimates of underlying broad money growth point to a sustained but moderating rate of monetary expansion in the euro area. Monetary trends therefore support the view that inflationary pressures are diminishing further, with some risks remaining on the upside in the medium to longer term.

It should be recognised that the intensification of the financial market turmoil since mid-September marks a potential watershed in the evolution of monetary developments. The most recent money and credit data indicate that this intensification has had a significant impact on the behaviour of market participants. Thus far, such developments have largely taken the form of substitution among components of the broad aggregate M3, rather than sharp changes in the evolution of M3 itself.

The latest available data, namely up to the end of October, reveal a continued moderation of the growth rate of loans to the non-financial private sector. At the same time, for the euro area as a whole, there were no significant indications of a drying up in the availability of loans. The annual growth rate of loans to households also moderated further, in line with the weakening of economic and housing market prospects and tighter financing conditions. The data do signal that the intensification of the financial turmoil is having an impact on bank behaviour. Looking forward, more data and further analysis are necessary to form a robust judgement.

To sum up, there is increased evidence that inflationary pressures are diminishing further and inflation rates are expected to be in line with price stability over the policy-relevant horizon, supporting the purchasing power of incomes and savings. The decline in inflation rates is due mainly to the fall in commodity prices and the significant slowdown in economic activity largely related to the global effects of the financial turmoil. A cross-check of the outcome of the economic analysis with that of the monetary analysis supports this view. While the underlying pace of monetary expansion has remained strong, it has continued to decelerate further. Hence, when considering all available information and analysis, the Governing Council decided to reduce the key ECB interest rates by a further 75 basis points. All in all, the level of uncertainty remains exceptionally high. The Governing Council will continue to keep inflation expectations firmly anchored in line with its medium-term objective in order to support sustainable growth and employment and contribute to financial stability. Accordingly, the Governing Council will continue to monitor very closely all developments over the period ahead.

Regarding fiscal policies, the Governing Council considers it crucial that discipline and a medium-term perspective are maintained, taking fully into account the consequences of any shorter-term action on fiscal sustainability. It is of the utmost importance that the public's confidence in the soundness of fiscal policies is preserved, with the rules-based EU fiscal framework being fully applied and its integrity being fully preserved. The provisions of the Treaty of Nice and the Stability and Growth Pact require a medium-term perspective and allow for the necessary flexibility. Automatic fiscal stabilisers are relatively large in the euro area and provide a powerful source of fiscal support to a weakening economy. Where room for manoeuvre exists, additional budgetary measures could be effective if they are timely, targeted and temporary.

Turning to structural policies, the ongoing period of weak economic activity and high uncertainty about the economic outlook imply the need to strengthen the resilience and flexibility of the euro area economy. Product market reforms should foster competition and speed up effective restructuring. Labour market reforms should help to facilitate appropriate wage-setting, as well as labour mobility across sectors and regions. The current situation should therefore be seen as a catalyst to foster the implementation of necessary domestic reforms in line with the principle of an open market economy with free competition.

ECONOMIC AND MONETARY DEVELOPMENTS

1 THE EXTERNAL ENVIRONMENT OF THE EURO AREA

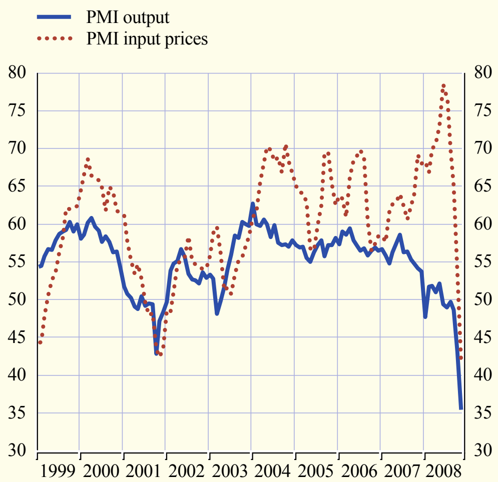
Over the past quarter the global economic downturn has deepened as the financial turmoil has amplified and its repercussions have spread throughout the world. Emerging markets – a major pillar of global growth in recent years – seem to be increasingly affected by the worsening economic conditions. Inflationary pressures have eased worldwide, owing to the sharp decline in commodity prices and decelerating global demand, but headline inflation rates have remained at elevated levels in several regions. At the same time, volatility in all major financial markets has soared, which implies that the assessment of global economic prospects is presently subject to very high uncertainty.

1.1 DEVELOPMENTS IN THE WORLD ECONOMY

Over the past quarter the global economic downturn has deepened, while global inflationary pressures have eased owing to the sharp decline in commodity prices and decelerating global demand. At the same time, volatility in all major financial markets has soared, which implies that the assessment of global economic prospects is presently subject to very high uncertainty.

Chart 1 Global Purchasing Managers' Index (PMI)

(monthly data; manufacturing and services; diffusion index)



Sources: Markit.

The amplification of the global financial turmoil has put severe strains on banking systems. This has translated into tighter credit conditions worldwide, a rapid deterioration in business and consumer confidence, and tumbling stock market valuations. As a result, global economic conditions have worsened markedly as the repercussions of the turmoil have spread vigorously throughout the world. Emerging markets, which have been a major pillar of global growth in recent years, seem to be increasingly affected by the global downturn. In line with this assessment, survey evidence from the global all-industry output Purchasing Managers' Index (PMI) suggests that companies across the manufacturing and services sectors have scaled back activity in response to declining market demand. Whereas in previous months the index had remained slightly below the 50-point threshold between economic expansion and contraction, in November 2008 it dropped to its lowest level since the survey began in 1998 (see Chart 1). This indicates continued worsening market conditions in both the manufacturing and services sectors worldwide, which means that the external environment of the euro area has deteriorated further.

Global inflationary pressures have been significantly alleviated over the past quarter by the steep decline in commodity prices and the global economic downturn. Global inflation passed its peak in the summer and has since followed a downward trajectory. In the OECD countries, headline annual consumer price inflation declined to 3.7% in October 2008, from 4.8% at its peak in July. Excluding food and energy, annual inflation stood at 2.2% in October, compared with 2.4% in the previous month. The easing of global cost pressures is further evidenced by survey measures. The global PMI input price index, which exhibits a strong correlation with global inflation rates, declined markedly in recent months, to reach its lowest level since the survey began in 1998 (see Chart 1).

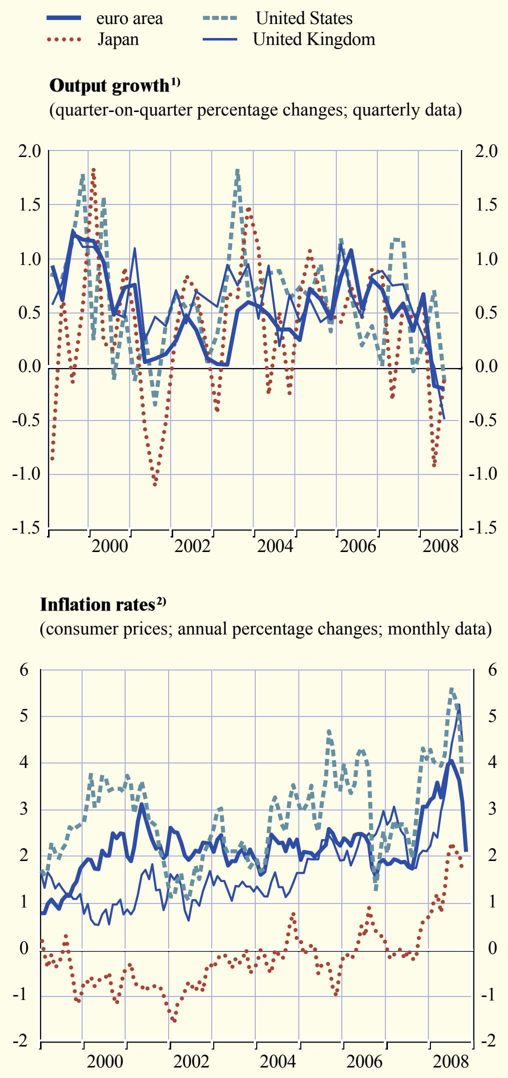
UNITED STATES

In the United States, economic activity remains very weak and inflationary pressures are subsiding. According to preliminary estimates, real GDP contracted at an annualised rate of 0.5% in the third quarter of 2008, compared with an expansion of 2.8% in the preceding quarter. The marked deceleration primarily reflects a negative contribution from personal consumption expenditure because of the fading effects of the US government's fiscal-stimulus package, the ongoing housing market correction and weakness in investment in equipment and software. Despite a slowdown in external demand, net trade continued to contribute positively to growth in the third quarter.

As regards price developments, annual consumer price inflation declined markedly to 3.7% in October 2008 – compared with a peak level of 5.6% in July – and now stands below its 2008 average of 4.5% (see Chart 2). The moderation in inflationary pressures reflects declines in energy costs as well as subdued domestic demand. The annual rate of inflation excluding food and energy fell to 2.2% in October, the lowest level in the year to date.

Looking ahead, the outlook for the US economy has deteriorated significantly since the intensification of the financial market strains in mid-September, suggesting that real activity could slow further in comparison with growth rates observed in recent quarters. Household and business spending are being adversely affected by restrictive credit conditions, weak employment conditions, weakened balance sheets and uncertainty about economic prospects. The ongoing housing market contraction and slowing foreign demand pose additional risks to the economic outlook. However, the recent monetary and fiscal stimulus, as well as easing energy cost pressures, should mitigate to some extent the effects of these factors. Price pressures are likely to ease further as a result of recent commodity price developments and sluggish economic activity.

Chart 2 Main developments in major industrialised economies



Sources: National data, BIS, Eurostat and ECB calculations.
1) Eurostat data are used for the euro area and the United Kingdom; 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.

The US Federal Open Market Committee on 8 and 29 October 2008 lowered its target for the federal funds rate further by a total of 100 basis points to 1%. The decisions were taken in light of weakening economic activity and the moderation in inflationary pressures. In addition, the Federal Reserve System, in cooperation with other US government agencies and foreign central banks, announced a number of extraordinary measures to enhance liquidity and provide support to financial markets in view of deteriorating conditions.

JAPAN

In Japan, economic conditions have continued to worsen over the past quarter, reflecting sluggish domestic demand and a further slowdown in exports. Credit conditions, however, have tightened to a lesser extent than in other advanced economies. According to the first preliminary estimate by Japan's Cabinet Office, real GDP declined by 0.1% quarter on quarter in the third quarter of 2008 after contracting by 0.9% in the previous quarter, recording therefore two consecutive quarters of negative growth for the first time since 2001. The third-quarter contraction was driven mainly by the continued decline in private non-residential investment, owing to a further deterioration in business conditions. Private consumption grew by a modest quarter-on-quarter rate of 0.3%, after declining by 0.6% in the previous quarter. Owing to the further weakening of external demand, net exports, which have been the main factor driving the Japanese expansion in the past few years, contributed negatively to GDP growth for the first time since 2004 (by -0.2 percentage point).

In October 2008 annual CPI inflation declined to 1.7% from 2.1% in the previous month. The moderation in inflationary pressures since the peak in July reflects declining costs of raw materials as well as weakening economic activity. Excluding food and energy, annual CPI inflation was unchanged in October at 0.2%. After lowering its target for the uncollateralised overnight call rate on 31 October, the Bank of Japan decided at its following meetings to leave its main policy rate unchanged at 0.3%.

Looking ahead, economic activity is expected to remain subdued in the fourth quarter of 2008 and early 2009. Private consumption is expected to remain weak as employment conditions worsen. In addition, exports are expected to decline further owing to sluggish external demand.

UNITED KINGDOM

In the United Kingdom, real GDP growth has dropped in recent quarters, while inflation has remained relatively high. In the third quarter of 2008 real GDP contracted (by 0.5%) for the first time in 16 years. The decline in economic activity was broad-based but driven above all by the ongoing moderation in private consumption growth, with retail sales stagnating compared with the quarter before. Given recent confidence indicators, which have generally trended downwards and remained well below long-term averages, output is likely to decline further in the coming quarters. The correction in the housing market has continued in recent months. House prices (as measured by the Nationwide index) fell by around 13.9% year on year in November. Market observers expect the fall in house prices to continue and prices to stabilise only in 2010. After increasing for several months, annual HICP inflation moderated to 4.5% in October, reflecting a broad-based decrease across components.

Since the beginning of October 2008 the Bank of England's Monetary Policy Committee has decided to reduce its main policy rate on three occasions. On 8 October it decreased the rate by 50 basis points to 4.5% in coordination with other central banks. This was followed by a reduction by 150 basis points to 3.0% on 6 November 2008. This decision was taken against the background of a substantial downward shift in the prospects for inflation in the United Kingdom and a very marked deterioration in the outlook for domestic and global economic activity. Finally, on 4 December, the Monetary Policy Committee lowered the rate by another 100 basis points in view of further weakening economic conditions.

OTHER EUROPEAN COUNTRIES

In most other non-euro area EU countries signs of weakening economic activity have been accompanied by decreasing inflation.

In Sweden, quarter-on-quarter economic growth has continued to decelerate in recent quarters, standing at -0.1% in the third quarter of 2008. In Denmark, quarter-on-quarter real GDP growth rebounded to 0.4% in the second quarter, after a negative growth rate of -0.6% in the first. Consumer and retail confidence indicators have continued to decline in both countries, suggesting further weakness in economic activity in the coming quarters. Consumer price inflation rose in both Denmark and Sweden until September but moderated somewhat in October, to 3.8% and 3.4% respectively. Inflation is expected to fall further in these countries in line with weaker economic activity and falling commodity prices. After raising its main policy rate in two steps by a total of 90 basis points to 5.5% in October, Danmarks Nationalbank on 6 November and 5 December lowered the rate by a total of 125 basis points to 4.25%. Sveriges Riksbank decreased its main policy rate in October and December in three steps by a total of 275 basis points to 2.0%.

In the largest central and eastern European EU countries, growth remained broadly stable in the first half of 2008, but in some countries signs of weaker economic activity have emerged in the second half. Recent quarter-on-quarter GDP data for Hungary show that the recovery in economic activity in the first half of the year has reversed, and the economy even contracted by 0.1% in the third quarter. Strongly falling industrial and consumer confidence indicators suggest that economic activity also slowed in the Czech Republic in the third quarter. In other countries, however, economic activity remained resilient in the third quarter, with real GDP expanding in Poland at a quarter-on-quarter rate of 1.2% and in Romania at an annual rate of 9.1%. In all four countries the macroeconomic outlook has worsened substantially in the past few months as a result of increased risk aversion towards the region, tighter financing conditions and weakening international trade. HICP inflation rates have moderated in all four countries in recent months, mainly reflecting the fading effects of earlier rises in food and energy prices. Looking ahead, inflation is expected to decrease markedly in Hungary, the Czech Republic and, to a lesser extent, Romania. In Poland, inflation should also decline, albeit at a slower pace. On 22 October the Magyar Nemzeti Bank increased its main policy rate by 300 basis points to 11.5%, after reviewing the latest financial market developments. On 24 November, however, it decreased the rate by 50 basis points to 11%, the decision reflecting some stabilisation of the financial market situation. On 6 November, Česká národní banka reduced its main policy rate by 75 basis points to 2.75%, and on 26 November, Naradowy Bank Polski decided to lower its main policy rate by 25 basis points to 5.75%.

In the smaller non-euro area EU countries growth patterns have been mixed in recent quarters. While economic activity in Slovakia and Bulgaria has remained strong, the Baltic economies are currently experiencing a pronounced slowdown. GDP growth came to a virtual standstill in Latvia and turned negative in Estonia in the first half of 2008. Available indicators suggest that economic activity will also weaken in Slovakia, while in the short term it could remain robust in Bulgaria. Annual HICP inflation has decreased in all five countries. However, it remains at elevated levels in the Baltic states and Bulgaria, where it ranged in October between 10.1% and 13.7%; in Slovakia it was 4.2%. In October and November Národná banka Slovenska cut its main policy rate by a total of 100 basis points to 3.25 %.

In Russia, GDP growth moderated in the second quarter of 2008 to 7.5% year on year, from 8.5% in the first quarter. Leading indicators suggest that this gradual slowdown continued in the third quarter. Lower oil prices, tensions in the banking sector, negative wealth effects stemming from the decline in stock prices and capital outflows are expected to further dampen economic activity considerably.

EMERGING ASIA

Economic activity decelerated sharply in emerging Asia in the third quarter of 2008, especially in small open economies in this region. Although the global economic slowdown has broadened and intensified in recent months, export growth has declined only moderately in emerging Asia taken as a whole. The overall slowdown in economic activity has been driven mainly by a weakening of domestic demand, partly due to deteriorating consumer and business confidence. Consumer price inflation declined in most countries in October but remained at elevated levels. Amid tightening financial conditions and a worsening global economic outlook, monetary authorities in several countries have cut policy rates since mid-October.

In China, GDP growth fell to 9% in year-on-year terms in the third quarter of 2008 (after 10.6% in the first quarter and 10.1% in the second). Economic activity has decelerated due to sluggish external demand, the lagged impact of tight macroeconomic policies pursued during the first half of the year, and a slowdown in construction activity related to property market weakness. Nominal export growth fell to 19.1% in October from 21.5% in the previous month. In the third quarter, the surplus in the trade balance had risen gradually, to reach USD 35 billion in October, the highest monthly figure ever. Consumer price inflation in China has declined gradually over the past three months to reach 4% in October, driven mainly by the fading out of domestic meat price shocks and by lower commodity prices. To meet the rising challenges from weaker external and domestic demand, the Chinese authorities announced on 9 November a RMB 4 trillion fiscal stimulus package for the years 2009-10. This decision complemented several other measures aimed at enhancing credit growth and boosting the economy. The People's Bank of China on 26 November decided to cut RMB benchmark deposit and loan rates by 108 basis points and to lower the reserve requirement ratio by 100 and 200 basis points for large and small banks respectively.

In Korea, real GDP growth slowed to 3.9% year on year in the third quarter of 2008, from 4.8% in the previous quarter, driven mainly by a slowdown in private consumption and construction. Annual CPI inflation moderated to 4.8% in October, compared with 5.9% in July. In India, economic activity has also decelerated, with GDP growing by 7.9% in the second quarter, down from 8.8% in the first. Wholesale price inflation, the Reserve Bank of India's main inflation measure, decreased to 10.7% in October from its 12.5% peak in July.

Looking ahead, the broadening global economic slowdown, restrictive financing conditions, property market weakness and the lagged impact of previous tight policies are likely to lead to a further moderation of growth in emerging Asia. Nevertheless, the expansionary policies pursued in some countries may help to cushion the decline in demand.

LATIN AMERICA

In Latin America, economic activity has been showing signs of deceleration in some countries, while remaining relatively resilient in others over the past few months. At the same time, inflationary pressures are still at elevated levels. In Mexico, in particular, real GDP expanded at an annual rate of 1.6% in the third quarter of 2008, following 2.1% in the second quarter, and industrial production has been contracting over the past quarter (on an annual basis). Annual inflation increased from 4.9% in the second quarter to 5.5% in the third quarter. In Brazil, industrial production grew at an annual rate of 6.8% in the third quarter, after 6.3% in the second quarter. Annual CPI inflation stood at 6.3% in the third quarter, up from 5.6% in the previous quarter. In Argentina, the pace of industrial production growth increased from 5.6% in the second quarter to 6.2% in the third quarter. CPI inflation has remained high, standing at 8.9% in the third quarter, only slightly below the level in the previous quarter. Venezuela has extremely high inflation of currently around 35%.

Policy rates have remained fairly stable across the region. Only the Brazilian and Chilean central banks increased rates in the third quarter, by 150 basis points to 13.75% and 8.25% respectively. In response to the heightened financial tensions after mid-September, several central banks in the region have taken an array of measures to improve local currency and dollar liquidity conditions in their respective country.

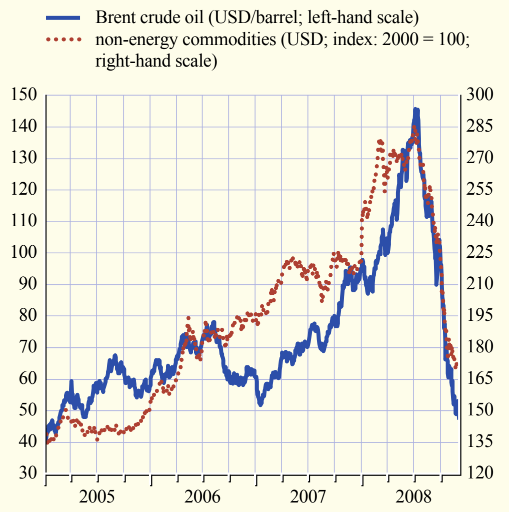
Looking ahead, regional output growth is expected to moderate in 2009, owing to weaker external demand. However, the aforementioned policy measures should enhance domestic demand.

1.2 COMMODITY MARKETS

Oil and non-energy commodity prices have recorded a steep decline over the past three months. The decline in oil prices is associated above all with the recent financial turmoil and the worsening global economic outlook, which have also led to deleveraging and liquidation of commodity futures positions. On 3 December 2008 Brent crude oil stood at USD 47.2 per barrel. This is a substantial decline compared with the peak price of USD 147 per barrel recorded in July and 50% lower than at the beginning of the year (in euro terms the decrease is around 42%). The decline in oil prices seems to have been driven mainly by a substantial deterioration in the prospects for oil demand in OECD countries, which is not fully offset by still fairly resilient demand in emerging economies. As a result, surplus capacities have been rising in OPEC countries, notwithstanding the cut in the OPEC oil production target in October and the fact that production in non-OPEC countries continues to be lower than expected.

The prices of non-energy commodities have also declined. Metal prices have been especially hit by concerns over the impact of the global economic downturn on demand and some signs of contracting demand from emerging economies. The decline in food commodity prices has been less pronounced. In aggregate terms, the price index for non-energy commodities and the price index for food and tropical beverages (both denominated in US dollars) were almost 20% lower at the end of November than a year earlier. Box 1 discusses in more detail the evolution of non-energy commodity price indices.

Chart 3 Main developments in commodity markets



Sources: Bloomberg and HWWI.

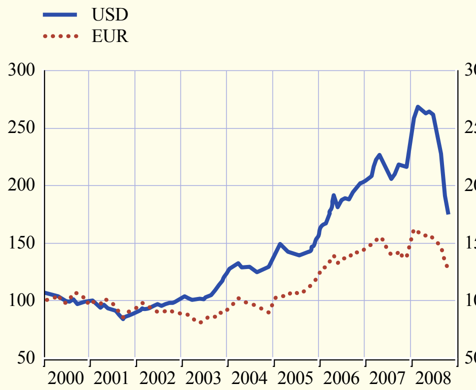
Box 1

EURO AREA NON-ENERGY COMMODITY PRICE INDICES COMPILED BY THE ECB

In recent years, global commodity prices have been characterised by sizeable fluctuations, which have had significant repercussions on consumer price inflation in the euro area and globally. Against this background, this box presents two non-energy commodity price indices produced by the ECB – one based on import weights and the other based on "use" weights – and reviews their recent evolution.

Chart A Euro area non-energy commodity price indices, import-weighted

(indices: 2000 = 100; monthly data)



Source: ECB calculations.

Between January 2003 and its peak in March 2008, the ECB's US dollar-based, import-weighted non-energy commodity price index for the euro area surged by 167% (see Chart A). The rise in commodity prices was relatively broad-based. Metal prices recorded an even stronger increase (of more than 250%), while both food prices and non-food agricultural prices roughly doubled over the same period. Amid worsening global economic prospects, non-energy commodity prices subsequently declined and, in November 2008, stood at about 35% below their March levels. Measured in euro, the fluctuations in the index were somewhat less pronounced, amounting to around +83% during the period of price expansion and -21% during the period of price contraction up to November.

These Laspeyres-type commodity price indices (see Chart A) are weighted according to the share of each commodity in euro area imports from outside the euro area, i.e. ignoring intra-euro area trade. These import-weighted indices have been designed primarily to assess price developments in imported commodities. In addition, they assist in the forecasting of external trade (volumes and prices). Their weighting structures have been derived from the value of euro area imports for 34 commodities (18 food categories and 16 non-food categories, the latter comprising agricultural raw materials and metals) using Eurostat's external trade statistics (COMEXT database). The fixed weights currently refer to the average for the period 2004-2006 and are updated every five years. The prices of the 34 commodities are world market prices quoted in US dollars and are converted into euro by applying the average monthly EUR/USD exchange rate.

A weighting scheme based on imports is conceptually suboptimal for assessing the impact of global commodity price developments on euro area economic activity and consumer prices. For instance, in the import-weighted index, the weight of wheat is only half the weight of coffee (see table), while wheat plays a much larger role than coffee as an input in the domestic production process and in final consumption. This discrepancy is explained mainly by the significant production of some commodities in the euro area, such as wheat, while other commodities such as coffee or cocoa are exclusively imported. At the same time, developments in global commodity prices may have a bearing on prices of domestically-produced commodities.

Weights for the ECB's non-energy commodity price indices

(percentages; based on data for the period 2004-2006)

	Import-weighted index	Use-weighted index
Total non-energy commodities	**100.0**	**100.0**
Food	**35.2**	**44.3**
Maize	1.6	1.2
Wheat	3.0	7.4
Soybeans	6.1	3.1
Cocoa	3.3	1.7
Coffee	6.0	3.1
Sugar	1.8	4.2
Beef	0.7	8.5
Pork	0.4	5.8
Other food	12.3	9.2
Agricultural raw materials	**18.4**	**17.2**
Wood and woodpulp	12.3	13.7
Other agricultural raw materials	6.1	3.5
Metals	**46.4**	**38.5**
Aluminium	16.6	16.8
Copper	5.8	4.4
Nickel	4.6	2.7
Zinc	3.3	4.1
Iron ore and steel scrap	11.8	7.8
Other metals	4.3	2.8

Source: ECB calculations.
Note: The item "other food" includes barley, rice, sunflower seeds, coconut oil, palmoil, sunflower seed oil, tea, tobacco, bananas and oranges. The item "other metals" includes tin, silver, platinum and lead. The item "other agricultural raw materials" includes cotton, hides, rubber and wool.

Against this background, a "use-weighted" non-energy commodity price index has also been developed. This index applies a weighting scheme that is based on the value of euro area demand for or "use" of each commodity included in the index. Specifically, it takes into account euro area imports, exports and own production of each commodity.[1] As shown in the table, the weighting structure of the use-weighted non-energy commodity price index differs significantly from that of the import-weighted index. The weight of food in the use-weighted index is 44.3%, compared with 35.2% in the import-weighted index. By contrast, the weight of metals is notably lower in the use-weighted index. Within the food category, the discrepancies are particularly pronounced. Food commodities with a sizeable domestic production get a higher weight in the use-weighted index, while commodities with a very limited production in the euro area, such as coffee or soybeans, are weighted lower. In this index, the weight of wheat is more than double that of coffee or soybeans.[2] This weighting scheme is more commensurate with the consumption patterns of global commodities in the euro area and provides information about pressures on consumer prices stemming from global commodity price movements (assuming that the prices of domestically-produced commodities move in parallel with those on the world market).

Comparing the developments in both euro area non-energy commodity price indices shows that there has been a somewhat less pronounced rise in the use-weighted index in recent years (see Chart B). Between January 2003 and its peak in March 2008, the use-weighted index

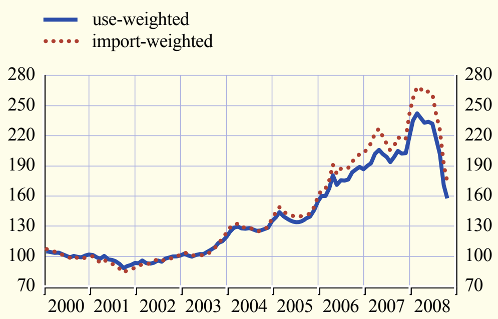
1 Data sources: Eurostat's agricultural statistics, external trade statistics (COMEXT) and by-product manufacturing statistics (PRODCOM) and the statistics compiled by the Food and Agriculture Organisation of the United Nations (FAOSTAT). For the sake of simplicity, as well as owing to the lack of appropriate and comprehensive data sources, inventories are assumed to remain stable.

2 In addition, to avoid double counting of cereals in the euro area, the initial weight assigned to cereals in the use-weighted index was reduced since cereals are in part used to feed cattle (which are used for meat). A similar correction for double counting was applied to sunflower seeds, which are almost entirely used for the production of sunflower seed oil.

rose by 143%, compared with 167% for the import-weighted index. This mainly reflects the particularly sharp rise in metal prices over this period, which obtain a lower weight in the use-weighted index. Following the recent decline in commodity prices, in November 2008 the use-weighted index stood almost 58% above its January 2003 level, while the import-weighted index stood at about 73% above its January 2003 level.

Chart B Euro area non-energy commodity price indices

(indices denominated in USD; 2000 = 100; monthly data)



Source: ECB calculations.

When assessing the transmission of global commodity price shocks to domestic activity and inflation it is also desirable to account for additional factors, such as the price floors set by the EU Common Agricultural Policy (CAP) and country-specific tax regimes. In particular the CAP can lead to a decoupling of commodity prices in the euro area from global prices. Looking ahead, there are plans to investigate whether it is possible to produce an index that takes such factors into account. In addition, further refinements of the use-weighted index will be studied.

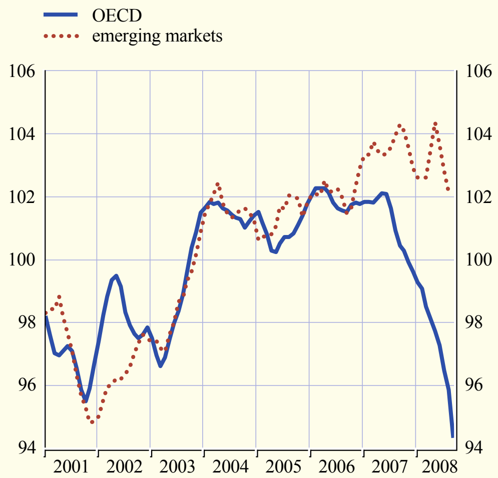
The import-weighted and use-weighted non-energy commodity price indices are presented for the first time in Table 5.1 of the statistical section in this issue of the Monthly Bulletin. The import-weighted index replaces the non-energy commodity price index compiled by the HWWI. The new indices will be made available at a monthly frequency and updated on the third working day of each month in the ECB's Statistical Data Warehouse. The time series start in January 1996 and are provided as indices calculated on the basis of commodity prices expressed in euro and in US dollars.

1.3 OUTLOOK FOR THE EXTERNAL ENVIRONMENT

The global economic slowdown implies an increasingly weakening outlook for world trade and euro area foreign demand. The most recent indicators of international trade activity point to a significant worsening of import demand, particularly in advanced economies. For instance, the Baltic Dry Index, which measures world shipping rates for bulk commodities and serves as a leading indicator for global trade growth, has dropped by more than 90% in recent months, albeit from very high levels. As regards the outlook for economic activity, the OECD composite leading indicator (CLI) for September 2008 confirms a relatively sharp deterioration in the economic outlook for all major industrialised economies and weakening prospects for major non-OECD economies such as China, India and Russia (see Chart 4). This outlook is consistent with the evidence presented in the November Ifo

Chart 4 OECD composite leading indicator

(monthly data; amplitude-adjusted)



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

World Economic Climate survey, which recorded a further broad-based weakening in the fourth quarter of 2008. The index has fallen to its lowest level in more than 20 years.

The uncertainty surrounding the global economic outlook is exceptionally high. Financial market volatility has soared, which implies that the assessment of global economic prospects is presently subject to very high uncertainty. Overall, the risks for growth are on the downside. They relate mainly to the potential for the turmoil in financial markets to have a more significant impact on the real economy. The depth and duration of the global economic downturn will crucially depend upon the speed at which the financial crisis can be resolved. Other risks relate to concerns about protectionist pressures and possible disorderly developments owing to global imbalances.

2 MONETARY AND FINANCIAL DEVELOPMENTS

2.1 MONEY AND MFI CREDIT

The latest monetary data confirm the sustained, but moderating, rate of underlying broad monetary expansion seen in the euro area in recent quarters. Monetary trends therefore support the view that inflationary pressures are diminishing further, with some risks remaining on the upside in the medium to longer term. At the same time, specific items on the MFI balance sheet have been strongly affected by the intensification of the financial market turmoil, with significant shifts taking place among the components of broad money, albeit with little impact on headline M3 itself as yet. There are no indications thus far that the intensification of the financial turmoil has led to significant constraints in the availability of loans to the non-financial private sector as a whole, although specific segments could have been more adversely affected. MFIs have sold securities in order to prevent the deterioration seen since mid-September in banks' funding conditions from impairing the availability of loans. Looking ahead, the intensification of the financial turmoil observed since mid-September marks a potential watershed in the evolution of monetary developments.

THE BROAD MONETARY AGGREGATE M3

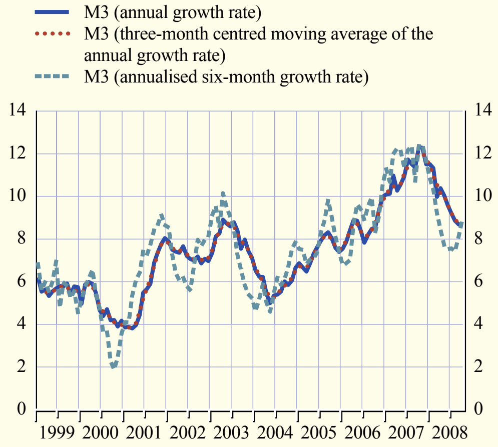
The annual growth rate of the broad monetary aggregate M3 declined further in the third quarter of 2008, standing at 9.0%, down from 10.1% in the second quarter (see Chart 5). This confirms the moderation observed in recent quarters in the annual growth rates of broad money and credit aggregates, which in turn reflects the impact of tighter financing conditions and slower economic growth.

Despite moderating, annual M3 growth remained robust during the third quarter of 2008. In part, this continued to reflect the flatness of the yield curve, which encouraged shifts from longer-maturity assets into monetary instruments that offered similar remuneration with greater liquidity and less risk. Such shifts had an upward impact on headline M3 growth. Nonetheless, even taking such effects into account, underlying broad monetary growth remained strong throughout the third quarter.

However, the intensification of the financial turmoil observed since mid-September marks a potential watershed in the evolution of monetary developments. While this may not be evident from the annual growth rate of M3, which remained unchanged in October at 8.7%, specific elements of the MFI balance sheet have been significantly affected. Moreover, shifts have taken place among the components of broad money. In particular, in October M3 was supported by strong demand for currency, which partly reflects non-residents' demand for euro banknotes.

Chart 5 M3 growth

(percentage changes; adjusted for seasonal and calendar effects)



Source: ECB.

The intensification of the financial tensions observed since mid-September has the potential to have a significant impact on monetary dynamics. Although the October data do not offer any direct indication of a substantial change in the behaviour of M3 or loans to the non-financial private sector, the more significant effects on other parts of the MFI balance sheet and the shifts taking place among the components of broad money point to the possibility of a more substantial impact on monetary trends in the future.

MAIN COMPONENTS OF M3

The continued moderation observed in annual M3 growth in the third quarter of 2008 was driven by declines in the contributions of M1 and marketable instruments (i.e. M3-M2), while the contribution of short-term deposits other than overnight deposits (i.e. M2-M1) remained essentially unchanged (see Table 1). However, very recent data seem to indicate a change in this pattern, with M1 growth strengthening in September and October, while the growth rates of both short-term deposits other than overnight deposits and marketable instruments declined in the face of the intensification of the financial turmoil.

In the third quarter of 2008 the annual growth rate of M1 declined further to stand at 0.6%, down from 2.3% in the second quarter. The deceleration observed in M1 in the third quarter mainly reflected developments in overnight deposits, the annual growth rate of which became slightly negative at -0.7%, down from 1.2% in the second quarter. The trend decline observed in the growth rate of overnight deposits in past quarters has largely reflected the rise in short-term interest rates as of December 2005, which steadily increased the opportunity costs of holding such instruments.

In October 2008 the annual growth rate of M1 increased sharply for the second consecutive month, rising to 3.7%, up from 1.2% in September and 0.2% in August. These increases in the growth rate of M1 were driven by increases in the monthly flows of both currency in circulation and overnight deposits, partly reflecting increased demand for banknotes in countries neighbouring the euro area.

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					
		2007 Q4	2008 Q1	2008 Q2	2008 Q3	2008 Sep.	2008 Oct.
M1	**42.7**	**5.9**	**3.8**	**2.3**	**0.6**	**1.2**	**3.7**
Currency in circulation	7.5	8.0	7.8	7.8	7.5	8.2	13.0
Overnight deposits	35.2	5.5	3.0	1.2	-0.7	-0.1	1.9
M2 - M1 (= other short-term deposits)	42.8	16.8	18.4	19.3	18.9	17.7	15.5
Deposits with an agreed maturity of up to two years	26.5	40.6	41.4	40.4	37.6	34.4	29.2
Deposits redeemable at notice of up to three months	16.3	-3.9	-3.3	-2.3	-2.0	-2.0	-1.4
M2	**85.5**	**10.7**	**10.3**	**10.0**	**9.1**	**8.9**	**9.3**
M3 - M2 (= marketable instruments)	14.5	19.6	16.3	10.3	8.9	7.3	5.3
M3	**100.0**	**12.0**	**11.2**	**10.1**	**9.0**	**8.7**	**8.7**
Credit to euro area residents		**9.2**	**10.0**	**9.6**	**9.1**	**8.5**	**7.3**
Credit to general government		-4.1	-2.5	-1.2	0.6	0.8	0.7
Loans to general government		-1.8	-0.9	0.8	2.1	2.9	3.4
Credit to the private sector		12.2	12.7	11.9	10.8	10.1	8.6
Loans to the private sector		11.1	11.1	10.5	9.1	8.5	7.8
Longer-term financial liabilities (excluding capital and reserves)		**8.5**	**6.8**	**4.5**	**3.3**	**2.7**	**0.5**

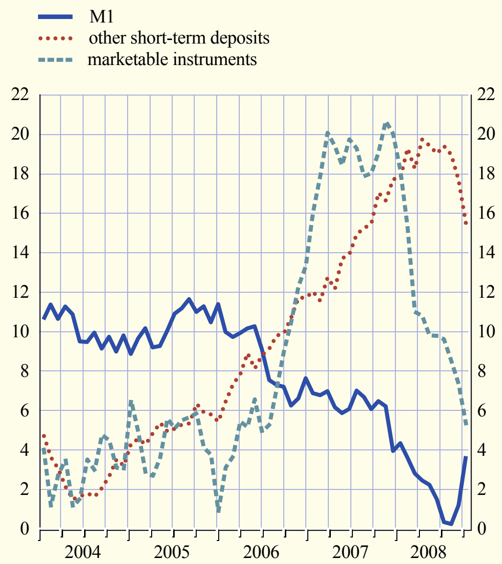
Source: ECB.
1) As at the end of the last month available. Figures may not add up due to rounding.

Short-term deposits other than overnight deposits remained the largest contributor to annual M3 growth in the third quarter of 2008. However, the annual growth rate of these deposits declined slightly to stand at 18.9% in that quarter, down from 19.3% in the previous quarter (see Chart 6). These patterns were also reflected in the October data, with the annual growth rate of short-term deposits other than overnight deposits falling further to stand at 15.5% in that month, down from 17.7% in September.

These developments largely reflect a moderation in the growth of demand for deposits with an agreed maturity of up to two years (i.e. short-term time deposits). Nevertheless, those deposits continued to grow at a very robust annual rate of 29.2% in October, following growth rates of 37.6% in the third quarter and 40.4% in the second quarter. The holdings of deposits redeemable at notice of up to three months (i.e. short-term savings deposits) declined by 1.4% on an annual basis in October.

Chart 6 Main components of M3

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



Source: ECB.

In recent months the shape of the yield curve and the structure of bank deposit rates have made short-term time deposits particularly attractive by comparison with other instruments in M3 and longer-maturity assets. In particular, the remuneration of short-term time deposits – unlike that of overnight and short-term savings deposits – has followed the rise in money market rates fairly closely, potentially because banks have made additional efforts to attract such deposits at a time when it is difficult to obtain funding in the wholesale money markets given the intensification of the financial tensions.

The annual growth rate of marketable instruments included in M3 continued to decline in October 2008, falling to 5.3%, down from 8.9% and 10.3% in the third and second quarters respectively. This resulted from the marked declines observed in the annual growth rates of money market fund shares/units (the largest sub-component) and debt securities with a maturity of up to two years. By contrast, the growth rate of the third sub-component – repurchase agreements – increased again, both in the third quarter and in October, after remaining unchanged in the previous quarter.

Substantial outflows were observed from money market fund shares/units – largely for non-euro area residents – following the intensification of the financial turmoil in mid-September, reflecting investors' renewed concerns regarding the safety of some funds. However, the October data point to those outflows fading away, suggesting that fears regarding the possible failure of money market funds following the default of Lehman Brothers may have eased more recently.

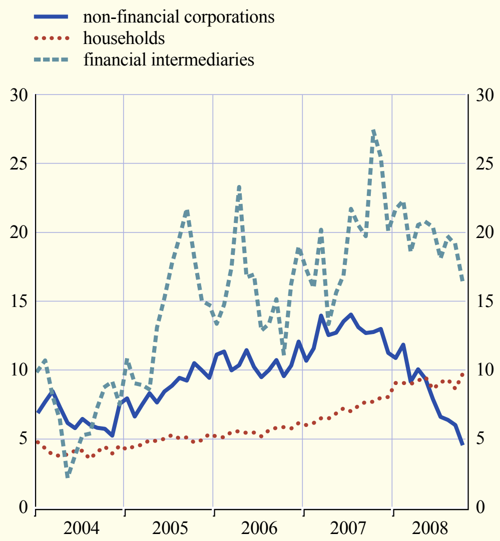
The sectoral breakdown of monetary growth is based on data for short-term deposits and repurchase agreements ("M3 deposits"). The annual growth rate of this aggregate (which is the broadest for which reliable information on sectoral holdings is available) broadly followed developments in headline M3 in the third quarter of 2008, declining further to stand at 10.2%, down from 11.0% in the previous quarter. This moderation continued in October, with the annual growth rate of M3 deposits falling to 9.6% in that month, down from 9.7% in September.

The annual growth rate of households' M3 deposits, which make the largest contribution to total M3 deposit growth, declined to 9.0% in the third quarter of 2008, down from 9.2% in the second quarter. However, in October the annual growth rate of households' M3 deposit holdings increased significantly to stand at 9.7%, up from 8.6% in September (see Chart 7).

The annual growth rate of M3 deposits held by non-financial corporations also declined further in the third quarter of 2008, with that decline continuing in October. The continued moderation in the earnings growth of non-financial corporations probably contributed to this further decrease, but the deterioration in financing conditions may also have encouraged firms – mainly smaller companies – to use retained earnings and deposit holdings in order to finance fixed investment and working capital.

Chart 7 Short-term deposits and repurchase agreements

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



Source: ECB.
Note: MFI sector excluding Eurosystem.

The annual growth rate of M3 deposits held by non-monetary financial intermediaries decreased both in the third quarter of 2008 and in October. Despite this moderation, the annual growth rate of OFIs' M3 deposits remains significantly stronger than those observed in other sectors. Given the current financial market environment, this is likely to reflect investment funds' increased need to maintain cash buffers in order to accommodate possible redemptions. Such redemptions were visible in the investment fund data for the second quarter of 2008.

MAIN COUNTERPARTS OF M3

As regards the counterparts of M3, the annual growth rate of total MFI credit to euro area residents continued to decline in the third quarter of 2008, falling to 9.1%, down from 9.6% in the second quarter, before decreasing further to stand at 7.3% in October (see Table 1). This mainly reflected the significant deceleration observed for MFI credit to the private sector, which largely reflected the sale of securities issued by the euro area private sector.

The annual growth rate of MFI credit to general government rose slightly to stand at 0.6% in the third quarter, up from -1.2% in the second quarter. In October the annual growth rate of MFI credit to general government remained broadly unchanged at 0.7%. This obscures the decline in the MFI sector's holdings of government securities in September and October, which is evident from the negative monthly flows in both months. These developments are likely to be linked to the deleveraging of credit institutions given the liquidity of government bond markets and the favourable price developments (for more details, see Box 2, entitled "Recent developments in the balance sheets of euro area credit institutions"). The shedding of such assets by money market funds may also have played a role in the context of redemptions.

The annual growth rate of MFI credit to the private sector continued to decline in the third quarter, falling to 10.8%, down from 11.9% in the second quarter, before moderating further to stand at 8.6% in October. The decline recorded in the annual growth rate of credit to the private sector in the third quarter masks differing developments in the various sub-components. The annual growth rate of MFIs' holdings of private sector securities other than shares declined from 39.7% in the second quarter to 36.5% in the third quarter, before decreasing further to stand at 27.9% in October. This continued vigorous – albeit moderating – annual growth largely reflects MFIs' purchases of securities issued by OFIs in previous quarters in relation to securitisation activities. In September MFIs reduced their holdings of private sector securities other than shares, as can be seen from the sizeable negative monthly flow in that month. However, in October the monthly flow was again significantly positive, mostly reflecting MFIs' purchases of securities issued by OFIs in the context of securitisation activities.

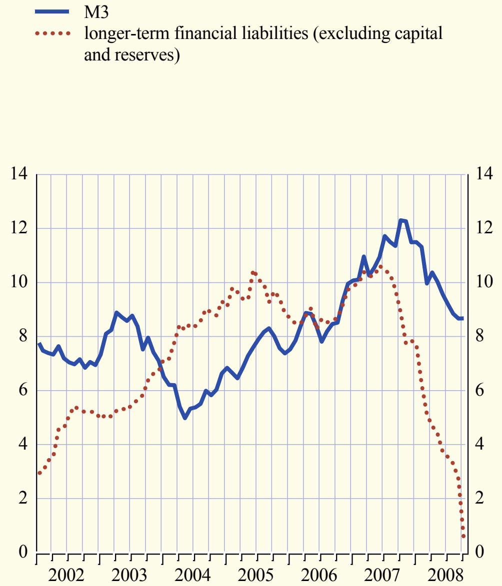
The annual growth rate of MFIs' holdings of shares and other equity increased from 3.7% in the second quarter to 6.0% in the third quarter, before declining again to stand at -1.4% in October. This significant decline in MFIs' holdings of such instruments is probably related to banks' deleveraging needs resulting from the mounting pressures on their balance sheets given the intensification of the financial market tensions. Hence, MFIs' ability to reduce their holdings of securities – both securities other than shares, and shares and other equity – has enabled them to insulate the expansion of bank loans to the private sector from the direct impact that the rising financial tensions have had on banks' funding conditions.

The annual growth rate of MFI loans to the private sector – the largest component of credit to the private sector – continued to decline, falling from 10.5% in the second quarter of 2008 to 9.1% in the third quarter, before decreasing further to stand at 7.8% in October (see Table 1). This moderation resulted from slower growth in both loans to the non-financial private sector and loans to non-monetary financial intermediaries. The former reflected continued declines in both the annual growth rate of loans to non-financial corporations (which fell to 12.8% in the third quarter and 11.9% in October, down from 14.5% in the second quarter) and the annual growth rate of loans to households (which stood at 4.0% in the third quarter and 3.3% in October, down from 5.0% in the second quarter). Overall, the recent pattern of loan growth is consistent with historical regularities, reflecting the impact of the increases seen in bank lending rates since late 2005, the slowdown in the housing market, the tightening of credit standards (attributed primarily to the deteriorating expectations regarding general economic activity and the worsening outlook for the housing market) and the overall business cycle (see Sections 2.6 and 2.7 for more detailed analysis of the financial flows and financial positions of non-financial corporations and households).

Turning to the other counterparts of M3, the annual growth rate of MFI longer-term financial liabilities (excluding capital and reserves) has fallen further in recent quarters (see Chart 8). This decline reflects slower growth in all sub-components. In particular, the fall in the growth rate of long-term deposits reflects the shape of the yield curve and the intensification of financial market tensions, which are encouraging shifts from long-term deposits into shorter-term deposits. The October data on long-term debt securities issued by MFIs suggest that banks have not been able to obtain funding through this source. By contrast, the annual growth rate of capital and reserves has increased in recent months. This can be explained by the additional equity capital raised through private placement and governments' capital injections with a view to strengthening the balance sheets of credit institutions.

Chart 8 M3 and MFI longer-term financial liabilities

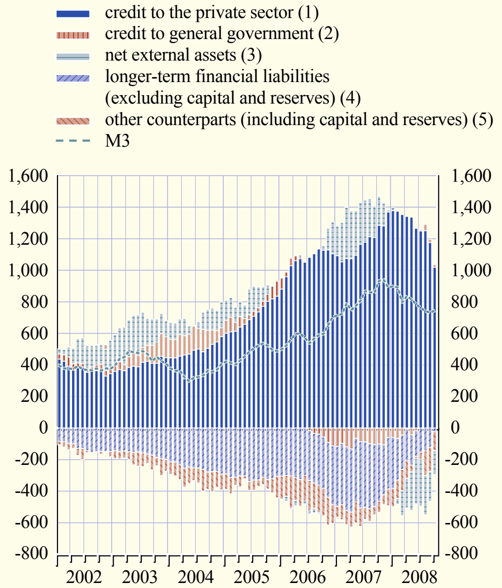
(annual percentage changes; adjusted for seasonal and calendar effects)



Source: ECB.

Chart 9 Counterparts of M3

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



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

Finally, MFIs' net external asset position recorded a third successive monthly increase in October (rising by €37 billion). This reflects the fact that external liabilities have declined more strongly than external assets in recent months, as both sides of the balance sheet have contracted. As a result of these net inflows, the annual decline in MFIs' net external asset position decreased to €149 billion in October, down from €188 billion in September (see Chart 9). The fact that MFIs' net external asset position remains significantly negative probably reflects the ongoing rebalancing of international portfolios, comprising shifts out of euro area assets owing to the deterioration in the prospects for economic growth in the euro area and the repatriation of funds by non-residents in the face of liquidity constraints in their home countries.

To sum up, the latest monetary data, which cover the period up to end-October 2008, confirm the ongoing moderation of the annual growth rate of MFI loans to the non-financial private sector. This largely reflects the impact that past increases in short-term interest rates, tighter financing conditions and slower economic growth are all having on demand for loans. The October data do not point to a disruption of the flow of credit to the private sector. Indeed, the monthly flows for loans to both non-financial corporations and households remain strong when the data for households are corrected for the effects of securitisation (which were positive in October). This notwithstanding, historical regularities and the expected developments in the fundamental determinants, combined with the continued deterioration observed in business and consumer confidence in recent months, would point to a further moderation in loan dynamics in the coming quarters.

While there is, to date, no evidence of restrictions in the availability of credit to the private sector, the possibility of access being more severely hampered in the future cannot be ruled out. Thus far, MFIs have been able to reduce their holdings of securities, insulating the expansion of bank loans to non-financial corporations and households from the direct impact of the tighter funding conditions for banks that have resulted from the rising financial tensions. The sustainability of such behaviour remains unclear. More generally, further information, data and analysis are required in order to assess the impact that the increasing financial turmoil is having on the supply of bank loans and credit.

Box 2

RECENT DEVELOPMENTS IN THE BALANCE SHEETS OF EURO AREA CREDIT INSTITUTIONS

Since the onset of the financial turmoil in the summer of 2007 credit institutions across the globe have faced mounting pressures regarding the size of their balance sheets. Institutions in the euro area have not been immune to these pressures, which in broad terms stem from two sources. On the one hand, some institutions have suffered an erosion of their capital base, for instance owing to credit losses or adverse movements in asset prices. This could require such institutions to reduce the size of their balance sheets, in order to return the ratio of total assets to capital to the required or desired level.[1] On the other hand, tensions in the money markets and investors' apprehension in other markets where credit institutions typically obtain funding (such as the covered bond, securitisation and unsecured debt markets) mean that at least some of these institutions are facing funding constraints as regards their capacity to expand and indeed maintain the size of their balance sheets. Depending on how any downsizing of credit institutions' balance sheets is implemented, this could have implications for euro area firms and households' access to financing. Against this background, this box examines recent developments in the statistical balance sheets of credit institutions, looking specifically at developments in credit institutions' assets broken down by instrument and by counterpart sector.

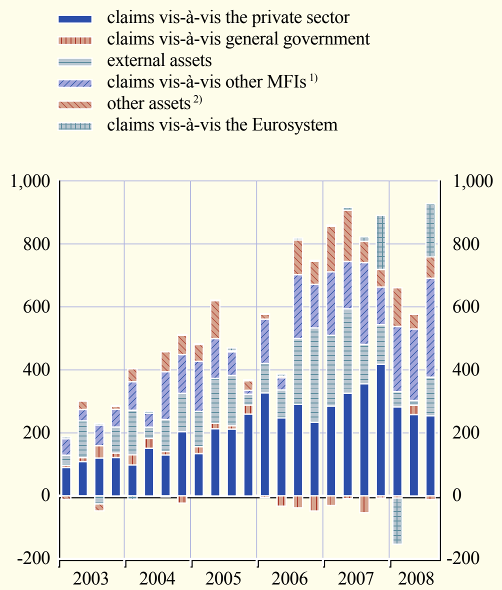
An aggregated view of the balance sheets of euro area credit institutions

The issue at hand requires that MFI balance sheet statistics be examined from a perspective that differs from that normally applied in monetary analysis. First, in order to assess the extent to which the pressures on credit institutions' capital and funding have had an impact on their balance sheets, it is necessary to look also at assets vis-à-vis other MFIs. These, however, are netted in the consolidated MFI balance sheet, which forms the basis for the monetary statistics, and the aggregated balance sheet therefore needs to be examined instead. Second, given that the ultimate objective is to map out the potential impact on firms and households' access to loans, the analysis is based on the balance sheets of credit institutions, rather than the MFI sector as a whole, thereby excluding both the money market fund sector and the Eurosystem. This breakdown of the MFI sector is available only on a quarterly basis.

1 In principle, a number of strategies are available to credit institutions in order to restore the desired relationship between total assets and the capital base. In broad terms, these include a reduction in the total amount of assets held, an increase in the capital base, or a combination of the two. Capital can, in turn, be increased through capital injections and/or reductions in dividend payouts.

Chart A Credit institutions' asset holdings by sector

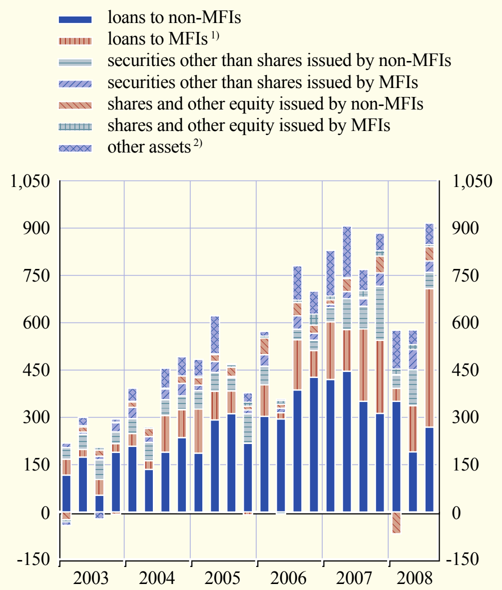
(quarterly flows; EUR billions; adjusted for seasonal effects)



Source: ECB.
1) Claims vis-à-vis MFIs other than the Eurosystem.
2) "Other assets" comprise fixed assets, credit institutions' holdings of money market fund shares/units and the item "remaining assets".

Chart B Credit institutions' asset holdings by instrument

(quarterly flows; EUR billions; adjusted for seasonal effects)



Source: ECB.
1) Includes deposits vis-à-vis the Eurosystem.
2) "Other assets" comprise fixed assets, credit institutions' holdings of money market fund shares/units and the item "remaining assets".

Euro area credit institutions' total assets have continued to grow throughout the period of financial market tensions observed since the summer of 2007. Robust quarterly flows have been recorded, with the flow in the third quarter of 2008 being particularly large (see Chart A). However, these flows include large contributions from increased claims on the MFI sector itself, particularly in the fourth quarter of 2007 and the third quarter of 2008. To a large extent, this is due to increased claims on central banks, reflecting the extraordinary central bank operations undertaken by the Eurosystem. The growth of claims vis-à-vis the euro area private sector has been declining following its peak in the fourth quarter of 2007, but remains at a relatively robust level. Following the particularly large flows observed in late 2006 and early 2007, credit institutions have markedly scaled back their claims vis-à-vis non-euro area residents, reflecting, at least to some extent, the abandonment of investment strategies that have proved unprofitable following the onset of the financial market turmoil. Moreover, credit institutions appear to have reduced their exposure to government debt over the period of financial market tensions as a whole, potentially on account of investors' flight to safety boosting the value of such assets and thereby enabling credit institutions to realise substantial gains when disposing of them.

A breakdown of credit institutions' assets by instrument shows that loans continue to account for most of the growth in total assets. The financial market tensions initially had a positive impact on debt securities, with a particularly large quarterly flow being recorded in the fourth quarter of 2007 and smaller, albeit relatively strong, flows being observed in 2008 (see Chart B). To a large extent, this reflects the transformation into securities of parts of the loan portfolios of some credit institutions, with these loans being securitised and the credit institutions retaining the resulting securities.

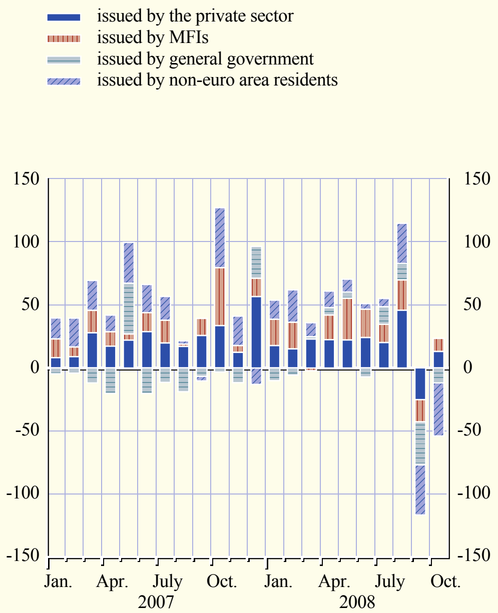
More recent, monthly developments

Given that the intensification of the financial market tensions triggered by the collapse of Lehman Brothers did not occur until mid-September, almost at the end of the third quarter of 2008, quarterly flows will dilute the effect of these recent developments. It is, therefore, useful to examine the recent monthly developments in the holdings of debt securities, although this is only possible for the MFI sector as a whole (see Chart C). This reveals a remarkable shedding of debt securities in September, across all types of issuer. The decline in the holdings of debt securities continued in October for those issued by non-euro area residents and the general government sector. At the same time, in October MFIs did acquire debt securities issued by other MFIs and the private sector. However, there are indications that this acquisition of private sector debt securities mainly reflected the continued securitisation of loans to the private sector, whereby the institutions originally holding the loans on their balance sheets also retained the resulting securities.

Developments in MFIs' holdings of debt securities in September and October therefore suggest that there are particular balance sheet items that have been quite markedly affected

Chart C MFIs' holdings of securities other than shares

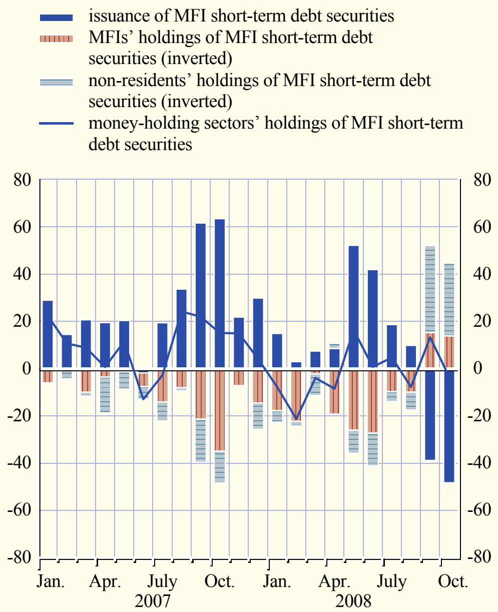
(monthly flows; EUR billions; adjusted for seasonal effects)



Source: ECB.

Chart D Issuance and holdings of MFI debt securities with a maturity of less than two years

(monthly flows; EUR billions; adjusted for seasonal effects)



Source: ECB.
Note: MFI short-term debt securities held by non-euro area residents and MFIs are shown with an inverted sign, as they are deducted from net issuance in order to calculate the money-holding sectors' holdings of these instruments.

by the intensification of the financial market tensions. A particularly interesting case in this respect is that of short-term debt securities issued by MFIs, where downsizing is observed not only on the asset side, but also on the liability side. In particular, net issuance of such instruments was negative in September and October, while at the same time MFIs reduced their holdings of these securities (see Chart D). Interestingly, this downsizing has affected mainly inter-MFI positions, as well as the holdings of non-euro area residents, whereas developments in the money-holding sectors' holdings of these securities have been relatively subdued.

Overall, developments thus far do not indicate a shrinking of the aggregated balance sheet of credit institutions in the euro area, although the rate of expansion of those credit institutions' total assets has moderated somewhat in recent quarters when their claims vis-à-vis MFIs are not taken into account. However, this does not rule out the possibility of individual credit institutions or a sub-set of the euro area credit institutions having reduced the size of their balance sheets in response to developments in financial markets since the summer of 2007. Moreover, it does not mean that there are no signs of downsizing for specific types of asset. Indeed, the data for September and October reveal that MFIs have reduced their debt securities portfolios, with their holdings of securities issued by the general government sector and non-euro area residents bearing the brunt of this adjustment. This development provides some tentative indications that credit institutions have been using their more liquid assets as buffers in order to absorb the pressures on their capital positions and funding, with a view to shielding their core, relationship-based business, namely the granting of loans to firms and households. However, more information is required before a conclusive assessment can be made regarding the capacity of these buffers to cushion the impact that developments in financial markets are having on the supply of financing to the private sector.

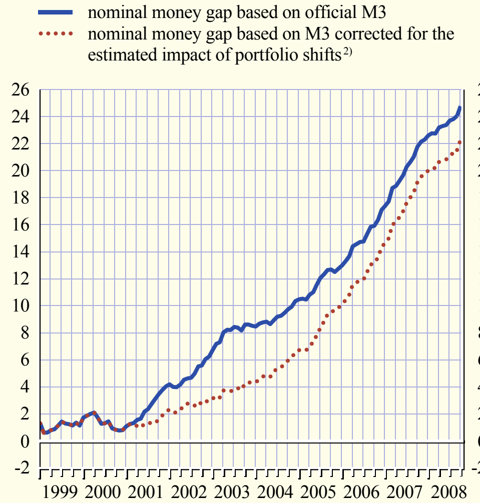
GENERAL ASSESSMENT OF MONETARY LIQUIDITY CONDITIONS IN THE EURO AREA

On the basis of developments in nominal and real money gaps, the accumulation of monetary liquidity in the euro area increased again in the third quarter of 2008, after showing some signs of stabilisation in the first half of the year (see Charts 10 and 11). Such measures of the liquidity situation need to be interpreted with caution, as they rely on an assessment of equilibrium money holdings, which is always uncertain and especially so at present. Indeed, the differences between the various money gap measures may be taken as an indication of the considerable uncertainty surrounding the liquidity situation in the euro area at the current juncture. These caveats notwithstanding, overall the evidence points to a clear accumulation of monetary liquidity in recent years.

Summing up, the data for the period to end-October continue to point to a strong, but moderating, underlying rate of monetary expansion in the euro area. Monetary trends therefore support the view that inflationary pressures are diminishing further, with some risks remaining on the upside in the medium to longer term. However, the intensification of the financial turmoil observed since mid-September marks a potential watershed in the evolution of monetary developments. While the latest data imply neither a sharp change in broad money growth nor a drying up of the availability of loans to households and non-financial corporations, they do show that the intensification of the financial crisis is having an impact on the behaviour of banks and money-holders. As was the case between 2001 and 2003, portfolio shifts into monetary assets at a time of heightened financial market uncertainty may strengthen broad money growth while creating little risk of inflationary

Chart 10 Estimates of the nominal money gap 1)

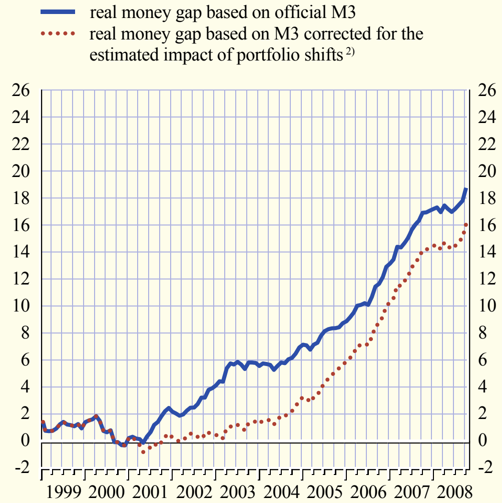
(as a percentage of the stock of M3; adjusted for seasonal and calendar effects; December 1998 = 0)



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 11 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.

pressures, at least in the short to medium term.[1] By the same token, banks may face increased pressure to reduce their balance sheets and thereby limit the availability of loans. More data and further detailed analysis of money and credit developments are therefore necessary in order to form a robust judgement in this complex and uncertain environment.

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

In the second quarter of 2008 the annual growth rate of total financial investment by the non-financial sectors decreased further. This decline was broadly based across the household, non-financial corporate and government sectors. Annual outflows from investment funds increased strongly in the second quarter, driven by sizeable withdrawals from both equity and bond funds. The annual growth rate of financial investment by insurance corporations and pension funds also declined in the second quarter of 2008.

1 The extraordinary movements currently being observed in monetary data may not comply with the definition of portfolio shifts that was applied in the period 2001-03. One reason for this is the fact that the latest upward pressure on monetary dynamics largely reflects funds withdrawn from the euro area MFI sector by non-residents, resulting, for example, in strong demand for banknotes. Another is the fact that it is currently difficult to distinguish between asset reallocations potentially motivated by a change in risk preference and shifts from non-monetary assets into components of M3 triggered by the relatively favourable conditions for MFI deposits.

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

	Outstanding amount as a percentage of financial assets [1]	Annual growth rates									
		2006 Q1	2006 Q2	2006 Q3	2006 Q4	2007 Q1	2007 Q2	2007 Q3	2007 Q4	2008 Q1	2008 Q2
Financial investment	**100**	**4.8**	**4.9**	**4.8**	**4.9**	**5.0**	**5.3**	**5.0**	**4.5**	**3.9**	**3.2**
Currency and deposits	24	6.3	6.3	7.0	6.9	7.4	8.0	7.4	6.9	6.5	5.4
Debt securities, excl. financial derivatives	6	0.5	2.0	4.3	6.4	4.9	3.4	2.3	3.2	2.4	0.7
of which: short-term	1	6.7	4.7	8.2	18.3	13.1	15.4	26.4	31.4	23.7	3.3
of which: long-term	5	-0.1	1.8	4.0	5.4	4.1	2.3	0.0	0.7	0.3	0.5
Shares and other equity, excl. mutual fund shares	31	2.7	3.0	2.2	2.0	2.2	2.5	2.9	3.2	3.3	3.3
of which: quoted shares	8	-1.0	0.0	0.7	-0.1	1.1	1.7	1.9	3.1	3.6	3.7
of which: unquoted shares and other equity	23	4.0	4.1	2.8	2.9	2.6	2.7	3.3	3.3	3.2	3.1
Mutual fund shares	6	3.3	2.3	0.4	-0.1	0.3	0.4	-1.7	-3.5	-5.2	-6.5
Insurance technical reserves	15	7.5	7.4	7.2	6.6	6.3	6.2	5.8	5.4	5.1	4.8
Other [2]	19	6.6	6.5	6.7	7.4	8.4	8.8	8.6	6.7	4.5	3.3
M3 [3]		8.4	8.4	8.5	10.0	11.0	10.9	11.4	11.5	10.0	9.6

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.

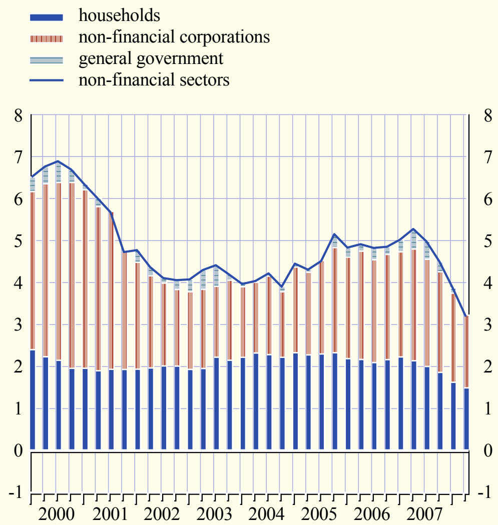
NON-FINANCIAL SECTORS

In the second quarter of 2008 (the most recent quarter for which data are available) the annual growth rate of total financial investment by the non-financial sectors continued to decline, standing at 3.2%, down from 3.9% in the previous quarter (see Table 2). This decline was broadly based across the various investment instruments, but reflects in particular the declines observed in the annual growth rates of both investment in currency and deposits and investment in “other” financial instruments (including items such as derivatives and trade credit), two sub-components which, together, account for more than 40% of total outstanding amounts for the financial assets of the non-financial sectors. The annual growth rates of debt securities, mutual fund shares and insurance technical reserves also decreased further. However, owing to their smaller shares, these contributed less to the slower growth in total financial investment. By contrast, growth in investment in shares and other equity (excluding mutual fund shares) remained unchanged.

A breakdown by non-financial sector shows that the decline witnessed in the growth rate of total financial investment in the second quarter of 2008 was also broadly based across the various sectors (see Chart 12). The annual growth rate of financial investment by non-financial corporations decreased strongly

Chart 12 Financial investment of non-financial sectors

(annual percentage changes; contributions in percentage points)



Source: ECB.

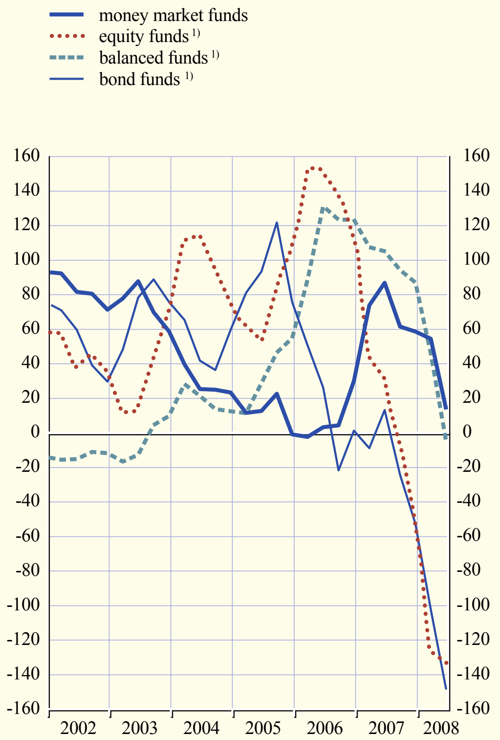
further, falling to 4.1%, and explains most of the decline observed in the growth rate of total financial investment. The annual growth rate of financial investment by households also decreased further to stand at 3.0%, the lowest level since the start of Stage Three of EMU (for more detailed information concerning developments in financial investment by the private sector, see Sections 2.6 and 2.7). The annual growth rate of financial investment by general government became slightly negative.

INSTITUTIONAL INVESTORS

The value of the total assets of euro area investment funds (excluding money market funds) declined strongly in the second quarter of 2008, falling by 16.3% year on year. This year-on-year decline in the value of the total assets of investment funds was therefore markedly stronger than that observed in the previous quarter. Putting these developments into perspective, the decline witnessed in the first half of 2008 was of a magnitude similar to that observed during the period 2001-03. The year-on-year decline in the total value of investment funds' assets in the second quarter of 2008 resulted mainly from a decline in the value of investment funds' holdings of shares and other equity, but also, to a lesser extent, from a fall in the value of both their holdings of securities other than shares and their shares in investment funds. While data on transactions suggest that the year-on-year decline in the total value of investment funds' assets in the second quarter of 2008 can be ascribed primarily to valuation effects for stocks, they also indicate net annual outflows from investment funds.

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

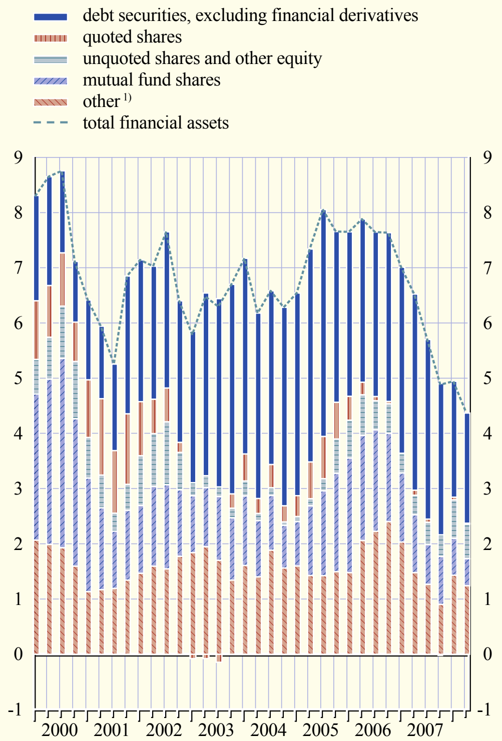
(EUR billions)



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

Chart 14 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.

Data provided by EFAMA[2] for the net sales of different types of investment fund suggest that significant net annual outflows were again observed from both equity funds and bond funds in the second quarter of 2008. The outflows from equity funds remained broadly unchanged from the first quarter, while those from bond funds increased substantially by comparison with the previous quarter (see Chart 13). Mixed/balanced funds recorded only marginal outflows in the second quarter, but these funds had still been recording significant inflows in the first quarter. Money market funds continued to record inflows, although of substantially smaller magnitudes than in previous quarters. Overall, these recent developments imply that the unwinding of the relatively strong inflows into investment funds in 2005 and 2006 has continued into 2008.

The annual growth rate of total financial investment by insurance corporations and pension funds in the euro area declined to 4.4% in the second quarter of 2008, down from 4.9% in the previous quarter, continuing the downward trend observed since the first quarter of 2007 (see Chart 14). The moderation in the annual growth rate in the second quarter was broadly based across the various investment instruments, but was driven mainly by the reduced contributions of investment in mutual fund shares and investment in currency and deposits (included under "other" financial investment). Overall, therefore, the recent outflows from investment funds reflect apprehension not only on the part of the non-financial sector, but also on the part of institutional investors such as insurance corporations and pension funds.

2.3 MONEY MARKET INTEREST RATES

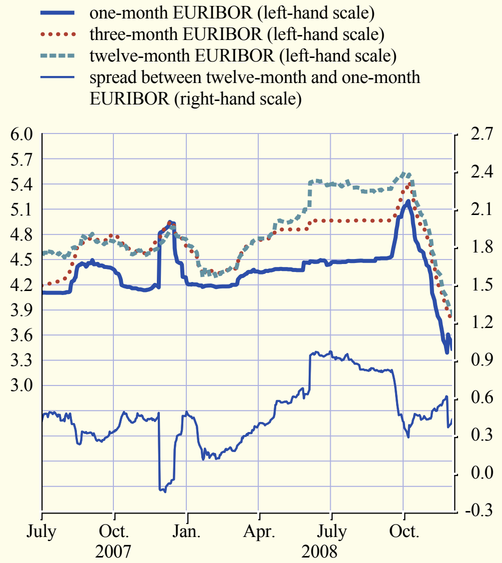
In the context of the significant intensification of financial tensions over the past quarter, unsecured money market interest rates have proved relatively volatile. In particular, they rose substantially between mid-September and mid-October as credit and liquidity premia – and thus the spread between secured and unsecured rates – increased markedly, before falling fairly sharply against the background of expectations of lower key ECB interest rates and significant government action to support bank solvency. Overall, the money market yield curve derived on the basis of unsecured rates has flattened since September, with the spread between unsecured twelve-month and one-month money market interest rates falling to 44 basis points on 3 December, significantly lower than the levels observed in early September.

Unsecured money market interest rates have proved relatively volatile since the beginning of September 2008. They rose dramatically after the failure of Lehman Brothers in mid-September as market tensions intensified significantly and credit risk premia increased to levels above those seen previously during this ongoing period of financial turmoil. Unsecured rates then fell substantially, reaching levels lower than those observed at the beginning of September, largely reflecting market expectations of cuts in key ECB interest rates in the coming months. On 3 December the one-month, three-month, six-month and twelve-month EURIBOR rates stood at 3.47%, 3.79%, 3.83% and 3.90% respectively, i.e. 110, 122, 138 and 147 basis points lower than the levels observed on 3 September (see Chart 15).

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

Chart 15 Money market interest rates

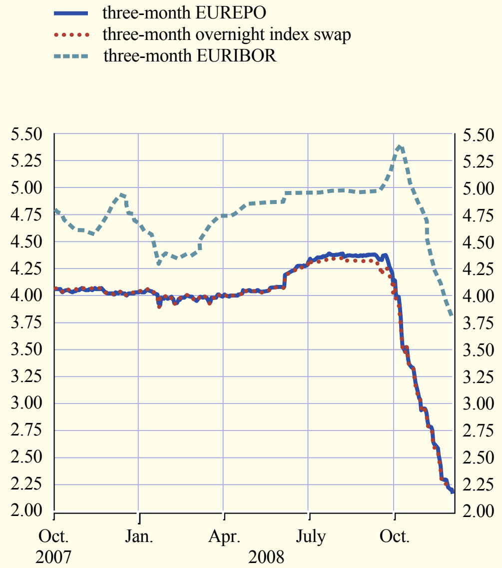
(percentages per annum; daily data)



Sources: ECB and Reuters.

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

(percentages per annum; daily data)



Sources: ECB, Bloomberg and Reuters.

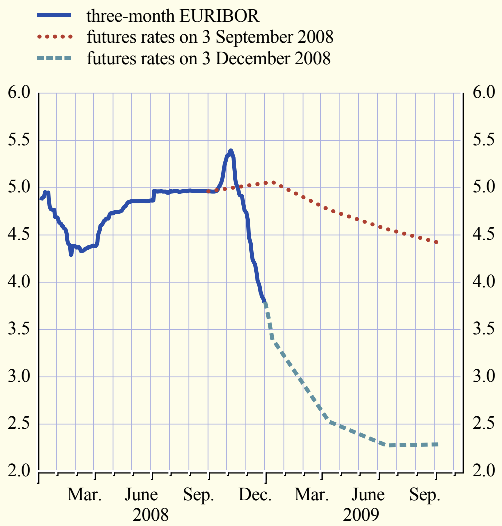
The spread between the twelve-month and one-month EURIBOR rates stood at 44 basis points on 3 December, compared with 81 basis points in early June (see Chart 15). This flattening of the money market yield curve occurred mainly in the period from mid-September to mid-October and reflected increases in rates at shorter maturities, which were more affected by the intensification of the financial turmoil following the failure of Lehman Brothers.

The spreads between the unsecured EURIBOR and secured rates (such as the EUREPO or those derived from the EONIA swap index) have increased significantly since early September. At the three-month maturity, the spread peaked at 186 basis points on 30 October, before declining. It stood at 158 basis points on 3 December. These levels are significantly higher than the 59 basis points observed on 3 September (see Chart 16).

On 3 December the interest rates implied by the prices of three-month EURIBOR futures maturing in December 2008 and March and June 2009 stood at 3.405%, 2.545% and 2.280% respectively, representing decreases of 165, 222

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

(percentages per annum; daily data)



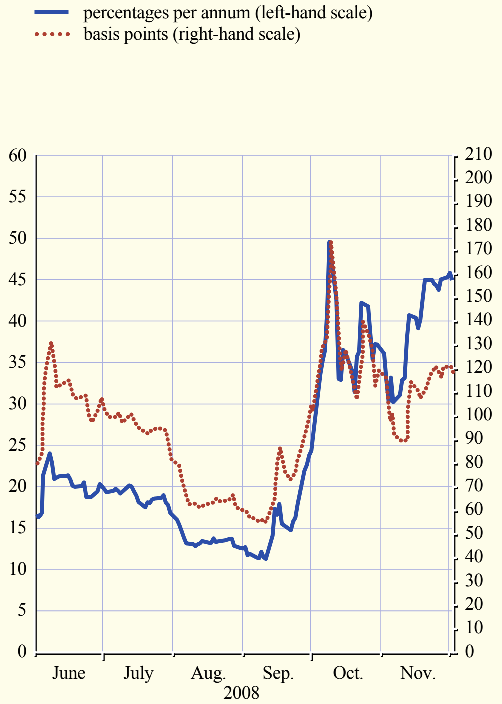
Source: Reuters.
Note: Three-month futures contracts for delivery at the end of the current and next three quarters as quoted on Liffe.

and 228 basis points respectively by comparison with the levels observed on 3 September 2008 (see Chart 17). The implied volatility derived from options on three-month EURIBOR futures rose dramatically over the review period as uncertainty increased, with peaks observed in the second half of October (see Chart 18).

As regards very short-term interest rates, the EONIA has declined steadily since the intensification of tensions in mid-September. The downward drift of the EONIA largely reflects the fact that the Governing Council decided to cut ECB interest rates by 50 basis points on both 8 October and 6 November. It also reflects the provision of abundant amounts of liquidity in the Eurosystem's operations, especially after the regular weekly main refinancing operations were switched to fixed rate tender procedures with full allotment as of 15 October (for more details of these developments and the policy operations conducted by the ECB, see Box 3). Overall, the EONIA declined to stand at 2.919% on 3 December, down from 4.308% on 3 September (see Chart 19).

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

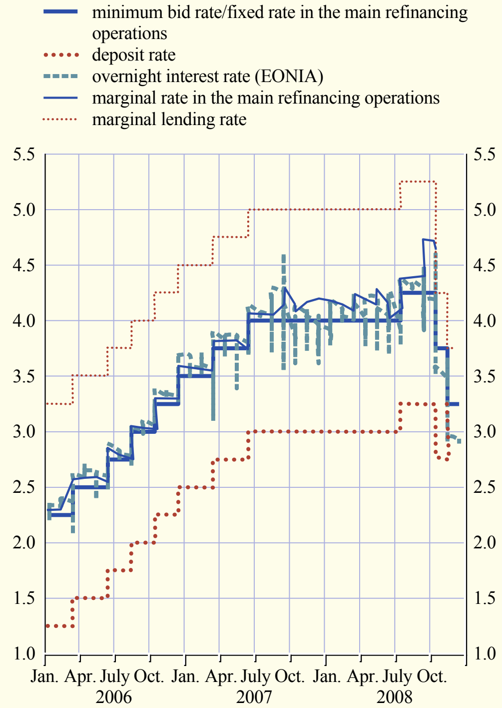
(percentages per annum; basis points; daily data)



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

Chart 19 ECB interest rates and the overnight interest rate

(percentages per annum; daily data)



Sources: ECB and Reuters.

Box 3

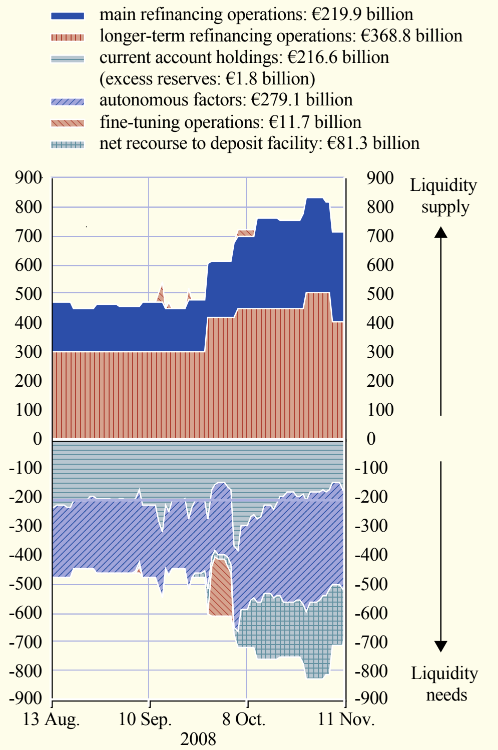
LIQUIDITY CONDITIONS AND MONETARY POLICY OPERATIONS IN THE PERIOD FROM 13 AUGUST TO 11 NOVEMBER 2008

This box describes the ECB's liquidity management during the three reserve maintenance periods ending on 9 September, 7 October and 11 November 2008. In the aftermath of the failure of Lehman Brothers in mid-September 2008 the financial market turbulence intensified further. This led to additional disruption in the functioning of the money markets. Accordingly, the Eurosystem adopted further measures to ensure that solvent banks continued to have access to liquidity and were therefore able to pursue their activities.

In the second half of September the ECB increased the frontloading of liquidity in the main refinancing operations (MROs) by allotting even larger amounts in excess of the benchmark amount. On 8 October it announced, on the basis of a decision by the Governing Council, that MROs would henceforth be carried out through fixed rate tender procedures with full allotment, and that the width of the corridor formed by the two standing facilities (i.e. the marginal lending facility and the deposit facility) would be narrowed symmetrically from 200 to 100 basis points. Both of these measures will remain in place for as long as is necessary, and at least until the end of the first maintenance period of 2009.
Moreover, on 15 October the Governing Council of the ECB decided to carry out all longer-term refinancing operations (LTROs) through fixed rate tender procedures with full allotment until the end of March 2009. At the same time, the Governing Council also decided to increase the frequency of such operations, with two three-month operations, one six-month operation and one operation with a maturity corresponding to the length of the relevant maintenance period to be carried out every month until the end of March 2009. This enhanced provision of longer-term refinancing was complemented by the decision – announced on the same day – to extend the list of eligible collateral. The ECB also enlarged its swap line with the Federal Reserve in order to increase its provision of US dollar funding to counterparties by offering full allotment at various maturities for both EUR/USD foreign exchange swaps and repurchase agreements.

Chart A Liquidity needs of the banking system and liquidity supply

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



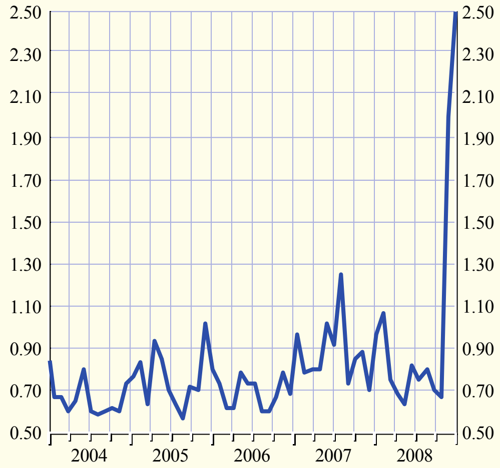
Source: ECB.

Liquidity needs of the banking system

In the three maintenance periods under review banks' daily liquidity needs – defined as the sum of autonomous factors, reserve requirements and excess reserves (i.e. current account holdings in excess of reserve requirements) – averaged €495.7 billion, an increase of €33.8 billion by comparison with the €461.9 billion recorded for the previous three periods. This reflects a €29.3 billion increase in autonomous factors, a €3.5 billion increase in reserve requirements and a €1.0 billion increase in excess reserves. Average daily liquidity needs resulting from reserve requirements stood at €214.8 billion, while daily liquidity needs resulting from autonomous factors averaged €279.1 billion. Autonomous factors also include the liquidity effect stemming from the foreign exchange swaps currently being conducted through the swap lines between the ECB and other central banks (see Chart A). Daily excess reserves averaged €1.8 billion (see Chart B).

Chart B Excess reserves

(EUR billions; average level in each maintenance period)



Source: ECB.

Owing to the tensions in the money markets and the decline in interbank transactions, the demand for liquidity to cover net interbank positions increased as banks sought liquidity to cover their gross interbank positions. In view of the dysfunctional nature of the interbank market, the ECB decided to increase its intermediation role by satisfying 100% of counterparties' bids in all refinancing operations from 15 October 2008. This resulted in excess liquidity and heavy use of both standing facilities, particularly in the last maintenance period under review. Overall, net recourse to the deposit facility averaged €81.3 billion over the three periods under review, compared with a negligible amount for the previous three periods (see Chart A).

Liquidity supply and interest rates

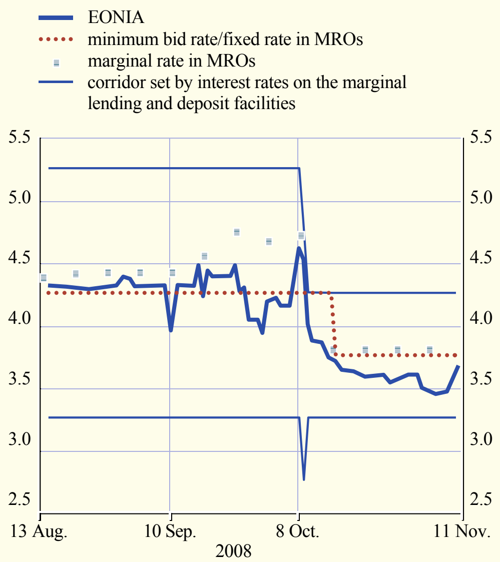
The use of fixed rate tender procedures with full allotment for all refinancing operations from 15 October 2008 significantly increased the total volume of outstanding euro-denominated open market operations. However, this did not affect the shares of LTROs and MROs in that total volume, which remained broadly unchanged at around 60% and 40% respectively.

On 8 October the Governing Council of the ECB decided to reduce the main policy rate (i.e. currently the fixed rate applied in MROs) by 50 basis points to 3.75%, with effect from 15 October. Correspondingly, the interest rates on the marginal lending facility and the deposit facility were reduced by the same amount, with immediate effect.

In the maintenance period which ended on 9 September (i.e. before market tensions intensified) the EONIA was stable around the minimum bid rate, despite exhibiting the usual volatility around the end of the month and spiking towards the end of the period (see Chart C). In the maintenance period ending on 7 October the EONIA showed pronounced volatility owing to the severe disruption in the functioning of the money markets that began around the time that the market turmoil intensified. The EONIA initially rose above the minimum bid rate, before drifting below it following the ECB's provision of significant amounts of additional liquidity. However, the absorption of some liquidity through fine-tuning operations led to the EONIA rising above the minimum bid rate in the last couple of days of that maintenance period. Liquidity was abundant in the maintenance period ending on 11 November as a result of banks' increased demand for liquidity and the implementation of the ECB's policy of full allotment. However, in this period the surplus liquidity was mainly reabsorbed through banks' recourse to the deposit facility, the interest rate on which was only 50 basis points below the policy rate (rather than 100 basis points, as had previously been the case). Accordingly, the EONIA stood moderately below the rate on the main refinancing operations.

Chart C The EONIA and the ECB interest rates

(daily interest rates in percentages)



Source: ECB.

2.4 BOND MARKETS

Over the past three months, bond markets have been highly volatile amid both renewed unrest in the financial markets and growing concerns about the global macroeconomic outlook. All in all over the period between end-August and early December, long-term government bond yields fell in the euro area and the United States, while remaining broadly unchanged in Japan. Implied bond market volatility increased significantly across the major markets. Market participants' long and medium-term euro area inflation expectations (and associated risk premia), as reflected in break-even inflation rates, have declined strongly, reflecting falling oil prices and the weakening outlook for world economic activity. However, dislocations in the inflation-linked swap and bond markets have hampered the interpretability of market-based measures of inflation expectations. Finally, corporate bond spreads for the euro area widened significantly, amid intensified tensions in financial markets.

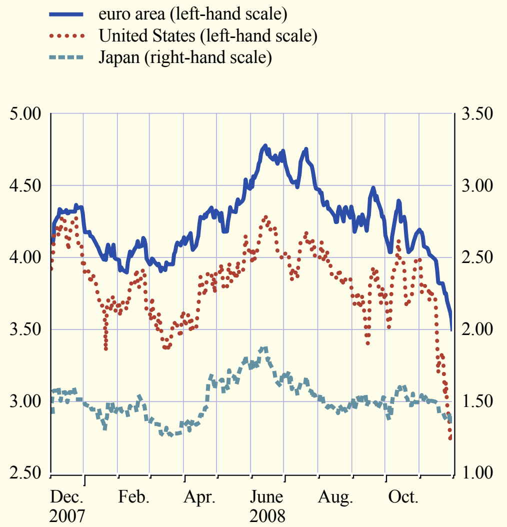
From the end of August to 3 December, ten-year government bond yields decreased by around 83 basis points in the euro area and by around 111 basis points in the United States. On 3 December ten-year government bond yields stood at 3.5% in the euro area and 2.7% in the United States (see Chart 20). Accordingly, the ten-year nominal interest rate differential between US and euro area government bonds widened by around 30 basis points to stand at -75 basis points at the end of the review period. In Japan, the ten-year government bond yield remained broadly unchanged, standing at 1.4% on 3 December.

Market participants' uncertainty as regards short-term developments in bond yields, as measured by implied bond market volatility, increased significantly across the major markets in the context of intensifying strains in the global financial markets. In both the euro area and the United States, implied bond volatilities reached heights exceeding the peak levels observed during the early 2000s.

Since the end of August, global financial markets have been characterised by great unrest and uncertainty, which has led euro area and US government bond yields to exhibit highly volatile behaviour. During September volatility was particularly pronounced in the United States following the unravelling of a number of large actors in the financial system and the realisation that increased government support was needed to stabilise the system. In particular, following the bankruptcy of Lehman Brothers in mid-September, uncertainty in US bond markets surged. By the end of September the spreading of market instability to Europe and other developed countries became increasingly evident, causing bond market volatility to surge also in the euro area. Against this background, the volatility in bond markets may have been compounded by periods of flight-to-safety and flight-to-liquidity behaviour, leading investors to purchase government bonds, thereby pushing prices upwards and yields downwards. While government support measures put in place during October managed to stabilise the financial system somewhat, incoming macroeconomic data pointed towards a marked slowdown in global growth. In particular, US government bond yields declined strongly in November as the macroeconomic outlook deteriorated sharply and the National Bureau of Economic Research declared that the US economy had been in recession since December 2007. By the end of November, US and European governments announced measures aimed at strengthening consumer confidence, supporting economic activity and ensuring credit availability for households and corporations. The announced measures were initially well received by markets, but uncertainty continues to dominate as the implementation and the economic impact of the plans are continuously being reassessed. In addition, the potential fiscal risks arising from these government interventions have caused government credit risks to increase, thereby leading to a smaller drop in interest rates than would otherwise have been the case (see also Box 4).

Chart 20 Long-term government bond yields

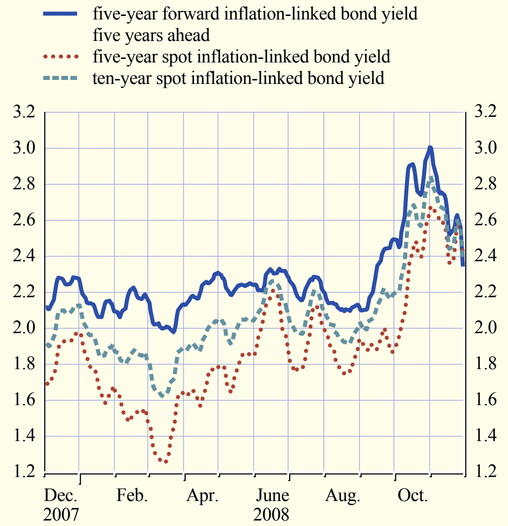
(percentages per annum; daily data)



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

Chart 21 Real bond yields

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



Sources: Reuters and ECB calculations.

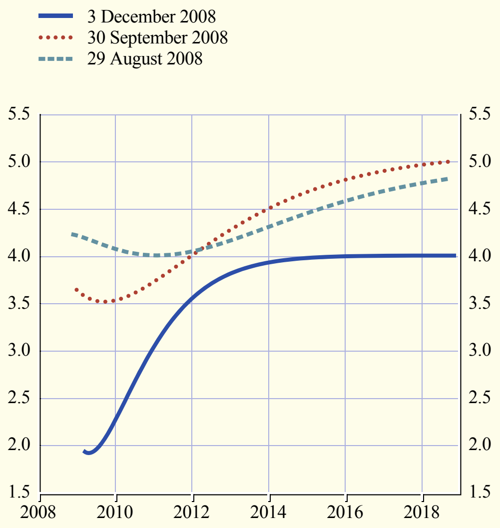
Chart 22 Zero-coupon spot and forward break-even inflation rates

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

Sources: Reuters and ECB calculations.

Chart 23 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.

Yields on long-term inflation-linked government bonds in the euro area increased over the past three months, despite the deteriorating state of the real economy. This development was particularly pronounced during September and October, when low liquidity and technical factors in the inflation-linked bond market led to soaring real yields (see Chart 21). During November, as concern over the macroeconomic outlook weighed heavily on financial markets, real yields decreased, reversing some of the upward jumps experienced during the previous two months.

Over the past three months, the net effect of lower nominal bond yields and increasing real yields has been a strong decrease in break-even inflation rates. Implied forward break-even inflation rates in the euro area – under normal conditions, a quite reliable indicator of market participants' long-term inflation expectations and associated risk premia – declined by 56 basis points between end-August and 3 December. At the end of the review period the five-year forward break-even inflation rate five years ahead stood at 1.8% (see Chart 22). The decline in break-even inflation rates was even more pronounced when considering spot rates. Over the period under consideration, the five and ten-year spot break-even inflation rates decreased by 157 and 107 basis points respectively. Falling oil prices and concern about the outlook for the real economy contributed to pushing inflation expectations down. However, as previously noted, the development in break-even inflation measures also partly reflects technical factors causing dislocations in the inflation-linked bond markets.

Between end-August and 3 December the implied forward overnight interest rate curve for euro area government bonds experienced a general downward shift, although it was most pronounced at short to medium-term horizons (see Chart 23). The shift in the implied forward rate curve may be related to the anticipation of a slowdown of economic activity and, more generally, changes in investors' expectations regarding the path of short-term interest rates over short to medium-term horizons.

Following the bankruptcy of Lehman Brothers in mid-September, corporate bond spreads in the euro area widened markedly, in line with a global repricing of credit risk. This tendency continued over the remainder of the review period for lower-grade corporate bonds, while the increase in spreads on AAA- and AA-rated corporate bonds levelled off. Between end-August and 3 December, BBB-rated and high-yield corporate bond spreads increased by about 334 and 1,362 basis points respectively. When distinguishing between the financial and non-financial sectors, the increase in BBB-rated corporate bond spreads over the period under review was equal to about 850 and 280 basis points respectively. These developments reflect market uncertainty about the situation in the financial sector, as well as the increasing impact of the financial market turmoil on the macroeconomic outlook. For higher-rated corporate bonds, the levelling-off in spread widening followed the introduction of a number of government-sponsored rescue plans over the period.

Box 4

COMPUTING LONG-TERM INTEREST RATE ASSUMPTIONS FROM THE EURO AREA YIELD CURVE

The Eurosystem staff macroeconomic projections[1] are based on a set of technical assumptions about the future value of several variables, including long-term interest rates in the euro area, defined as ten-year government bond yields. This box describes the computation of the technical long-term interest rate assumptions in the context of the Eurosystem projections.

Since the June 2008 broad macroeconomic projections exercise, the long-term interest rate assumptions have been based on the euro area government bond yield curve statistics, published daily on the ECB's website.[2] Previously, the assumed path of ten-year government bond yields was calculated indirectly on the basis of an estimated term structure of swap interest rates corrected for most recent observations of the spread between euro area ten-year swap and government bond interest rates. Since the release of the euro area government bond yield curve statistics, the quality and availability of data on the nominal euro area government bond yield curve have improved greatly, which in turn has led to an improved consistency of the methodology behind the computation of technical long-term interest rate assumptions.

In the context of the Eurosystem staff macroeconomic projections, it is assumed that ten-year government bond yields evolve in accordance with prevailing market expectations. Market expectations, in turn, are equated with mid-quarter values of forward ten-year par government bond yields for each future calendar quarter of the projection horizon (the maximum forecast horizon is three years), as implied in the term structure of interest rates measured on the general cut-off date for all technical assumptions.[3] The assumptions for the first quarter of the forecast

1 For more details on the Eurosystem staff macroeconomic projections, see Section 6 of this Monthly Bulletin.
2 For more information on the euro area government bond yield curve data, see the article entitled "The new euro area yield curves" in the February 2008 issue of the Monthly Bulletin. Most recent data and background information can be accessed via http://www.ecb.europa.eu/stats/money/yc/html/index.en.html.
3 Equating market expectations for long-term interest rates with corresponding forward rates abstracts from the possible impact of maturity-specific term premia.

horizon (current quarter) are set equal to a time-weighted average of euro area average ten-year bond yields realised up to the cut-off date during this quarter and the forward par yield projected for the end of the quarter as implied in the term structure of the euro area yield curve on the cut-off date.

The projected long-term interest rate values for individual euro area countries are obtained by adding or subtracting prevailing differentials relative to the euro area yields. These differentials, which are assumed to be constant throughout the forecast horizon, are obtained as the average differentials for each euro area country observed during the two weeks prior to the cut-off date.

As mentioned above, forward par yields are used for long-term interest rate assumptions. The new euro area yield curve prepared by the ECB allows the calculation of par yields, which are conceptually closely related to yields to maturity. A par yield is defined as the yield to maturity on a hypothetical bond issued or traded at par (i.e. the current value of the bond is equal to the redemption value). For a given term structure of interest rates, the value of a hypothetical bond can always be brought to par by adjusting the coupon accordingly.

The advantage of using par yields is the endogenous determination of coupons. Instead of using an arbitrary coupon of a certain benchmark bond and assuming that this coupon remains constant over the entire projection horizon, forward par yields implicitly assume a path of coupons consistent with the yield curve. Moreover, the computations to derive forward par yields are relatively simple, transparent and easily replicable. Par yields derived from the ECB yield curve with all central government bonds rated from A minus to triple A (as opposed to only triple A-rated bonds) are computed, as they are quantitatively and conceptually closer to the historical series of average ten-year bond yields.[4]

From the new ECB yield curve, a path of forward par yields can be directly computed as:

$$R_t(h) = \frac{D_t(h) - D_t(h+10)}{\sum_{m=1}^{10} D_t(h+m)}$$

where h is equal to the difference between the middle of the calendar quarter for which the forward par yield needs to be calculated and the cut-off date of the projection, expressed in years. D_t is the discount factor, which is calculated from the zero coupon yield derived from the estimated yield curve parameters.[5]

4 Historical data on ten-year government bond yields for the euro area as a whole are computed on the basis of harmonised national government bond yields weighted by GDP (up to December 1998) and the nominal outstanding amounts of government bonds in the ten-year maturity band (from January 1999 onwards). The average difference between this series and the ten-year par yield from the all-bonds euro area yield curve amounts to only 4 basis points for the entire sample of available daily data (starting on 1 January 2007) and 3 basis points on 14 November 2008 (the cut-off date for the December 2008 Eurosystem staff macroeconomic projections).

5 A zero coupon yield for a given maturity m is calculated as follows:

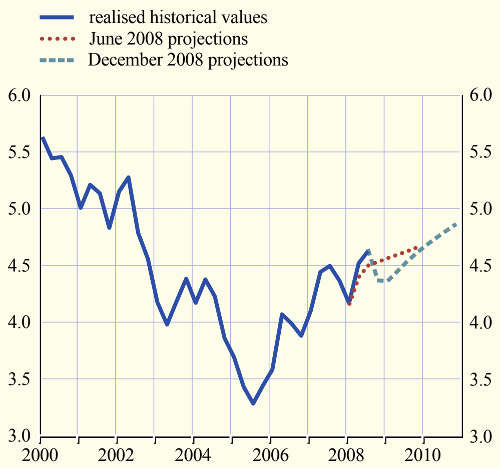
$$y(m) = \beta_0 + \beta_1 \left(\frac{1 - \exp\left(-\frac{m}{\tau_1}\right)}{\frac{m}{\tau_1}} \right) + \beta_2 \left(\frac{1 - \exp\left(-\frac{m}{\tau_1}\right)}{\frac{m}{\tau_1}} - \exp\left(-\frac{m}{\tau_1}\right) \right) + \beta_3 \left(\frac{1 - \exp\left(-\frac{m}{\tau_2}\right)}{\frac{m}{\tau_2}} - \exp\left(-\frac{m}{\tau_2}\right) \right)$$

where $\beta_0, \beta_1, \beta_2, \beta_3, \tau_1, \tau_2$ are the estimated parameters of the euro area yield curve. The discount rate is given by:

$$D_t(m) = \exp\left(\frac{-y(m)}{100} m\right).$$

Long-term interest rate assumptions in the Eurosystem staff macroeconomic projections

(percentages per annum; quarterly data)



Sources: EuroMTS, Reuters, ECB.
Note: The realised historical values up to the cut-off date represent the weighted average of harmonised yields to maturity of national government bonds in the euro area with maturities of about ten years. The weights are the nominal outstanding amounts of government bonds in the respective maturity band.

The chart shows the long-term interest rate assumptions underlying the Eurosystem staff macroeconomic projections of December 2008, which are described in Section 6 of this issue of the Monthly Bulletin.

According to data as at 14 November 2008 (the cut-off date for the December 2008 Eurosystem staff macroeconomic projections), long-term interest rates are assumed to increase slightly, from 4.2% on the cut-off date to an average of 4.5% in 2009 and 4.7% in 2010. Compared with the June 2008 Eurosystem staff macroeconomic projections, the assumptions for long-term interest rates in 2009 have been revised downwards by about 15 basis points, on average. These relatively minor revisions occurred despite strong downward revisions to market participants' short to medium-term growth and inflation expectations between June and December 2008. These, in turn, seem to some extent to reflect increases in the credit risk component embedded in long-term government bond yields in euro area countries in the context of the potential fiscal risks arising from government interventions to address the intensified financial crisis.[6]

To conclude, the use of forward par yields derived from the ECB yield curve provides a consistent and transparent way of computing long-term interest rate assumptions for the Eurosystem staff macroeconomic projections.

6 See the box entitled "Recent widening in euro area sovereign bond yield spreads" in the November 2008 issue of the Monthly Bulletin.

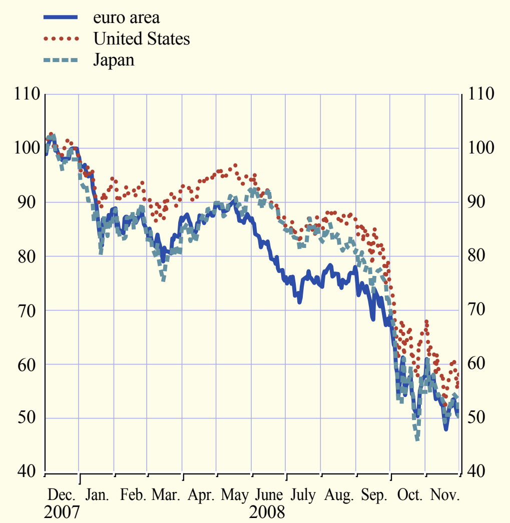
2.5 EQUITY MARKETS

Over the past three months, broad stock price indices declined significantly worldwide. In the euro area and the United States, equity prices fell by 32%, while the Japanese stock market dropped by 39%. To a large extent, these developments reflect increased market concerns about the health of the banking sector and the stability of the financial system. Concerns about the fallout from the ongoing crisis on the real economy also weighed heavily on equity valuations. Against this background, stock market uncertainty, as measured by implied volatility, reached levels not observed since the 1987 stock market crash.

Between end-August and 3 December, the downward trend in stock markets experienced since mid-2007 accelerated, and stock markets hit new cyclical lows. In the euro area and the United States, broad-based stock price indices, as measured by the Dow Jones EURO STOXX and the Standard and Poor's 500, declined by 32% amid the intensified financial market turmoil during

Chart 24 Stock price indices

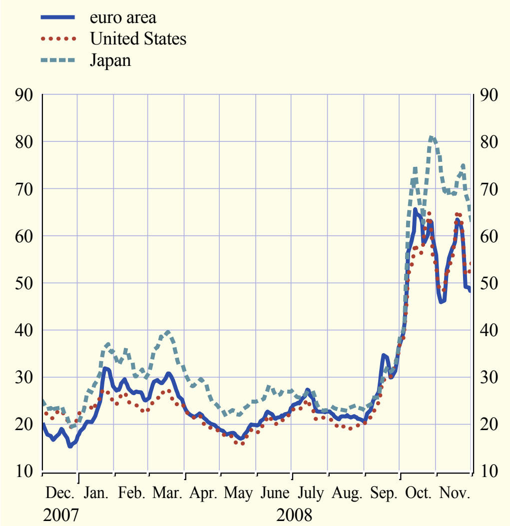
(index: 3 December 2007 = 100; daily data)



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

Chart 25 Implied stock market volatility

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



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

that period (see Chart 24). At the same time, stock prices in Japan, as measured by the Nikkei 225 index, fell by 39%.

During the period under review, stock markets were characterised by a high degree of uncertainty, as measured by both the implied volatility extracted from stock options (see Chart 25) and

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

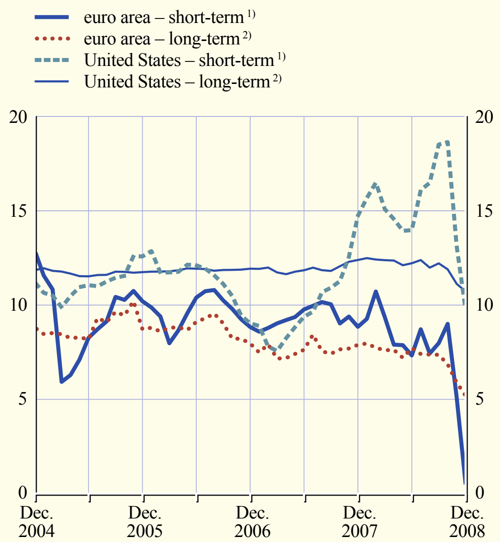
(price changes as percentages of end-of-period prices)

	Basic materials	Consumer services	Consumer goods	Oil and gas	Financial	Health-care	Industrial	Techno-logy	Tele-communi-cations	Utility	EURO STOXX
Share of sector in market capitalisation *(end-of-period data)*	7.1	7.0	12.0	8.3	24.2	4.2	11.1	4.8	10.0	11.4	100.0
Price changes *(end-of-period data)*											
2007 Q3	0.1	-5.0	-0.8	-4.1	-7.5	-2.7	-10.4	7.7	9.1	2.1	-3.4
2007 Q4	-1.2	-3.3	-1.6	-1.8	-4.9	2.1	0.1	-7.8	7.1	8.5	-1.2
2008 Q1	-9.1	-16.2	-13.7	-15.2	-16.6	-17.9	-18.1	-22.2	-20.8	-16.5	-16.4
2008 Q2	7.9	-13.9	-14.7	12.7	-14.8	-0.2	-7.0	-10.7	-5.8	0.6	-7.3
2008 Q3	-25.0	-5.9	0.1	-22.9	-11.1	-6.3	-17.4	-9.9	-1.3	-14.6	-12.1
October	-22.2	-8.1	-5.0	-8.9	-26.3	-1.1	-21.6	-14.5	-5.6	-12.3	-15.9
November	-5.4	-1.0	-15.0	-4.4	-10.9	-9.6	0.6	-8.4	4.2	-4.4	-6.4
29 Aug.-3 Dec.	-43.7	-18.8	-22.4	-30.2	-43.9	-16.4	-35.5	-38.3	-3.9	-28.6	-32.2

Sources: Thomson Financial Datastream and ECB calculations.

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

(percentages per annum; monthly data)



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

day-to-day movements in stock prices. Equity volatility surged from already elevated levels to peak in October at levels not observed since the stock market crash of 1987. Against this background, equity risk premia across major equity markets seem to have increased, contributing to depressing equity prices. Although moderating somewhat during early November, implied volatilities in equity markets soared once again at the end of the review period.

While the downward trend in stock markets has been underway for a lengthy period, this tendency accelerated at the end of September and during early October. Uncertainty regarding the stability of the financial system surged following the nationalisation of the government-sponsored enterprises Fannie Mae and Freddie Mac, the bankruptcy of Lehman Brothers, and concern about the viability of AIG and other financial institutions. Government-sponsored initiatives to help stabilise the financial system were introduced, but uncertainty regarding their approval and implementation continued to weigh down markets. During October and November, the negative impact of the financial market turmoil both on consumer and on business confidence and on the real economy became an increasing concern among market participants. Although governments and central banks took measures to support the financial system and the economy more broadly, uncertainty and a negative sentiment on future developments continued to dominate the stock market.

The negative stock market trend during the past three months was compounded by earnings developments. Actual annual earnings growth, computed in terms of earnings per share of corporations listed on the Dow Jones EURO STOXX index, was negative for all three months under consideration, falling to -10%, year on year, in November. Earnings expectations have been revised downwards gradually. The reported earnings for corporations in the Dow Jones EURO STOXX index came in, on average, 8% below expectations for the second quarter, while the actual earnings have so far been only mildly below expectations for the third quarter. The forecast growth rate of earnings per share 12 months ahead fell from 8% at the end of August to 3% at the end of November, while the forecast growth rate over the longer term decreased from 7% to 5% over the same period (see Chart 26).

In both the euro area and the United States, the heaviest stock market losses occurred in the financial sector, although the non-financial sector also suffered significantly. Overall, between end-August and 3 December, financial sector stocks in the United States and the euro area declined by around 39% and 44% respectively, while the share prices of the non-financial sector decreased by about 32% in the United States and 29% in the euro area. Among the non-financial sectors, basic material, industrial and technology stocks all fell by more than 35% in the euro area, underlining the impact of falling commodity prices and the global economic downturn on stock markets (see Table 3).

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

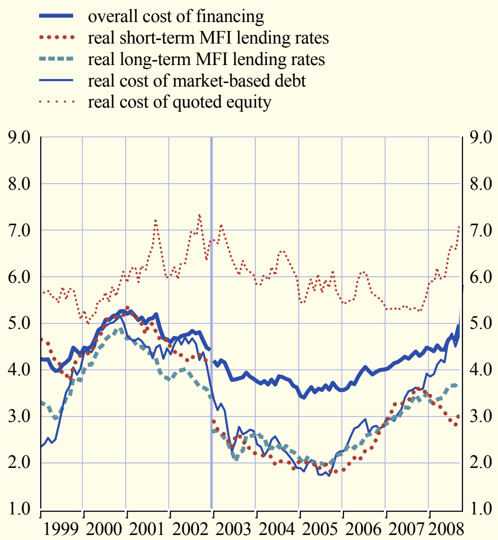
The real cost of external financing for euro area non-financial corporations increased further in the third quarter of 2008. Most of the increase was accounted for by a rise in market-based debt and equity financing costs that was related to the ongoing financial market tensions. During the review period, the growth of external financing continued to moderate, driven by a slowdown in the growth of lending by MFIs to non-financial corporations, which nevertheless remained at robust levels. The leverage ratios of non-financial corporations continued the upward trend observed in previous quarters.

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[3] – increased by 33 basis points in the third quarter of 2008 (see Chart 27). Growing concerns relating to economic growth in the euro area, coupled with investor uncertainty about further losses in the banking sector, resulted in higher corporate bond yields and an increase in the premium demanded by investors for investment in euro area equities. In the third quarter, the cost of market-based real debt financing increased moderately by around 10 basis points, while equity financing costs increased sharply by approximately 70 basis points. In October, the cost of both market-based real debt financing and equity financing surged by 120 and 90 basis points respectively. Euro area firms' bank financing costs increased slightly in real terms during the third quarter, as evidenced by an increase of 7 basis points in real MFI rates on shorter-maturity loans and an increase of 10 basis points in rates for longer-maturity loans. Taking a longer perspective, the increase in the real overall cost of financing for non-financial corporations in the euro area since the outbreak of the financial turmoil in July 2007 amounts to just over 70 basis points. Higher inflation expectations up to September 2008 dampened the overall increase in real financing costs.

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

(percentages per annum)



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

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

Regarding nominal bank interest rates, the pass-through of bank lending rates is an important link in the process of monetary policy transmission. The pass-through effect measures the degree to which changes in policy rates reflected in the money markets influence both long-term market interest rates and retail bank interest rates (see also Box 5, entitled "The implications of the money market tensions for the pass-through of MFI interest rates", in this Monthly Bulletin).

Regarding developments in retail bank interest rates, all nominal MFI interest rates on loans to non-financial corporations increased throughout the third quarter of 2008 (see Table 4). More specifically, short-term MFI interest rates on loans to non-financial corporations with an initial rate fixation period of up to one year rose by between 18 and 27 basis points depending on the size of the loan. Long-term MFI interest rates, i.e. those on loans with an initial rate fixation period of over five years, increased by a similar amount for loans of up to €1 million, while rates on loans of over €1 million increased somewhat less by 6 basis points.

Developments in banks' short-term interest rates are primarily affected by movements in the three-month EURIBOR, while banks' longer-term lending rates normally reflect to some degree movements in two to five-year government bond yields. During the third quarter of 2008, both the EURIBOR and short-term bank lending rates increased, with the increases in most bank short-term lending rates being higher than those in the three-month EURIBOR. The greater increase in bank lending rates contrasts with the trend in previous quarters, when increases in the EURIBOR were only partially passed on. During the same period, government bond yields at both two and five-year maturities decreased sharply by about 63 and 54 basis points respectively, in the context of easing market concerns about the inflation outlook and a flight to quality in portfolio shifts by investors. Therefore, spreads between long-term lending rates and government bond yields rose significantly in the third quarter of 2008.

Additional information on banks' lending behaviour with respect to the non-financial sector can be found in the bank lending survey for the euro area. In the October survey, which refers to the third quarter of 2008, banks reported a stronger net tightening of credit standards for loans to enterprises

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

(percentages per annum; basis points)

							Change in basis points up to September 2008 [1]		
	2007 Q3	2007 Q4	2008 Q1	2008 Q2	2008 Aug.	2008 Sep.	2007 June	2008 June	2008 Aug.
MFI interest rates on loans									
Bank overdrafts to non-financial corporations	6.49	6.62	6.56	6.67	6.77	6.91	74	24	14
Loans to non-financial corporations of up to €1 million									
with a floating rate and an initial rate fixation of up to one year	5.93	6.08	5.91	6.16	6.27	6.34	81	18	7
with an initial rate fixation of over five years	5.23	5.30	5.23	5.43	5.49	5.67	64	24	18
Loans to non-financial corporations of over €1 million									
with a floating rate and an initial rate fixation of up to one year	5.20	5.35	5.19	5.35	5.45	5.62	73	27	17
with an initial rate fixation of over five years	5.41	5.48	5.34	5.52	5.56	5.58	41	6	2
Memo items									
Three-month money market interest rate	4.74	4.85	4.60	4.94	4.97	5.02	87	8	5
Two-year government bond yield	4.10	4.06	3.54	4.72	4.26	4.09	-36	-63	-17
Five-year government bond yield	4.19	4.14	3.65	4.75	4.28	4.21	-36	-54	-7

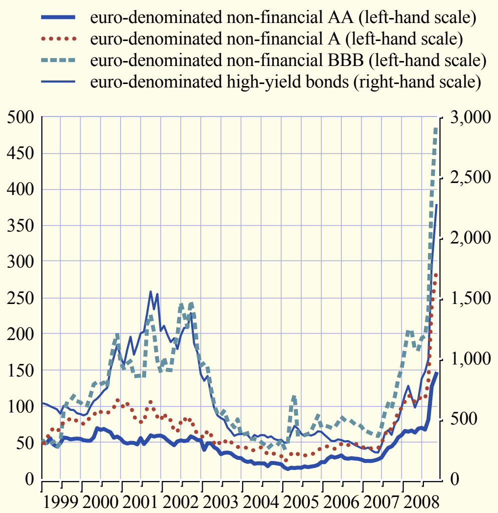
Source: ECB.
1) Figures may not add up due to rounding.

compared with the survey covering the second quarter of 2008. Indeed, the number of banks indicating a tightening of credit standards for enterprises was the highest since the bank lending survey was introduced in 2003. The most important driving forces for the net tightening continued to be deteriorating expectations about future economic activity and the industry or firm-specific outlook. At the same time, the impact of banks' cost of funds and balance sheet constraints increased considerably and, together with hampered access to wholesale funding reported in the bank lending survey, helps to explain the behaviour of banks' lending rates.

The cost of real market-based debt financing increased by 9 basis points in the third quarter of 2008. At the same time, the credit spread (measured as the difference between the yields on corporate bonds and those on government bonds) increased sharply across the whole credit spectrum (see Chart 28). For example, in the third quarter, credit spreads for A-rated corporate bonds increased by 55 basis points, while the spreads for BBB-rated bonds surged by 95 basis points during the same period. In November corporate bond spreads for A-rated and BBB-rated bonds surged by almost 170 and 290 basis points respectively. The current level of credit spreads for corporate bonds is the highest observed since the start of Stage Three of EMU.

Chart 28 Corporate bond spreads of non-financial corporations

(basis points; monthly averages)



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

After stabilising somewhat in August 2008, the cost of equity edged higher during the latter period of the third quarter. In September, mounting uncertainty about economic growth induced investors to demand a higher premium on euro area stocks, as the real cost of quoted equity increased by around 50 basis points. Stock market sentiment deteriorated further in October as the cost of equity increased by a further 25 basis points.

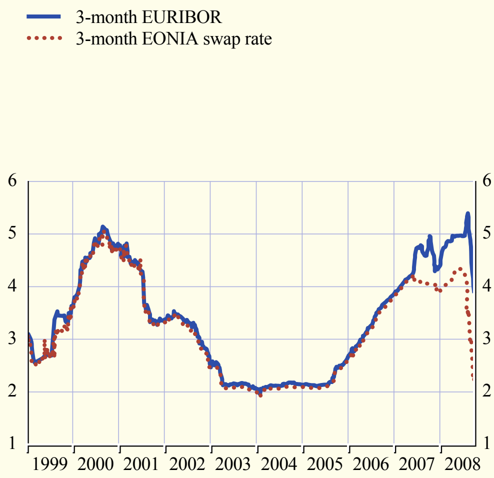
Box 5

THE IMPLICATIONS OF THE MONEY MARKET TENSIONS FOR THE PASS-THROUGH OF MFI INTEREST RATES

In facing the challenges posed by the ongoing financial crisis, a key question is how tensions in the interbank money market currently influence the financing conditions faced by non-financial corporations and households. Addressing this question is central to understanding how the transmission of monetary policy to the economy as a whole has been affected by the financial turmoil. Against this background, this box examines the extent to which the pass-through of

Chart A Three-month EURIBOR and three-month EONIA swap rate

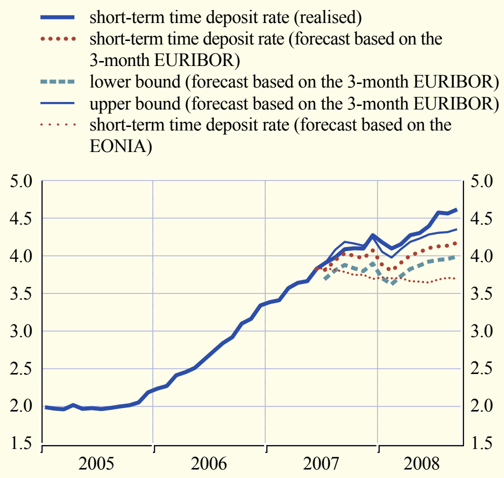
(percentages per annum; daily data)



Sources: Reuters and ECB.
Note: Last observation is 27 November 2008.

Chart B N-step ahead forecast of the short-term time deposit rate

(percentages per annum; monthly data)



Sources: ECB and ECB calculations.
Note: Last observation is September 2008.

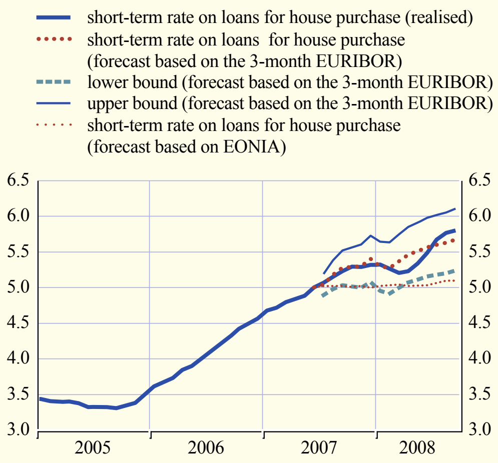
policy rates to short-term MFI interest rates has been affected by the money market tensions observed in 2007 and 2008.

In normal times, the money market plays a central role in the transmission of monetary policy in the euro area. Given the bank-centred structure of the euro area financial system, the marginal cost of funding bank loans (represented by unsecured interbank money market interest rates) is a key determinant of short-term bank loan and deposit rates, and thus of financing conditions. By steering very short-term money market interest rates using its regular monetary policy operations, the ECB is able to influence the term money market rates that in turn determine short-term bank interest rates. However, since the credit market turmoil erupted in mid-2007, the normally close relationship between overnight money market rates – over which monetary policy has some control – and term money market rates has broken down (see Chart A).

These developments thus raise the question as to the extent to which the monetary policy transmission has been affected. Short-term retail bank interest rates are usually priced in relation to the EURIBOR, and mortgage rates are often even indexed to these rates. Hence, given that the relationship between policy rates and term money market rates since the beginning of the financial market tensions has not been the same as in the past, it may be expected that at least retail bank interest rates on existing loan and deposit contracts have mirrored the continuation of the upward trend in term money market rates observed between mid-2007 and September 2008, rather than the stabilisation of the EONIA observed over the same period. As concerns new contracts, it is possible that competitive forces will induce banks over time to index their rates to the EONIA rather than the EURIBOR, thus re-establishing the close link between monetary policy rates and short-term retail interest rates. In a forward-looking perspective, it should also be noted that markets currently expect the spreads between the EURIBOR and the EONIA to narrow somewhat, as indicated by forward EONIA rates and EURIBOR futures.

Chart C N-step ahead forecast of the short-term rate on loans to households for house purchase

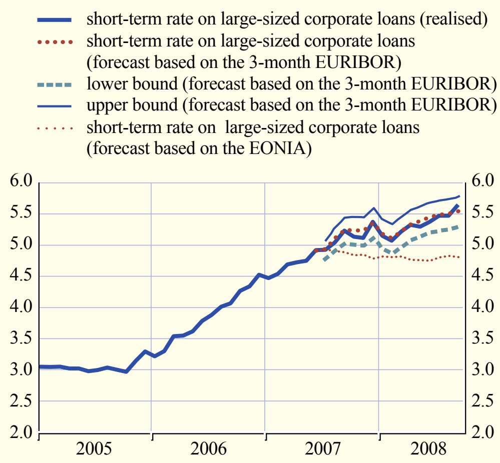
(percentages per annum; monthly data)



Sources: ECB and ECB calculations.
Note: Last observation is September 2008.

Chart D N-step ahead forecast of the short-term rate on large-sized loans to non-financial corporations

(percentages per annum; monthly data)



Sources: ECB and ECB calculations.
Note: Last observation is September 2008.

Whether short-term retail interest rates in the euro area over the past year have followed the EONIA or the EURIBOR more closely can be analysed using a standard vector error-correction model of the bank interest rate pass-through where short-term retail bank lending and deposit rates are regressed against either the EONIA or a term money market rate.[1] Banks are typically found to adjust their retail interest rates more or less fully to changes in corresponding market rates, although the complete pass-through is often not immediate but only gradual and can, depending on the type of product, take from a few months to over a year. Based on an out-of-sample forecast for the period from July 2007 to September 2008, the realised movements in retail bank interest rates are compared with forecasts based on the EONIA and the relevant EURIBOR.[2]

Looking first at the pass-through of money market rates to short-term time deposit rates, Chart B shows the developments in realised and forecast deposit rates (based on the EONIA and the three-month EURIBOR respectively) since July 2007. It seems clear from the chart that since mid-2007 short-term time deposit rates have tended to follow the term money market rates more closely than the EONIA. It is also worth noting that banks have raised their rates on short-term time deposits by even more than expected on the basis of movements in the three-month EURIBOR, which probably reflects strong competition for deposits over this period as banks scrambled for liquidity.

Turning next to lending rates, Charts C and D illustrate that both short-term mortgage rates and short-term non-financial corporate loan rates have very closely mirrored developments in the three-month EURIBOR since July 2007.

1 The modelling framework and recent results for the euro area are described in G. de Bondt, “Interest rate pass-through: Empirical results for the euro area”, *German Economic Review*, Vol. 6 (1), February 2005; and C. Kok Sørensen and T. Werner, “Bank interest rate pass-through in the euro area: A cross-country comparison”, ECB Working Paper No 580, 2006.

2 As of the cut-off date, MFI interest rate statistics covered only the period up to September 2008. Hence, the impact of the recent reduction in key ECB interest rates is not reflected in the sample.

Overall, the above evidence suggests that despite the tensions in the unsecured money market and the resulting widening of the EURIBOR-EONIA spread up to end-September 2008, euro area banks so far seem to be continuing to adjust their short-term retail rates to changes in the term money market rates.

FINANCIAL FLOWS

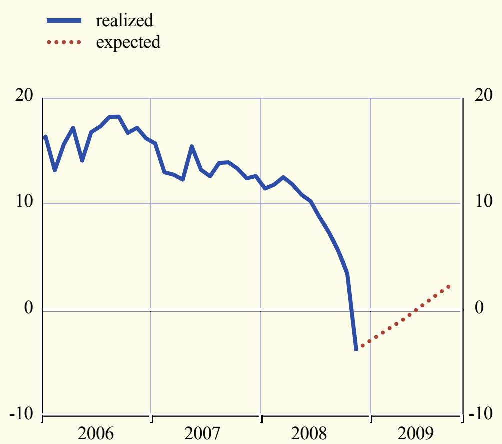
Most indicators of euro area firms' profitability point towards a deterioration in the third quarter of 2008, suggesting that the financial market turmoil has begun to adversely affect corporate profitability. As seen in Chart 29, the year-on-year earnings per share declined significantly for listed non-financial firms in the third quarter of 2008, falling from 5.6% in September to stand at 3.3% in October. More recently, in November the rate again declined significantly, and became negative, standing at around -3% in that month. Looking ahead, and despite the expected gradual slowdown of economic activity within and outside the euro area, available data on the earnings expectations of listed companies suggest that non-financial firms' earnings per share will be almost flat. This represents a significant downward adjustment of expectations in relation to firms' profitability.

The growth of external financing in real terms remained broadly stable in the third quarter of 2008. The real annual rate of growth of non-financial corporations' external financing (including MFI loans, debt securities and quoted shares) fell slightly to stand at approximately 3.9% in the third quarter, compared with 4% in the previous quarter (see Chart 30). As usual, the contribution from MFI loans made up the bulk of the external financing, with this contribution recording an annual growth rate of 3.4% in the third quarter of 2008, which was 0.3 percentage point lower than in the previous quarter.

Broader aggregates included in the euro area accounts confirm a slower growth of external financing. Data available up to the second quarter of 2008 show that the annual growth rate of financing to non-financial corporations declined to 3% in nominal terms, down from 3.8% in the first quarter of

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

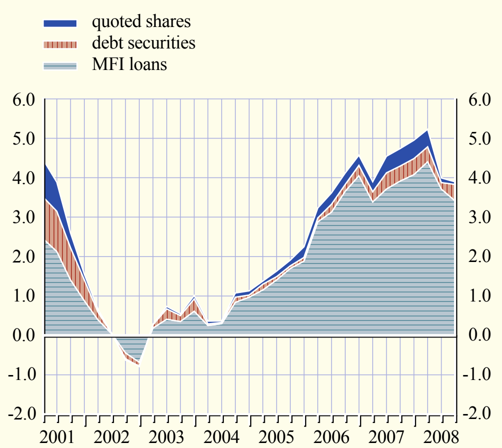
(percentages per annum)



Source: Thomson Financial Datastream.

Chart 30 Breakdown of the real annual rate of growth of the financing of non-financial corporations

(annual percentage changes)



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

Table 5 Financing of non-financial corporations

	Annual growth rates (percentage changes; end of quarter)				
	2007 Q3	2007 Q4	2008 Q1	2008 Q2	2008 Q3
MFI loans	**14.0**	**14.5**	**15.0**	**13.7**	**12.2**
Up to one year	12.6	12.7	14.0	11.9	10.1
Over one and up to five years	20.3	22.0	22.3	20.0	17.5
Over five years	12.5	12.8	12.9	12.4	11.4
Debt securities issued	**8.2**	**8.9**	**8.0**	**3.7**	**9.5**
Short-term	22.2	30.4	26.4	11.9	11.7
Long-term, *of which:* [1]	5.8	5.3	4.6	2.0	9.1
Fixed rate	3.7	4.4	3.1	2.3	4.8
Variable rate	18.6	10.9	12.5	2.7	26.2
Quoted shares issued	**1.2**	**1.3**	**1.2**	**0.3**	**0.2**
Memo items [2]					
Total financing	**5.0**	**4.8**	**4.4**	**3.8**	**-**
Loans to non-financial corporations	11.1	10.9	10.6	9.5	-
Insurance technical reserves [3]	1.4	0.5	0.1	0.4	-

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 separately in this table.
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 payble and financial derivatives.
3) Includes pension fund reserves.

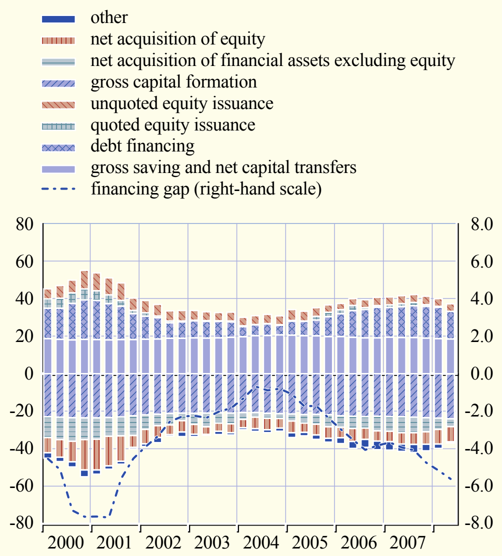
2008 (see Table 5). This more comprehensive measure also includes unquoted equity, pension fund reserves and other net accounts payable as sources of financing. The rate of growth of the more comprehensive measure has been noticeably lower than the rate of growth of loans over the past few years, as the dynamics of quoted and unquoted equity have been much more subdued. This is illustrated further in Chart 31, which includes the components that make up euro area firms' saving, financing and investment as reported in the euro area accounts.

This broad outline shows that firms have made more outlays, on aggregate, for real and financial investments than are covered by funds generated internally. This net requirement is also referred to as the "financing gap" and it has broadly increased in magnitude since mid-2004. In mid-2008, the financing gap stood at 5.6% of the total value added of the non-financial sector. As evidenced by the chart, most of the internal and external funds were used to finance real investments, whereas financial investments represented a smaller component. Financial investments declined further in the second quarter of 2008, driven by a decline in holdings of currency and deposits, and a negative contribution from investment in debt securities. Investment in shares and other equity remained broadly stable during the same period, while investment in quoted shares continued to accelerate.

As stated previously, MFI loans make up the bulk of external financing and continued to grow at a robust rate in the third quarter of 2008. The annual growth rate for the third quarter as a whole was 12.2%, after 13.7% in the second quarter of 2008 (see Table 5). The robust growth rates suggest that the financial market turmoil has not had a significant impact on the availability of loans for euro area firms, although the growth rates have been declining steadily since March 2008 when they had peaked at approximately 15%. Examining growth rates for shorter-term maturities, a more marked slowdown of the dynamics in lending to non-financial corporations can be observed in the third

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

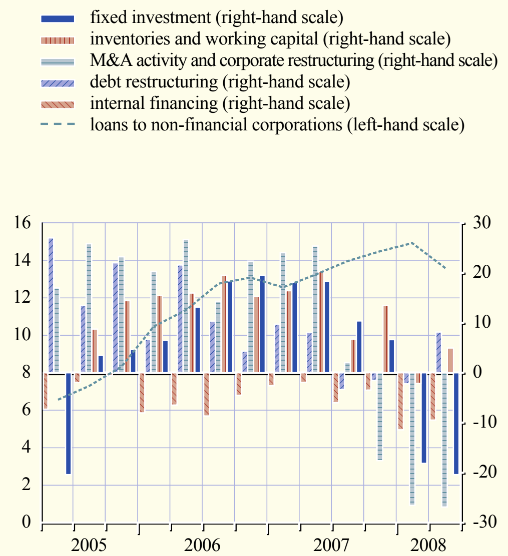
(four-quarter moving totals; percentages of gross value added)



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

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

(annual percentage changes; net percentages)



Source: ECB.
Notes: The net percentages refer to the difference between the percentage of banks reporting that the given factor contributed to an increase in demand and the percentage reporting that it contributed to a decrease. See also the October 2008 bank lending survey.

quarter of 2008. An illustration of this point can be seen in the annualised three-month rate, which stood at approximately 9.5% in September, down from a peak of almost 16% in January 2008.

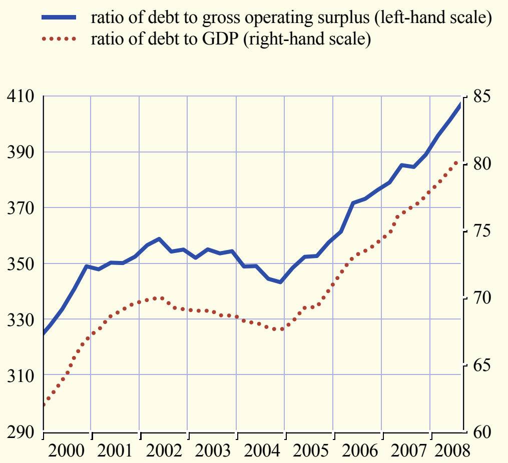
The strong growth of MFI loans to non-financial corporations can be expected to slow down throughout the remainder of the year. Slower future credit growth is consistent with the impact of tighter financing conditions and an expected slowdown in economic growth. Furthermore, it is possible that some of the resilience of bank lending to non-financial corporations relates to the drawing-down by firms of credit facilities that had been negotiated in more benign market conditions. The degree to which these facilities will be renegotiated on less favourable terms in the future may have a downward impact on credit growth.

The results of the October 2008 bank lending survey for the euro area indicated a net tightening of credit standards on loans to enterprises. According to empirical evidence, the dynamics of loan growth typically respond to a change in credit standards with a lag of three to four quarters. Regarding the demand for loans, Chart 32 illustrates that three factors (fixed investment, M&A activity and internal financing) contributed to lower demand for loans. As a result of both the net tightening and subdued loan demand, loan growth is expected to decline by several percentage points in the coming quarter.

In addition to MFIs, firms can also tap financial markets directly for funds. Recent data on the issuance of debt securities by non-financial corporations suggest a sharp increase in market-based

Chart 33 Debt ratios of non-financial corporations

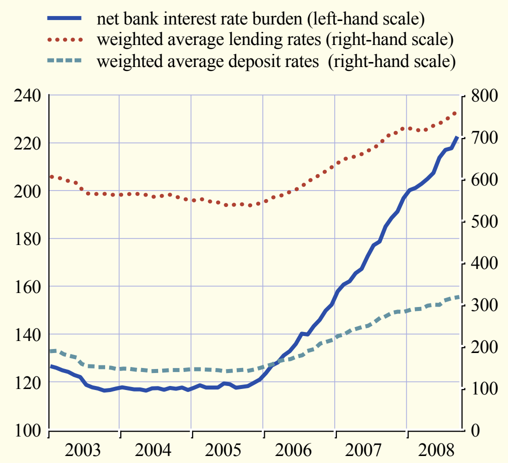
(percentages)



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. The most recent quarter is estimated.

Chart 34 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 the weighted average deposit rates for the non-financial corporate sector and is based on outstanding amounts.

debt financing, with the annual growth rate increasing to 9.5% in the third quarter of 2008, compared with a rate of just below 4% in the second quarter of 2008.[4]

The annual rate of growth of quoted equity issued by non-financial corporations remained broadly stable in the third quarter of 2008, standing at 0.2%. Deteriorating investor confidence and the negative performance of stock markets weighed negatively on the issuance of quoted shares by non-financial corporations.

FINANCIAL POSITION

The sustained expansion of debt financing by non-financial corporations resulted in a further increase in companies' ratios of debt to GDP and of debt to gross operating surplus in the second quarter of 2008 (see Chart 33). As a consequence of the combined effect of higher interest rates and debt levels, the interest burden of non-financial corporations rose in the third quarter of 2008 (see Chart 34). In general, the combination of the financial turmoil, the downward revisions to the outlook for economic growth, the build-up of debt and the increasing interest burden have amplified non-financial firms' vulnerability to future shocks.

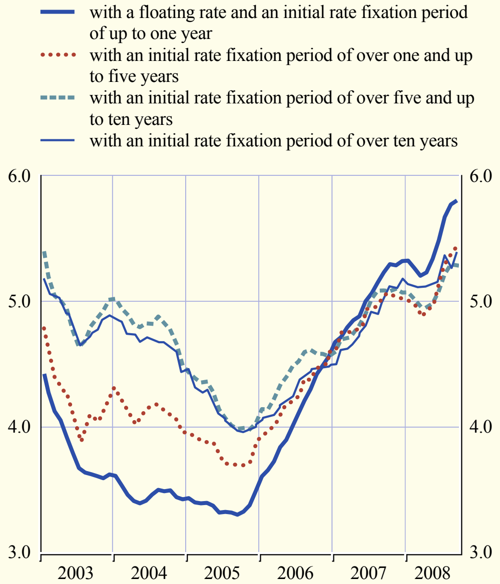
2.7 FINANCIAL FLOWS AND FINANCIAL POSITION OF THE HOUSEHOLD SECTOR

In the third quarter of 2008 the financing conditions facing households were characterised by a further increase in bank lending rates on loans for house purchase and stronger net tightening of credit standards for loans. The dynamics of household borrowing continued to moderate in the third quarter, with household indebtedness showing signs of stabilising. The slower growth of bank loans to households is broadly in line with the trend observed since the first quarter of 2006 and does not

4 Data on the issuance of debt securities may be revised downwards in the next quarter.

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

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



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

suggest any additional downward impact owing to supply-side credit constraints associated with the financial market tensions.

FINANCING CONDITIONS

MFI interest rates on loans to households for house purchase increased somewhat in the third quarter of 2008 by comparison with the average for the second quarter (see Chart 35). This increase in lending rates was broadly based across the maturity spectrum, although slightly larger for loans with initial rate fixation periods of up to one year and between one and five years than for those with initial rate fixation periods of between five and ten years and over ten years. Consequently, the term structure of interest rates on loans for house purchase remained somewhat inverted in the third quarter, with an average spread of approximately 40 basis points between the rates on loans with short (i.e. up to one year) and long (i.e. over ten years) periods of initial rate fixation, which is double the level observed in the previous quarter.

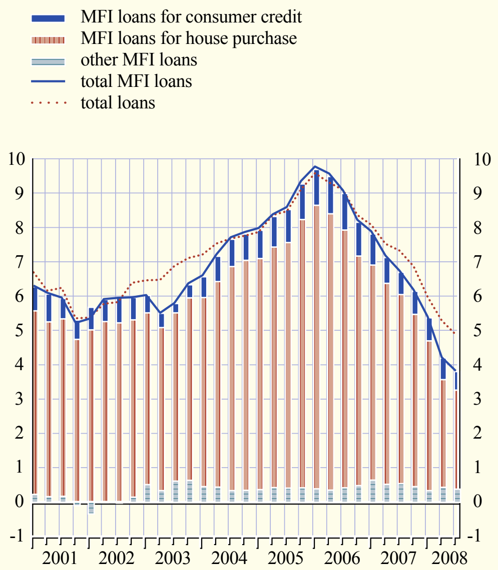
In the case of consumer credit, too, average MFI lending rates increased somewhat in the third quarter of 2008 by comparison with the previous quarter. Such increases were seen across the maturity spectrum. As observed for loans for house purchase, the increase was slightly larger for initial rate fixation periods of up to one year than for initial rate fixation periods of between one and five years or over five years. Thus, the term structure of lending rates for consumer credit also retained its inverted shape, with the highest rates still being recorded for the loans with the shortest initial rate fixation periods.

The spread between lending rates on loans for house purchase and a market benchmark with a comparable maturity (the ten-year government bond yield) increased slightly in the third quarter by comparison with the second quarter. By contrast, the spread between lending rates on consumer credit and a relevant market benchmark with a comparable maturity (the 12-month money market rate) declined marginally, reflecting the fact that the benchmark rate increased more strongly than the lending rate.

In the October 2008 bank lending survey, the net tightening reported by banks for credit standards applied in the approval of loans to households for house purchase and consumer credit was somewhat stronger than in the July survey. The further tightening in the third quarter was implemented via the widening of margins on both average loans and riskier loans. By contrast, the net tightening of non-price terms and conditions (e.g through tighter loan-to-value ratios and increased collateral requirements) did not increase further and instead remained at a level similar to that seen in the previous quarter. For loans to households for house purchase, factors in the further tightening of

Chart 36 Total loans granted to households

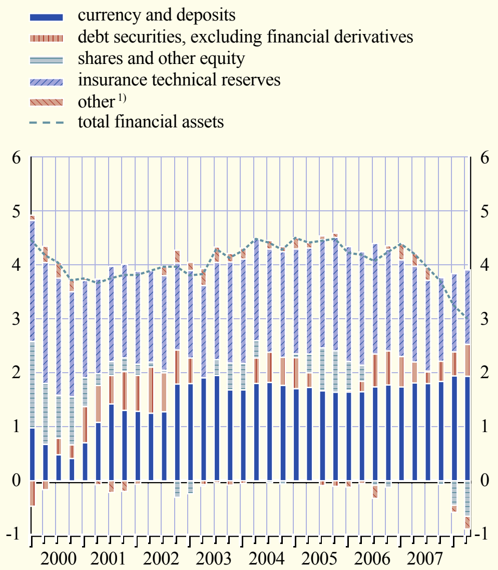
(annual percentage changes; contributions in percentage points; end of quarter)



Source: ECB.
Notes: Total loans comprise loans to households from all institutional sectors, including the rest of the world. For the third quarter of 2008 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 37 Financial investment of households

(annual percentage changes; contributions in percentage points)



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

credit standards reported in the October survey were the deterioration in housing market prospects and the increases in banks' funding costs and balance sheet constraints. In the case of consumer credit, the further tightening of credit standards was caused by the worsening expectations regarding general economic activity and the deterioration observed in the creditworthiness of borrowers.

FINANCIAL FLOWS

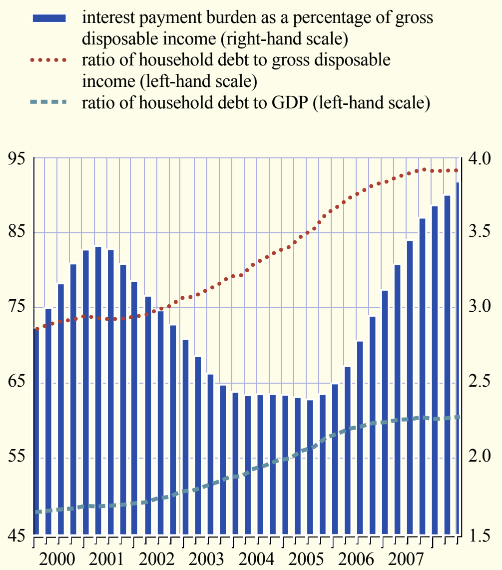
The annual growth rate of total loans granted to households declined to 5.3% in the second quarter of 2008 (the most recent quarter for which data from the euro area integrated accounts are available), down from 6.0% in the previous quarter. This growth rate remains higher than that of MFI loans to households, reflecting the stronger dynamics of non-MFI loans to households, the annual growth rate of which increased to 14.1% in the second quarter, up from 10.7% in the previous quarter. This difference in growth dynamics partly reflects the effect of true-sale securitisation activities, where loans are derecognised and thereby removed from MFI balance sheets, subsequently being recorded as loans from OFIs. At the same time, the available data on MFI loans suggest that the downward trend in the annual growth rate of total loans to households continued in the third quarter (see Chart 36).

The annual growth rate of MFI loans to households declined to 3.3% in October 2008, down from 4.0% and 5.0% in the third and second quarters respectively. The decline seen in the growth rate of MFI loans to households over the past few months has remained in line with the downward trend observed since early 2006, largely reflecting the impact of past increases in interest rates, tighter financing conditions, the ongoing moderation in housing market dynamics and weakening economic prospects. The short-term dynamics measured by the annualised three-month growth rate moderated significantly in October, after strengthening markedly in September. However, this pattern should be interpreted with caution, as it reflects the changes observed over the past few months in the extent to which loans are derecognised owing to securitisation. Taking this into account, the data for the period up to October provide no evidence that, at the euro area level, the intensification of the financial market tensions has led to an abrupt disruption of the flow of bank loans to households.

The moderating annual growth of MFI loans to households is attributable primarily to the declining growth rate of borrowing for house purchase, which is the largest sub-component of loans to households, but also, to a lesser extent, to the declining growth rate of consumer credit. The annual growth rate of loans for house purchase declined to 3.5% in October, down from 4.2% and 5.6% in the third and second quarters respectively. The annual growth rate of consumer credit declined to 3.3% in October, down from 4.0% and 5.0% in the third and second quarters respectively.

Chart 38 Household debt and interest payments

(in 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.

As regards the asset side of the euro area household sector's balance sheet, the annual growth rate of total financial investment declined further to stand at 3.0% in the second quarter, down from 3.3% in the previous quarter (see Chart 37). This decline was driven mainly by the more negative contribution of shares and other equity, as well as that of other financial assets. These reduced contributions more than offset the increased contribution of investment in debt securities. The contribution of investment in currency and deposits remained strong, reflecting the shape of the yield curve and banks' increased efforts to attract funds in the context of the financial turmoil. This investment category now accounts for two-thirds of the total growth rate of households' financial investment.

FINANCIAL POSITION

Reflecting the slowdown in household borrowing, the level of household indebtedness appears to have stabilised in recent quarters. The debt-to-income ratio is estimated to have remained broadly unchanged, standing at around 93% in both the second and third quarters of 2008 (see Chart 38). The debt-to-GDP ratio has also stabilised in recent quarters, standing at around 61% in the third quarter. Households' interest payment burden increased to stand at 3.7% of disposable income in the second quarter of 2008 and is estimated to have risen slightly further in the third quarter, largely mirroring the increases observed in nominal bank lending rates.

3 PRICES AND COSTS

Euro area HICP inflation has been declining substantially since the summer, falling – according to Eurostat's flash estimate – to 2.1% in November 2008, which is considerably lower than the historical peak of 4.0% reached in July of this year. The significant decline in headline inflation since the summer mainly reflects the considerable easing in global commodity prices over the past few months, which more than offsets the impact of the sharp rise in unit labour costs in the first half of this year. Lower prices for commodities and weakening demand suggest that annual HICP inflation rates will continue to decline in the coming months. According to the latest Eurosystem staff macroeconomic projections, average annual HICP inflation is projected to lie between 1.1% and 1.7% in 2009 and between 1.5% and 2.1% in 2010. Depending primarily on future developments in oil and other commodity prices, a faster decline in HICP inflation cannot be excluded around the middle of next year, mainly owing to base effects. However, also as a result of base effects, inflation rates could increase again in the second half of the year, so that any sharp fall in HICP inflation should be short-lived. Looking through such volatility, risks to price stability over the medium term are more balanced than in the past. Unexpected further declines in commodity prices could put downward pressure on inflation, while upside risks to price stability could materialise particularly if the recent fall in commodity prices were to reverse or if domestic price pressures turn out to be stronger than assumed.

3.1 CONSUMER PRICES

Euro area HICP inflation has fallen steadily and significantly since the summer of this year. The latest Eurostat flash estimate for euro area HICP inflation of 2.1% in November 2008 is considerably lower than the historical peak of 4.0% reached in July 2008 (see Table 6). Available information suggests that much of the latest decline relates to commodity price developments.

More generally, volatility in commodity prices has been the main factor driving pronounced movements in euro area HICP inflation over the past year. The steady decline in euro area HICP inflation since the middle of the year has resulted from a rapid fall in crude oil prices, as well as declines in the global prices of other commodities, such as food. This rapid easing in global commodity prices follows an unprecedented increase in external price pressures which had a strong impact on HICP inflation in the euro area up to July of this year.

Table 6 Price developments

(annual percentage changes, unless otherwise indicated)

	2006	2007	2008 June	2008 July	2008 Aug.	2008 Sep.	2008 Oct.	2008 Nov.
HICP and its components								
Overall index [1]	2.2	2.1	4.0	4.0	3.8	3.6	3.2	*2.1*
Energy	7.7	2.6	16.1	17.1	14.6	13.5	9.6	.
Unprocessed food	2.8	3.0	4.0	4.4	3.7	3.6	3.4	.
Processed food	2.1	2.8	7.0	7.2	6.8	6.2	5.1	.
Non-energy industrial goods	0.6	1.0	0.8	0.5	0.7	0.9	1.0	.
Services	2.0	2.5	2.5	2.6	2.7	2.6	2.6	.
Other price indicators								
Industrial producer prices	5.1	2.8	8.0	9.2	8.6	7.9	6.3	.
Oil prices (EUR per barrel)	52.9	52.8	85.9	85.3	77.0	70.0	55.2	43.1
Non-energy commodity prices	24.8	9.2	9.6	9.8	10.5	5.5	-7.4	-7.7

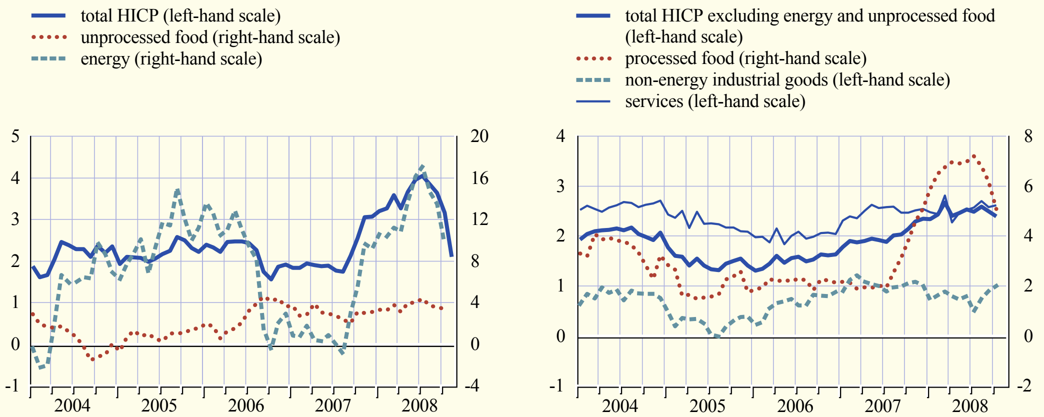
Sources: Eurostat, HWWI and ECB calculations based on Thomson Financial Datastream data.
1) HICP inflation in November 2008 refers to Eurostat's flash estimate.

At the sectoral level, the volatility in global commodity prices has been reflected in the energy and food components of euro area HICP inflation. The pronounced movement in the energy component of the HICP reflected a combination of abrupt movements in oil energy prices (such as petrol, diesel and heating fuel) driven by global crude oil prices and the delayed response of non-oil energy HICP components (such as electricity and gas prices) that tend to follow crude oil price movements with a lag. Indeed, the latest information on HICP components suggests that in October 2008 there was a strong increase in annual gas price growth, despite a rapid decline in the price for crude oil. The annual growth rate of the processed food component of the euro area HICP followed a remarkably similar profile to that of HICP energy, rising considerably in the autumn of 2007 before declining strongly from the middle of 2008. Much of the easing in the annual growth rate of processed food prices in recent months relates to components which are strongly affected by global agricultural commodity prices, such as bread and cereals, dairy products, as well as oil and fats. In contrast with the general historical euro area experience, unprocessed food prices exhibited far less pronounced movements than processed food prices over much of 2008.

Excluding energy and food (both processed and unprocessed), HICP inflation has remained relatively stable over the last year (see Chart 39). This stability has been reflected in the annual growth rate of services prices, which remained relatively constant throughout much of 2008. While indirect impacts related to past increases in global commodity prices had a persistent and strong effect on some services components, such as transport services and restaurants and cafés, this was counterbalanced to a large extent by the price dynamics of other services components, such as communications, which recorded pronounced declines. The annual growth rate of non-energy industrial goods prices continued its general moderation in the first half of 2008, before rebounding somewhat from July onwards. This may partly relate to exchange rate movements over this period; in particular, a depreciation of the euro, notably vis-à-vis the US dollar, in the second half of this year could explain some of the recent upward movement in the annual growth rate of non-energy industrial goods prices. At the same time, it would appear that some extraordinary seasonal discounting affected textile prices in the summer months, which is likely to have resulted to some extent from changing demand conditions.

Chart 39 Breakdown of HICP inflation: main components

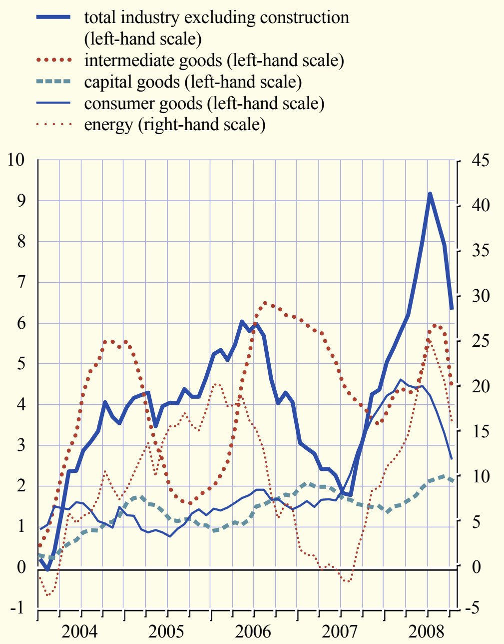
(annual percentage changes; monthly data)



Source: Eurostat.

Chart 40 Breakdown of industrial producer prices

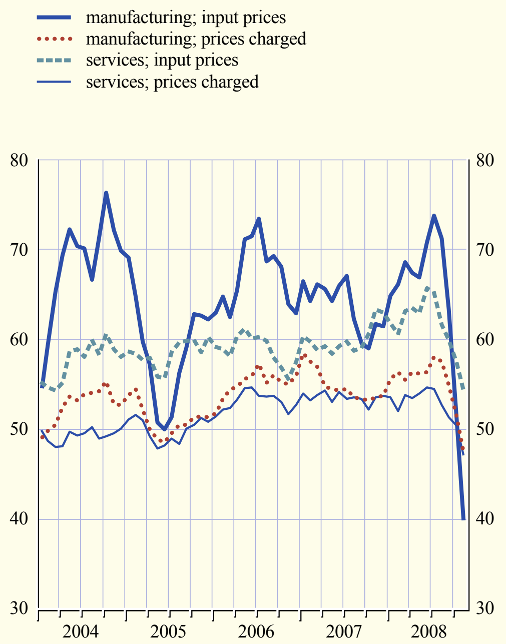
(annual percentage changes; monthly data)



Sources: Eurostat and ECB calculations.

Chart 41 Producer input and output price surveys

(diffusion indices; monthly data)



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

3.2 INDUSTRIAL PRODUCER PRICES

Supply chain price pressures have been receding steadily since reaching very elevated levels in the summer of this year. The annual growth in industrial producer prices (excluding construction) fell to 6.3% in October which, while below the historical peak of 9.2% in July, nonetheless remained strong (see Chart 40). As with the HICP, this high reading and the recent ongoing decline are largely related to developments in energy and food prices. Industrial producer price inflation excluding energy and construction has also receded since the summer, declining to 3.2% in October from 4.4% in July. This decline was broadly based across intermediate, capital and consumer goods, and is likely to reflect an easing of indirect supply chain price pressures related to previous rises in commodity prices.

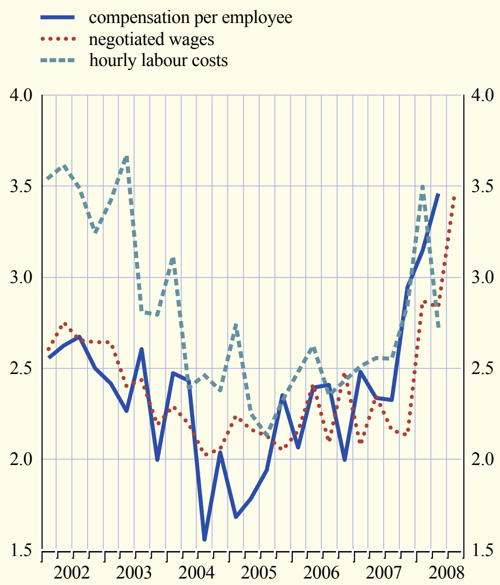
The general weakening in euro area activity over recent months may have led firms to focus more strongly on price competitiveness at various stages of the production chain. More recent information from surveys suggests that supply chain price pressures eased rapidly in the autumn of this year (see Chart 41). According to the latest Purchasing Managers' Index, the input price index for manufacturing declined considerably in November 2008 to stand, for the first time since September 2003, at a level which signals declining input price pressures in this sector. In the services sector, the input price index declined to its lowest level since March 2004, albeit still signalling continued rising pressures in the sector. The indices for prices charged have similarly decreased in recent months in both manufacturing and services, to levels which now signal declining price pressures.

3.3 LABOUR COST INDICATORS

Available labour cost indicators suggest that euro area wage growth continued at a fast pace through much of 2008. For the first half of the year, all available wage indicators signalled increasing wage pressures, with negotiated wages, compensation per employee and hourly labour costs all remaining elevated over this period (see Chart 42). Both compensation per employee and negotiated wages exhibited a strong growth rate in both quarters, while the quarterly profile of hourly compensation was affected by the early timing of Easter in 2008, which dampened hours worked in the first quarter. Given a slowing in productivity growth related at least in part to the economic cycle, unit labour cost growth rose in the second quarter of the year to its highest level in over a decade. More recently, the annual growth rate of negotiated wages continued to grow strongly in the third quarter of the year (see Table 7).

Chart 42 Selected labour cost indicators

(annual percentage changes; quarterly data)



Sources: Eurostat, national data and ECB calculations.

Strong wage growth in the first half of the year is likely to have been influenced by past labour market tightness as well as by second-round effects stemming from indexation to temporarily high inflation outcomes. Looking ahead, there is a risk of continued strong labour cost growth at a time of slowing activity, particularly in those euro area countries where some form of automatic price indexation of wages exists. However, it is very likely that firms will seek to implement measures which contain labour costs in view of the uncertainty surrounding the euro area growth outlook. Indeed, the recent rapid deterioration in labour markets should contribute to moderating wage costs in the future.

Disaggregated data on labour cost developments indicate a heterogeneous sectoral contribution to the strong labour cost growth witnessed in the first half of the year, although developments in hourly labour costs may have been distorted somewhat by the early timing of Easter (see Chart 43). All sectoral labour cost indicators point to a particularly pronounced annual growth rate of labour costs in the construction sector, while compensation per employee growth in services also increased

Table 7 Labour cost indicators

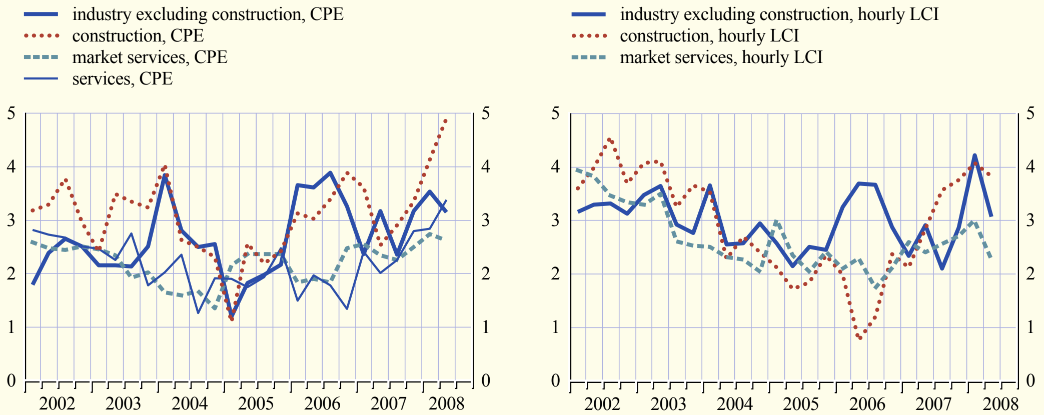
(annual percentage changes, unless otherwise indicated)

	2006	2007	2007 Q3	2007 Q4	2008 Q1	2008 Q2	2008 Q3
Negotiated wages	2.3	2.2	2.2	2.1	2.9	2.8	3.4
Total hourly labour costs	2.5	2.6	2.5	2.9	3.5	2.7	.
Compensation per employee	2.2	2.5	2.3	2.9	3.1	3.5	.
Memo items:							
Labour productivity	1.2	0.8	0.7	0.4	0.6	0.3	.
Unit labour costs	1.0	1.7	1.6	2.6	2.6	3.2	.

Sources: Eurostat, national data and ECB calculations.

Chart 43 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".

considerably. By contrast, labour cost growth in industry has displayed a very high degree of volatility in recent quarters (see Chart 43).

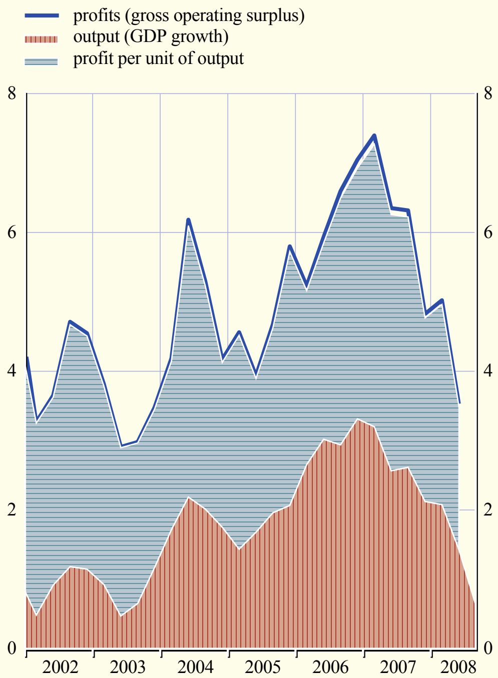
3.4 CORPORATE PROFIT DEVELOPMENTS

According to data from the national accounts available up to the second quarter of 2008, the annual growth in euro area profits resumed the downward momentum observed since the second quarter of 2007, following a slight upturn in the first quarter of this year. This was brought about by a combination of lower growth in activity and lower growth in unit profits (see Chart 44). Euro area annual profit growth in the second quarter, at 3.5%, was the lowest observed for five years and stood below its average since 1996.

Both domestic and external economic factors contributed to the reduction in profit margins. Unit labour cost growth in the second quarter of 2008 was, at 3.2%, the highest rate recorded since 1993. External price pressures on input costs continued to increase in the second quarter of 2008, owing mainly to energy price and exchange rate developments. The observed decline in profit growth was more marked in industry than in services because of the sharper decline in industrial activity and the higher exposure of industry to external price pressures.

Chart 44 Breakdown of profit growth into output and profit per unit of output

(annual percentage changes; quarterly data)

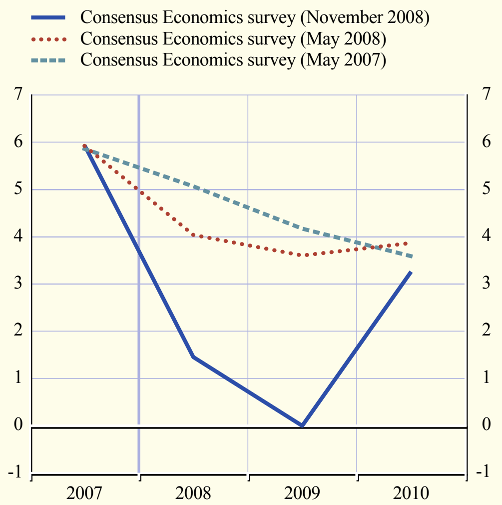


Sources: Eurostat and ECB calculations.

The ongoing slowdown in activity is likely to put further downward pressure on profits, which may only be attenuated to some extent by the easing in commodity prices and exchange rates. Thus, looking beyond the period covered by the available data, the annual growth rate of profits may be expected to decline further in the second half of 2008 and in 2009. Chart 45 illustrates that respondents to surveys by Consensus Economics in November revised their assessment of the outlook for profit growth in 2008 and 2009 substantially downwards by comparison with the May 2008 survey. Any subsequent improvement will rely primarily on a recovery in economic activity growth.

Chart 45 Consensus Economics corporate profit expectations

(percentages; annual data)



Sources: Consensus Economics and ECB calculations.

3.5 THE OUTLOOK FOR INFLATION

Annual HICP inflation has been declining substantially since the summer, falling – according to Eurostat's flash estimate – to 2.1% in November, which is considerably lower than the historical peak of 4.0% reached in July of this year. The significant decline in headline inflation since the summer mainly reflects the considerable easing in global commodity prices over the past few months, which more than offsets the impact of the sharp rise in unit labour costs in the first half of this year.

Looking ahead, lower prices for commodities, as well as weakening demand, suggest that the annual HICP inflation rate will continue to decline in the coming months. According to the latest Eurosystem staff macroeconomic projections, average annual HICP inflation is projected to lie between 1.1% and 1.7% in 2009 and between 1.5% and 2.1% in 2010. Depending, in particular, on the future path of oil and other commodity prices, some even stronger downside movements in HICP inflation cannot be excluded around the middle of next year, especially given strong base effects (see Box 6). However, also as a result of base effects, inflation rates could increase again in the second half of the year, so that any sharp fall in HICP inflation should be short-lived. Looking through such volatility, risks to price stability over the medium term are more balanced than in the past. Unexpected further declines in commodity prices could put downward pressure on inflation, while upside risks to price stability could materialise particularly if the recent fall in commodity prices were to reverse or if domestic price pressures turn out to be stronger than assumed.

Box 6

ACCOUNTING FOR RECENT AND PROSPECTIVE MOVEMENTS IN HICP INFLATION: THE ROLE OF BASE EFFECTS

During the first half of 2008 there were strong upward movements in energy and food prices. By contrast, during the second half of the year there was a moderation in the rate of food price increases and energy prices declined substantially. These developments had a strong impact on the profile of inflation in the course of 2008, which peaked at 4.0% in June and July, before declining substantially more recently. This box illustrates to what extent, owing to so-called base effects, these developments will also affect the pattern of the annual inflation rate during 2009.

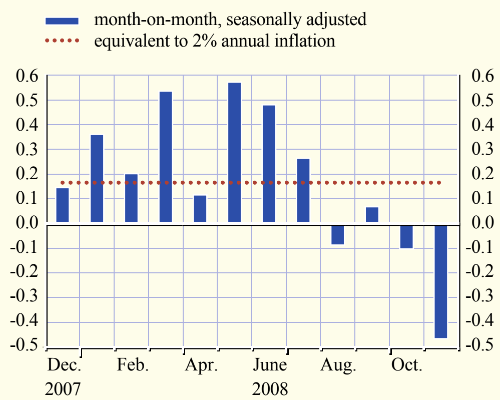
Of key importance when considering changes in annual rates of inflation from one month to the next is to what extent these changes reflect price developments in the current year (i.e. actual "news" from one month to the next) entering into the year-on-year calculation and to what extent they reflect a carry-over from price developments the previous year "dropping out" of the year-on-year rate – the so-called base effect.[1] There is no commonly agreed definition of a base effect. In this box a base effect is defined as the contribution to the change in the year-on-year inflation rate in a particular month that stems from a deviation of the month-on-month rate of change in the base month (i.e. the same month one year earlier) from its usual or normal pattern, taking account of seasonal fluctuations.[2] The contribution of such base effects to the annual headline HICP inflation rate needs to be analysed when assessing price developments and inflationary pressures.

However, identifying and interpreting base effects is not completely straightforward. It is important to note that variations in the seasonal patterns of price changes from one year to the next may induce noise in the annual rate. Furthermore, although it is possible to identify base effects in advance, current month-on-month developments can cause headline inflation to move in a different way. It should also be borne in mind that base effects do not mean that the year-on-year inflation rate is somehow distorted either upwards or downwards. The year-on-year inflation rate always correctly measures the percentage change in prices over the previous year. The base effect only helps to explain to what extent the change from one month to the next is a result of past developments dropping out of the calculation.

Looking at the recent past, Chart A shows that during the first seven months of 2008, there were strong upward pressures on inflation,

Chart A Euro area HICP inflation over the last 12 months

(percentage changes)



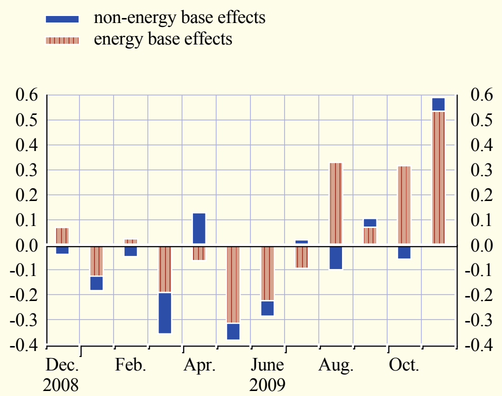
Sources: Eurostat and ECB calculations.

1 See the box entitled "Base effects and their impact on HICP inflation in early 2005" in the January 2005 issue of the Monthly Bulletin. See also the box entitled "The role of base effects in driving recent and prospective developments in HICP inflation" in the January 2007 issue of the Monthly Bulletin.

2 The method used to compute these usual or normal month-on-month changes in the HICP is clearly arbitrary. For the purposes of this box, they have been computed by taking the average (seasonally adjusted) month-on-month change for each month observed since January 1995.

Chart B Impact of base effects on euro area HICP inflation over the next 12 months

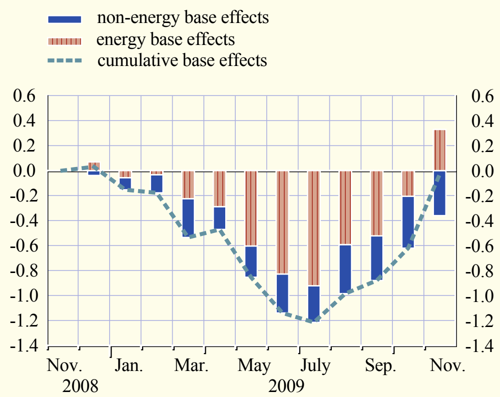
(percentage points)



Sources: Eurostat and ECB calculations.

Chart C Cumulative impact of base effects

(percentage points)



Sources: Eurostat and ECB calculations.

which arose mainly from developments in energy and food prices. In the second half of 2008, inflation has fallen again due to decreases in commodity prices.

Impact of base effects on the profile of euro area inflation in 2009

Chart B shows the contribution from (energy and non-energy) base effects to the change in the annual inflation rate over the course of the next twelve months. The impact of energy base effects is strongest, although non-energy (primarily food) base effects also have an impact. Owing to the exceptionally strong increases in energy and food prices in the course of the first half of 2008 dropping out of the year-on-year rate, base effects will exert a strong downward effect in the first half of 2009 (by a cumulative 1.2 percentage points between December 2008 and July 2009 – see Chart C). Base effects will then operate in the opposite direction in the second half of 2009, exerting a cumulative 1.2 percentage point upward impact in the second half of the year up to November (owing primarily to the decline in oil prices observed in the second half of 2008). Thus, negative base effects up to the middle of next year and their subsequent reversal, in the absence of other factors, will tend to impart a U-shaped profile to the euro area inflation rate in 2009.

Overall, the extent to which these base effects will actually prevail in determining the pattern of HICP inflation in 2009 hinges crucially on a number of factors. These include developments in the more volatile components – food and energy – but also price pressures more generally. Therefore, the future path of inflation in 2009 cannot be assessed mechanically on the basis of base effects alone.

4 OUTPUT, DEMAND AND THE LABOUR MARKET

Since September, there has been an intensification and broadening of the financial market turmoil. Tensions have increasingly spilled over from the financial sector to the real economy and a number of downside risks to economic activity that were identified previously have materialised, leading to a decline in the pace of euro area activity during 2008. Surveys point to a marked deterioration in activity towards the end of the year. Faced with subdued real income growth, falling financial wealth, tightening credit conditions and worsening labour market prospects, household spending has been subdued. Business investment has contracted as profitability declined, capacity pressures waned, and tighter lending standards raised financing costs and reduced funding availability. Residential investment has also moderated as housing markets in several euro area countries have softened. External demand has weakened as advanced economies have slowed and emerging markets have been increasingly affected by the turmoil. The decline in output has reduced capacity pressures within businesses and conditions in the labour market appear to have eased. The unemployment rate has increased and surveys of employment expectations have moderated. The December 2008 Eurosystem staff macroeconomic projections forecast average annual real GDP growth in a range between 0.8% and 1.2% in 2008, between -1.0% and 0.0% in 2009, and between 0.5% and 1.5% in 2010. The economic outlook remains surrounded by an exceptionally high degree of uncertainty. Risks to economic growth lie on the downside.

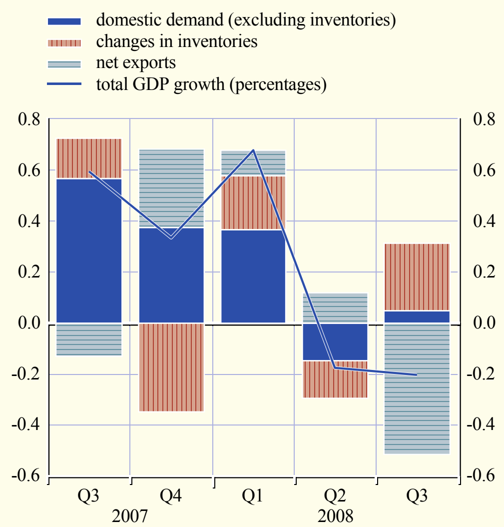
4.1 REAL GDP AND DEMAND COMPONENTS

As the world economy slowed and domestic demand weakened, the pace of euro area activity declined markedly during 2008. Quarter-on-quarter real GDP growth was -0.2% both in the second and third quarters of 2008 (see Chart 46). The outlook for activity is uncertain, as the impact of the intensification and broadening of the financial market turmoil remains difficult to assess. Nevertheless, forward-looking surveys point to a further weakening of activity towards the end of the year.

The deterioration in demand over the past half year was broad based across components. External demand slowed as activity in advanced economies weakened and emerging markets were increasingly affected by the financial turmoil. Domestic demand also softened. Rising commodity prices squeezed household income and spending in the first months of the year. Tighter financing conditions and declining profitability, as well as decelerating house prices in several countries, drove a moderation in investment. The expenditure breakdown for the third quarter indicated continued relatively sluggish final domestic demand, with subdued private consumption growth and falling investment offset somewhat by rising government expenditure. Net trade detracted from growth as exports remained weak and growth in imports rebounded. Inventories made a positive contribution to overall growth. The following sub-sections discuss demand developments in more detail.

Chart 46 Real GDP growth and contributions

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



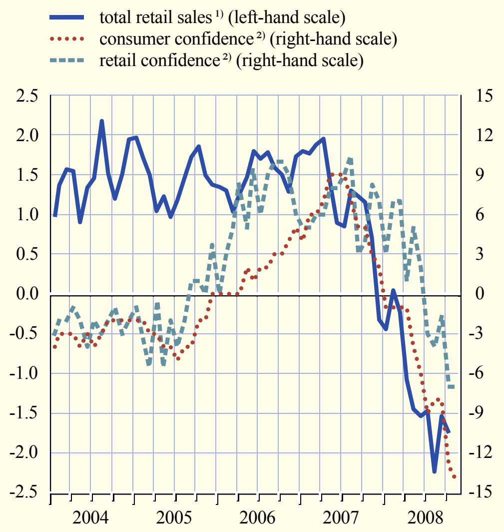
Sources: Eurostat and ECB calculations.

PRIVATE CONSUMPTION

Faced with subdued real income growth, falling financial wealth, tightening credit conditions and worsening labour market prospects, household spending moderated significantly during 2008. Private consumption decreased in the second quarter of the year and remained unchanged in the third quarter. Year-on-year growth fell to the slowest rate since 1993. Available data suggest further subdued spending in the fourth quarter. The volume of retail sales in October was 0.8% lower than the previous month and new passenger car registrations dropped by 3.7% month on month in October (see Chart 47). Consumer confidence deteriorated sharply in October and November to the lowest level since 1993.

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

(monthly data)



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

Household spending decisions are motivated by a range of factors but a key determinant is income. Over the past year, households have suffered a sharp squeeze in real income growth. Large increases in commodity prices – particularly food and energy prices – raised the costs of households' typical consumption basket. By the second quarter of 2008, year-on-year growth in real household disposable income dropped to the lowest levels since 2003.

The recent broad-based falls in commodity prices will help to alleviate pressures on household income and should eventually support a recovery in private consumption. Annual HICP inflation has dropped since the peak in July and is expected to ease further during the first half of 2009 (see Section 3). According to the European Commission's Consumer Survey, households' concerns about price developments have also diminished somewhat since the middle of the year.

However, the near-term impact of recent price declines on private consumption will depend on the extent to which the improvement in purchasing power encourages households to increase spending rather than saving. As discussed in Box 5 of the July 2008 issue of the Monthly Bulletin, the recent cycle was characterised by relatively subdued household spending, with overall economic activity generally outpacing private consumption. More recent developments suggest that euro area consumers have remained cautious. As inflation increased towards the end of 2007 and early in 2008, rather than smoothing consumption by reducing saving, households chose instead to retrench spending. Indeed, according to the euro area institutional accounts, the saving rate rose during the four quarters up to the second quarter of 2008.

The ongoing financial turmoil is likely to have been one factor behind household reluctance to spend. Households suffered falls in financial wealth as stock markets slumped during 2008. To the extent these declines were perceived to be permanent, households may have decided to rein back expenditure. In addition, the financial turbulence is likely to have heightened household uncertainty about the economic outlook and inclined them to build up precautionary savings against possible future weakness in incomes.

The deteriorating outlook for the labour market is also likely to restrain consumer sentiment and thus spending. Surveys of firms' employment intentions imply a significant moderation in employment growth over the next year (see Section 4.2 below). That should depress labour income – although fiscal automatic stabilisers, particularly via social payments such as unemployment benefits, should help to cushion the impact for households. The increase in unemployment since the start of 2008 may also have raised household uncertainty about future employment prospects. The European Commission's Consumer Survey shows increasing concerns about labour market prospects amongst households.

INVESTMENT

Investment growth has also moderated in recent quarters. Quarter-on-quarter growth was relatively resilient in the first quarter of 2008, in part because the unusually mild winter in many parts of Europe boosted construction activity during that period, but investment fell back sharply in the second and third quarters of the year – the first quarterly declines in five years.

The moderation in investment growth partly reflects a slowdown in construction investment, which includes residential and commercial building. Over the past couple of years, growth in house prices in several euro area countries has softened (see Box 4 in the July 2008 issue of the Monthly Bulletin), dampening the incentives for residential investment. The ECB's bank lending survey indicates a substantial tightening in credit conditions for loans for house purchase since the financial turmoil began in the summer of 2007, which may have restricted household access to funds and, in turn, housing demand. Together with ongoing weakness in household disposable income and deteriorating consumer sentiment, it is likely that the current weakness in euro area housing markets will persist for some time and that construction investment will provide less support for growth.

Non-construction investment has also slowed recently as weakening demand lowered profitability, capacity pressures waned, and tighter lending standards raised financing costs and reduced funding availability. Following strong quarterly rates of growth through most of 2007, non-construction investment growth moderated in the first quarter of 2008 and investment fell in the second quarter. Available indicators suggest continued business investment weakness in the third quarter, with capital goods production decreasing (see Section 4.2).

One factor influencing capital expenditure is the cost and availability of finance. Since the start of the financial turmoil, credit conditions for firms have tightened. The overall real cost of financing, an aggregate measure combining the cost of market debt and equity, and bank-based financing, has risen (see Section 2). Tighter credit conditions will tend to discourage investment growth but the impact may appear with a lag. Companies tend to raise new borrowing for investment infrequently and may have been able to rely on previously committed funds from financial institutions. Also, although in aggregate terms the non-financial corporate sector is a net borrower, firms seeking to invest rely substantially on internally generated funds, which remained reasonably buoyant despite a slowdown in profitability during 2008. That may be one reason why the proportion of firms in the European Commission's Business Survey that identified finance as a factor limiting their production remained relatively low up until July 2008. However, service sector firms registered an increase in concerns about financial factors in the October survey, which may point to a stronger impact of financial conditions on investment in the future.

Another important influence on the recent stagnation in business investment intentions is likely to have been the deterioration in demand. Falling demand reduced resource constraints within firms, potentially mitigating the need for firms to expand production capacity. According to the European Commission's Business Survey, capacity utilisation in the industrial sector fell below its long-run average in October. The proportion of firms identifying a lack of equipment or space as a factor limiting production also decreased sharply since the peak in the third quarter of 2007.

Lower demand is also likely to dampen profitability, discouraging capital expenditure. As demand waned during 2008, corporate profitability has slowed (see Section 3). Annual growth in non-financial corporations' gross entrepreneurial income fell in the first two quarters of 2008 to the weakest rate of growth in five years. More timely stock market-based indicators of profitability point to a further slowdown in corporate profitability growth in the second half of the year (see Section 2).

The pessimistic outlook for demand and profitability is likely to be a significant factor dampening investment growth in the year ahead. But firms may also be more reluctant to proceed with capital outlay if they are more uncertain about economic prospects. In an uncertain environment, firms may feel there is a benefit to waiting and delaying investment decisions until the outlook becomes clearer. Various indicators suggest that the renewed turmoil in financial markets since mid-September has heightened uncertainty about the economic outlook. Implied volatility measures derived from financial option contracts rose sharply since the middle of September (see Section 2). The recent ECB's survey of professional forecasters also showed a much wider than usual disagreement amongst contributors about prospects for GDP growth during the next year.

Overall, business investment is expected to be very weak through the remainder of 2008 and during 2009. One indicator of the possible magnitude of the slowdown is the European Commission's biannual survey of investment in the manufacturing sector, which reports that firms expect capital expenditure to fall by almost 5% in 2009.

NET TRADE

The external environment has deteriorated significantly, aggravated by the financial crisis and the severe strains on banking systems and credit conditions worldwide (see Section 1). Growth in advanced economies has weakened and emerging markets have been increasingly affected by the turmoil. That has slowed demand for euro area goods and services. Euro area exports fell in the second quarter of 2008 and recovered only moderately in the third quarter; year-on-year growth reached the lowest level since 2003 by the third quarter of the year. Business surveys point to further subdued export growth in the fourth quarter.

Looking ahead, the near-term outlook for euro area exports remains weak, as global activity is expected to continue to be subdued. The PMI and the European Commission's survey indices of industrial export orders have fallen significantly since the middle of the year. PMI export climate indices for the large euro area countries dropped to the lowest levels since 2001. However, exports may gain some support from the depreciation in the euro nominal effective exchange rate since July (see Section 7), which should improve euro area exporters' competitiveness.

In line with the slowdown in exports and domestic demand, euro area imports were weak in the second quarter of 2008. With demand expected to remain subdued, import growth is likely to continue to be weak in the near term. However, import growth rebounded strongly in the third quarter of 2008 which, combined with modest export growth, led to a large negative contribution from net trade to GDP growth. Since growth in final domestic demand was weak during that period, the rise in imports was mirrored by a build-up in inventories. In the past, quarterly contributions of net trade and inventories have been strongly negatively correlated.

4.2 OUTPUT, SUPPLY AND LABOUR MARKET DEVELOPMENTS

A key determinant of inflationary pressure in the short run is the balance between aggregate output and supply potential. The pressure of demand on resources – the intensity with which companies are using existing staff and capital and the degree of tightness in the labour market – affects firms' production costs and, in turn, their pricing decisions and pricing power. Euro area output eased in the middle of the year and is expected to remain very weak in the near term (see the section on sectoral output below). Already capacity pressures within businesses appear to have waned. Capacity utilisation in the industrial sector has fallen. PMI indices point to a significant shortening of supplier delivery times in the manufacturing sector and a reduction in firms' outstanding business or backlogs of work in both the services and industrial sectors. Conditions in the labour market also appear to have eased (see the labour market section below). Unemployment has risen since the start of the year and, according to the European Commission's October Business Survey, the proportion of firms signalling labour shortages has fallen.

Looking ahead, the extent to which the continuing weakness in demand contributes to a further widening of the degree of slack in the economy – the balance of output relative to potential – depends on the impact of recent developments on the supply potential of the economy. Some of the shocks currently affecting the euro area economy are likely to lower potential growth. Recent price declines notwithstanding, the increase in the price of oil, which is an important input into the production process, has raised production costs and may have rendered some technologies unprofitable. Since firms tend to be unable to substitute their use of oil for other inputs (capital or labour) at least in the short term, companies may choose instead to scrap particularly energy-intensive machinery, which would push down on potential growth. In addition, the increase in risk premia in financial markets has raised financing costs, which should imply reduced investment and lower capital stock (see Box 7). That may restrict firms' ability to finance some investment projects or cause them to postpone existing plans. It may also limit businesses' access to working capital, which would also affect production. Taken together these factors suggest that growth in potential output may have moderated recently. Moreover, if credit spreads and oil prices were to remain persistently higher for a period of time, potential supply may remain subdued over the medium term.

Box 7

DEVELOPMENTS IN POTENTIAL OUTPUT IN THE LIGHT OF CHANGES IN OIL PRICES AND CREDIT RISK PREMIA

Against the backdrop of the major shocks that have been affecting the euro area economy, it is widely anticipated that there will be a sharp slowdown in economic activity. However, in order to assess the extent to which the projected slowdown will be accompanied by a reduction in resource utilisation in the economy, possible changes in potential output have to be considered. Since part of the slowdown in activity may reflect the negative impact of supply-side factors, these may also lower potential output, so that the emergence of slack in the economy may be lower than in the case of a purely demand-driven cyclical downturn.

As is well-known, there are significant difficulties in measuring potential output in real time. The European Commission estimates that, from 2007 to 2009, potential output growth will decline from 2.0% to 1.5%, and the OECD estimates a decrease from 2.1% to 1.9% (see Table).

Potential output depends on a number of supply-side factors related to production inputs, such as capital, labour and energy, as well as productivity. Variations in potential output growth will thus reflect developments in these supply-side factors, but such variations may be induced by cyclical or structural developments. Examples of the former include cyclical changes in investment or labour force participation. The latter may stem from factors such as demographic trends, institutional reforms, technological innovation or persistent changes in the costs of factor inputs. It is very difficult to distinguish cyclical and structural factors in real time. In principle, only the latter matters for the estimation of trend potential output growth.[1]

Among the possible structural factors contributing to a decline in the growth of potential output at the current juncture, this box focuses on the effect of two shocks that have been impacting on the euro area, namely increases in oil prices and increases in credit risk premia. Oil prices have been very volatile in recent years, with strong rises seen up to mid-summer 2008 and marked falls thereafter. Given that oil is used to produce output, higher oil prices result in higher marginal costs for the same production level. An equality between marginal costs and marginal products in the economy is then restored through a lower use of factors of production. This, in turn, will then imply lower output. Moreover, financing costs have also increased since the middle of 2007, following a widening of credit spreads. If these credit spreads were to remain higher for a protracted period of time, this would imply a longer-lasting reduction in the demand for capital and therefore lower potential output.

1 See the Boxes entitled "The (un)reliability of output gap estimates in real times" and "Trends in euro area potential output growth" in the February and July 2005 issues of the Monthly Bulletin respectively.

Estimates of annual growth in euro area potential output

(annual percentage changes)

	2007	2008	2009
European Commission	2.0	1.7	1.5
OECD	2.1	2.0	1.9

Sources: Based on European Commission Autumn Economic Forecasts (2008), OECD Economic Outlook No. 83 June 2008.

A production function approach can be used as a way of illustrating the possible magnitude of these effects. An increase in the price of an input to the production process relative to the output price will result in an increase in its real marginal cost. In equilibrium, this requires an increase in marginal productivity, which is obtained by lowering the use of this input, thereby reducing output. In turn, a reduction in the use of this input results in a deterioration in the marginal productivity of other inputs. It can be shown that the extent to which this impacts on potential output growth actually depends on the flexibility of the prices of other inputs and the scrapping rate of capital. It is important to note that the less flexible prices are, the stronger the downward adjustment on potential output will be. Similarly, the higher the scrapping rate of capital, the stronger the short-term effects on potential growth.

In June 2008 the OECD (2008)[2] used a production function approach to produce some estimates of the impact on potential output of persistently higher risk premia and oil prices. The OECD estimates are based on an assumption of real oil prices being 170% above their 20-year average for the euro area (this corresponded to oil prices of USD 120 per barrel). With the many caveats involved, as documented by the OECD, higher oil prices could reduce potential output growth by between 0.1 and 0.2 percentage point on an annual basis in the first years of adjustment. Given that oil prices have come down substantially since the peak reached in the middle of the summer, the possible effect which might be computed assuming that oil prices remain at their current level is likely to be much weaker.

In the case of credit spreads, between the second quarter of 2007 (i.e. before the start of the financial turmoil) and the third quarter of 2008, such premia for MFI lending to non-financial corporations have increased by around 50 basis points. The OECD estimates, which are based on a similarly-sized structural increase in real financing costs, would imply a decline in potential output growth of between -0.2 and -0.3 percentage point per annum in the first few years of adjustment.

Thus**,** persistently higher credit spreads materialising in a structurally higher cost of capital as well as persistently higher oil prices could be expected to result in a reduction in the growth of potential output. However, it should be borne in mind that, when it comes to estimating the size of this effect, several assumptions need to be made, and the obtained impact is surrounded by a high level of uncertainty. Still, if the current high level of risk premia were to prevail for a longer period of time, or if oil prices were to again reach significantly higher levels, this should have a negative impact on euro area trend potential growth in the years ahead.

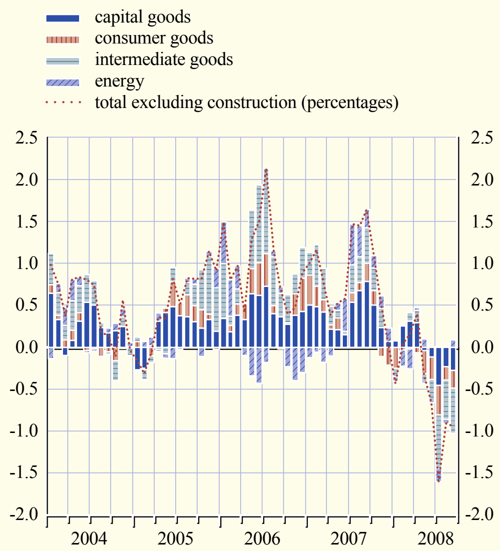
2 OECD, "The implications of supply-side uncertainties for economic policy", OECD Economic Outlook No. 83, June 2008.

SECTORAL OUTPUT

Typically in the past, the industrial sectors – manufacturing and construction production – have displayed greater sensitivity to the economic cycle than other sectors. This was also the case this year when the brunt of the slowdown was felt in the industrial sectors, although moderation in activity was observed across sectors. Value-added in industry (excluding construction) fell in the second and third quarters of 2008. Production fell in all the main manufacturing sub-sectors, but the most recent decline was particularly pronounced in the capital goods sector (see Chart 48). Earlier in the year, growth in that sector had been sustained by external demand, particularly from emerging market countries. In addition, a large stock of accumulated orders had kept production at high levels. However, as global investment demand waned and as emerging markets were increasingly affected

Chart 48 Industrial production growth and contributions

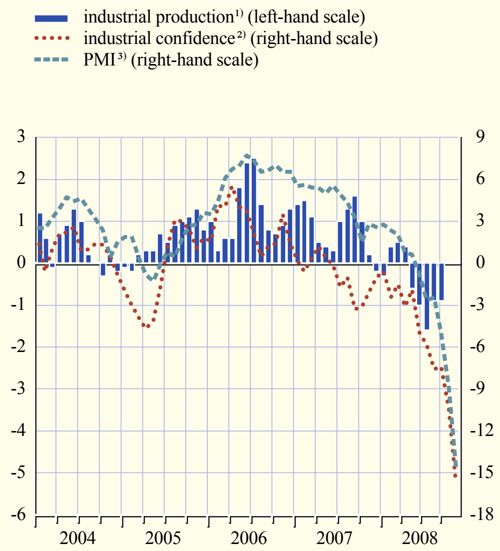
(growth rate and percentage point contributions; monthly data; seasonally adjusted)



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

Chart 49 Industrial production, industrial confidence and the PMI

(monthly data; seasonally adjusted)



Sources: Eurostat, European Commission's 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; changes compared with three months earlier.
3) Purchasing Managers' Index; deviations from an index value of 50.

by the ongoing financial turmoil, new orders for capital goods declined. The very recent deceleration in capital goods production may reflect the depletion of the previous backlog of orders.

Construction activity has moderated as residential property markets have cooled. Value added in the construction sector fell sharply in the second quarter of the year. As discussed in previous Monthly Bulletins, this partly represented a technical reaction to the unusually strong growth in the early months of the year, when the mild weather in some parts of Europe boosted construction. However, the broad trend of construction activity has been downward. Construction activity also declined in the third quarter of 2008; building permits for new residential dwellings fell sharply year on year in August; and surveys of activity point to continued weakness in the latter part of the year.

Service sector activity has been more resilient than other sectors – although at 0.3% and 0.2% quarter-on-quarter growth in the second and third quarters of 2008 respectively, the pace of expansion was the weakest since early 2004. Surveys suggest a continued moderation in service sector activity in the remainder of the year. Within the service sector, the slowdown has been relatively broad based. Reflecting the moderation in household spending and the increases in food prices early in the year, activity in hotels and restaurants was weak. Transportation and communication sectors also felt the impact of the slowdown in manufacturing, an important intermediate user of their services.

By contrast, growth in the business services and finance sector was robust in the second quarter and remained positive in the third quarter. With the ongoing turbulence in financial markets, which is likely to have affected financial intermediation services, activity in this sector may have been expected to decline more severely. However, this sector encompasses a wide range of activity – for example, legal, accounting, tax, consultancy, real-estate related services – not all of which will have been directly affected by the turmoil. Nevertheless, surveys indicate a broad decline across these different sub-sectors over the past year, suggesting further declines in business services value-added may be forthcoming.

Looking ahead, the short-term outlook for overall activity has deteriorated sharply in recent months. In the industrial sector, new orders fell sharply in the third quarter. In November, the composite PMI output index posted the steepest monthly fall to reach the lowest level since the survey began in 1998 (see Chart 49). Activity declined in both the services and industrial sectors at the fastest pace on record. The European Commission's survey for November also showed business confidence at the lowest levels since 1993. These surveys are usually a good indicator of developments in euro area activity but it is possible that they do not currently mirror actual developments accurately, perhaps because sentiment has been unduly affected by the recent financial turmoil and the slew of pessimistic reports in the media. However, as discussed in Box 6 of the November 2008 issue of the Monthly Bulletin, at least until the third quarter of the year, these surveys have continued to provide a fairly good view of sectoral developments. The sharp falls in surveys recorded in November would therefore appear to signal a further marked deterioration in the underlying growth momentum of the euro area economy, with a particularly adverse outlook for the industrial sector. Some confirmation of that view is provided by anecdotal evidence, with reports of extended Christmas plant closures in some sectors, cancellation of orders, and growing concerns about the impact of tightening credit conditions on production. Overall, activity is expected to weaken further in the fourth quarter of 2008 and remain very subdued early in 2009.

LABOUR MARKET

Over the past few years, euro area labour markets improved significantly. Employment increased strongly, the participation rate rose and by early 2008 unemployment had fallen to the lowest level since the early 1980s. As a result, labour markets were tight towards the end of 2007 and wage pressures rose (see section 3). More recently, however, labour market prospects have deteriorated

Table 8 Employment growth

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

	Annual rates		Quarterly rates				
	2006	2007	2007 Q2	2007 Q3	2007 Q4	2008 Q1	2008 Q2
Whole economy	1.6	1.8	0.5	0.4	0.3	0.3	0.2
of which:							
Agriculture and fishing	-1.9	-1.2	-0.4	-1.2	-0.5	0.5	-1.0
Industry	0.5	1.4	0.2	0.0	0.1	0.2	-0.3
Excluding construction	-0.4	0.3	0.1	0.0	0.1	0.2	0.0
Construction	2.6	3.9	0.5	0.0	0.0	0.1	-1.1
Services	2.2	2.1	0.7	0.6	0.4	0.4	0.4
Trade and transport	1.6	1.8	0.9	0.7	0.1	0.4	0.4
Finance and business	3.9	4.1	1.3	0.8	0.7	0.9	0.4
Public administration [1]	1.9	1.3	0.1	0.5	0.4	0.0	0.5

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

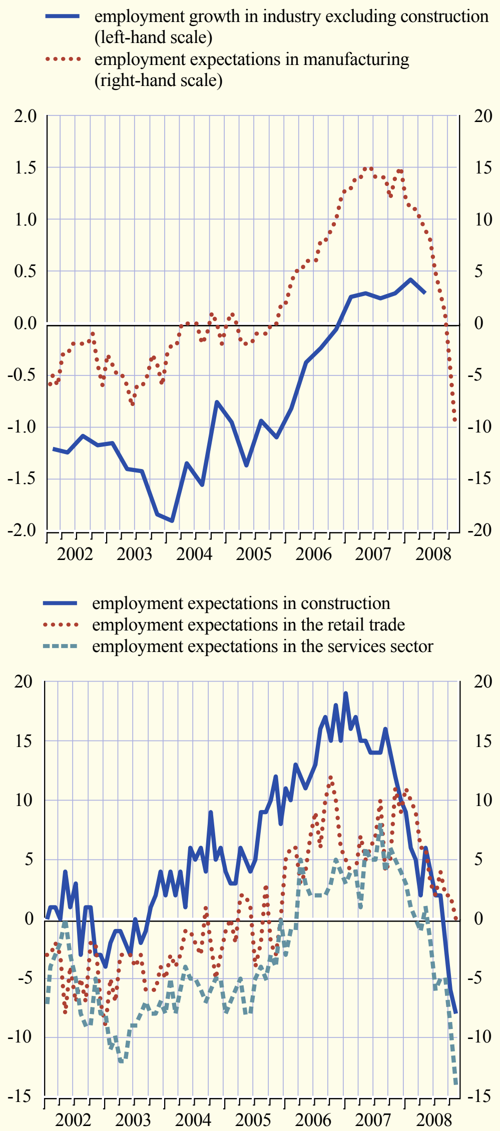
significantly. The unemployment rate has increased since the start of 2008 and, although employment growth was reasonably healthy in the first few months of 2008, surveys of employment expectations have moderated since. Labour demand has receded faster than available supply and that is expected to continue. Labour market pressures are consequently expected to ease over the following quarters.

Although employment growth has not maintained the fast pace of 2007, relative to output growth, employment was relatively resilient in the first half of 2008. Employment decelerated modestly, rising by 0.3% quarter on quarter in the first quarter of 2008 and by 0.2% over the following three months (Table 8). The lag between changes in employment and activity is not unusual. Hiring and firing is costly for firms, particularly for employees with permanent contracts. Initially companies may have decided to wait to assess the likely magnitude of the slowdown in output growth before incurring the expense of significant staffing adjustments. If initially the downturn was expected to be mild or relatively short-lived, they may have chosen simply to retain staff and instead work existing employees less intensively than usual. Such labour hoarding would be apparent in a reduction in hours worked and a fall in the output produced per employee. Indeed, euro area productivity, measured as value-added per employee, increased at a much slower rate in the second quarter of 2008 than in previous periods (see Chart 51) and annual growth in average hours worked declined in the first half of 2008 compared to 2007. Alternatively firms may have chosen initially to reduce numbers at the margin by neglecting to replace outgoing or retiring staff or by cutting back on temporary workers, which are cheaper to let go. According to the labour force survey statistics, year-on-year growth in temporary employment slowed considerably faster than permanent employment in the second quarter of 2008. That may also have reflected the sharp curb in activity in the construction sector, which relies heavily on temporary employment.

Looking ahead, the near-term outlook for labour demand depends on how firms' assessments of economic prospects have changed as the economy has deteriorated. Surveys suggest that, as the slowdown has become more acute, and the possibility of a protracted period of slow activity has grown, firms have revised down

Chart 50 Employment growth and employment expectations

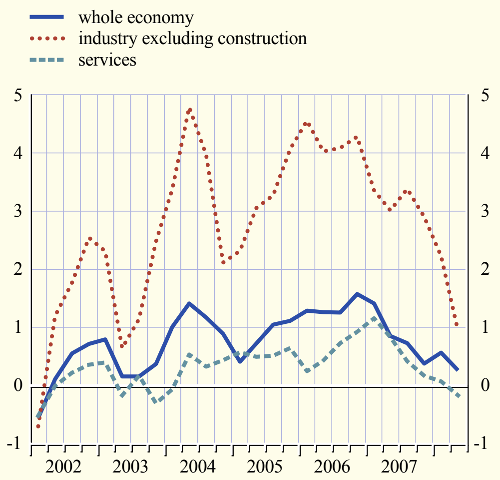
(annual percentage changes; percentage balances; seasonally adjusted)



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

Chart 51 Labour productivity

(annual percentage changes)



Sources: Eurostat and ECB calculations.

their employment intentions and the outlook for labour demand has worsened markedly. In November, both the PMI and the European Commission's Surveys of employment intentions fell close to the lowest levels since 2003 (see Chart 50).

The implication of the expected moderation in labour demand depends, in part, on the developments in labour supply. Increases in the workforce reflect changes in the working-age population and in the willingness of individuals to participate in the workforce. Just as labour demand remained relatively robust up to the middle of the year, growth in labour supply was also sustained. The working age population increased steadily and the participation rate improved. Year-on-year growth in the labour force in the second quarter of 2008 was close to the average of the past two years.

As the economy slows, the potential supply of labour is likely to grow less rapidly. With the number of vacancies declining, individuals may become discouraged from seeking work. Participation rates would fall as workers effectively drop out of the labour force. Over the medium term, the available labour force may also diminish if workers remain unemployed for a long period of time. Individuals without a job are likely to see their skills deteriorate or become less relevant relative to employers' requirements. It can then become increasingly difficult for them to find work even as activity begins to recover. As Box 8 explains, that makes it important that euro area governments continue progress in implementing labour market measures that can mitigate the likelihood of such a structural deterioration in the unemployment and participation rates.

Box 8

STRUCTURAL POLICIES IN TIMES OF CRISIS

In view of the ongoing financial market crisis and the contraction in economic activity in the euro area, this box outlines fiscal and structural policy measures to increase the economy's resilience and stimulate productivity and innovation to sustain long-term economic recovery and growth. Monetary policy, by ensuring that inflation expectations remain firmly anchored in line with the ECB's definition of price stability of HICP inflation being below but close to 2% over the medium term, supports confidence and contributes to economic recovery. However, monetary policy obviously cannot address the situation in individual regions or sectors or create the structural conditions for the efficient allocation of workers and restructuring of firms. Countries with structurally rigid labour and product markets and with relatively large fiscal imbalances and inefficient public administrations are likely to be less resilient to the crisis and more exposed to the global downturn. In the longer run, a country's output growth will also depend, inter alia, on the degree to which the crisis and economic downturn affects potential output through corporate restructuring, labour market adjustment and the quality of public sector activities.

At the current juncture, it is crucial that governments do not delay, but rather take decisive action to implement the necessary structural reforms in their countries and enhance the quality of public finances in line with the Lisbon Strategy. Such measures are preferable to short-term demand management since they lay sound foundations for a recovery, as well as medium and longer-term growth and employment. In a recent Communication,[1] launched as the basis for a European Economic Recovery Plan to be discussed by the European Council, the European Commission also proposed a number of related fiscal and structural policy measures. In this respect, it is important to maintain discipline and a medium-term perspective in macroeconomic policy-making. Experience has shown that policy activism has only led to the accumulation of fiscal imbalances and has not helped to solve the underlying economic and structural problems.

Measures to stimulate the labour market and productivity growth[2]

In the labour market, measures are needed which help to contain the impact of the financial crisis and ensure that the economic recovery gets under way without a structural deterioration in the unemployment level and reduced longer-term labour participation rates. These are:

(a) Measures to support flexible wages and moderate wage growth: These include the abolition of wage indexation schemes, helping to reduce upward wage and cost pressure on firms, thereby facilitating competitiveness and supporting employment. In an environment where sectors are affected differently by the crisis, institutional features of the wage bargaining system that could help ensure that wages reflect local level productivity developments, the unemployment conditions and firm-level competitiveness would be beneficial. In particular, in those sectors and countries affected most severely by the crisis, lowering prices and costs per unit of output supports demand and employment. In addition, in discussions on minimum wage legislation, the focus needs to be on the support of employment and the avoidance of job losses, as these would primarily affect the low-skilled and weaker parts of society.

(b) Measures to support (re)employment: Reforms to enhance the effectiveness and efficiency of active labour market policies and public employment offices would assist in the (re)training of the unemployed and help them to find new jobs. For employed workers, the greater flexibility of working hours could give firms the additional margin of reducing working hours over specified periods in line with production needs, without losing valuable firm-specific human capital through lay-offs. Greater flexibility in the renewal of temporary employment contracts may also help support employment within the crisis.

(c) Measures to facilitate economic adjustment over the medium term: Other measures can help to promote the medium-term adjustment capacity of the economy and set the stage for recovery, avoiding a ratcheting up of structural unemployment. These include measures to enhance geographical (both within and across countries) and occupational labour mobility, such as ensuring the portability of pensions and the international recognition of educational attainments, which would support the redistribution of activity across sectors. Reforms to the

1 Communication from the European Commission to the European Council – A European Economic Recovery Plan, 26 November, 2008.
2 See, for example, ECB (2008) "Labour Supply and Employment in the Euro Area Countries", 2008 Structural Issues Report.

unemployment benefit system stipulating the appropriate level and/or the duration of benefits avoid disincentives to increase labour supply and additional upward pressure on labour costs. A reduction in tax wedges on employment through a shift of taxes and social security contributions may help to support labour supply and employment by reducing contributions for employers and the gap between salaries and actual take home pay for employees. Making permanent employment protection legislation more flexible reduces disincentives to firms of hiring new workers. Finally, steps to enhance the transferability of skills and to change the skill structure through better education activities improves employability in the medium to long term.

In product markets, measures which ease the regulatory burden on existing business operations, raise competition and stimulate innovation are required. These include:

(a) Measures aimed at further increasing resilience: Policies which reduce the regulation on existing business operations and increase competition are beneficial for consumers in terms of lower prices, thus boosting households' purchasing power. This is particularly the case in the services sector (such as network services and the retail sector) and the agricultural sector. Together with associated productivity gains from the shift in supply to the most efficient firms, such measures are likely to stimulate medium-term aggregate demand and increase the resilience of the euro area economy in coping with adverse shocks.

(b) Measures stimulating productivity and innovation: In countries with budgetary room for manoeuvre, increased public Research and Development (R&D) spending could be advocated to stimulate aggregate demand and long-term productivity and competitiveness through innovation activity. Moreover, within a sound regulatory environment, an adequate market for venture capital ensures that start-ups and small and medium-sized enterprises (SMEs) find adequate sources of funding. Private-public partnerships may also help in the case of particularly complex or financially demanding projects. Barriers to entry as well as regulatory barriers on setting up new businesses should be eased or eliminated to facilitate the restructuring of the corporate sector through the emergence of new firms.

Quality and growth-enhancing fiscal measures

Measures aimed at enhancing the quality of public finances, and affecting both the level and composition of government revenues and expenditures, aim to achieve longer-term economic benefits from a more effective and efficient allocation and use of budgetary resources for identified strategic priorities. Productive expenditure has a positive effect on the growth potential of an economy by means of increasing the marginal productivity of capital and/or labour or total factor productivity. In this regard, "core" government spending may be as important to longer-term output growth as private capital and labour.[3] It can raise the human and physical capital stock and technical progress in the economy either directly or indirectly by creating synergies for private activities. Moreover, public services must be delivered in a cost-effective way. Finally, taking a certain level of "high quality" government spending as given, it is important that the corresponding financing structure minimise tax distortions and provide for simplicity and transparency in tax rules and administration.

3 Core spending may include spending for internal and external security, essential administrative services and justice, basic research, basic education and health, minimum social security, public infrastructure.

Available evidence points to negative growth effects of larger governments, in particular if associated with high tax burdens on labour and capital and inefficient expenditure.[4] Furthermore, empirical studies on the efficiency of public expenditure also find substantial room for improvement in the euro area and Europe in general.[5] Good governance practices regarding public finances (e.g. fiscal rules), besides promoting fiscal discipline and sustainability, can also help the redirection of public spending towards more growth-enhancing spending items through the use of fewer budgetary resources for other purposes.

Overall, fiscal policies are of high quality and support growth if they fulfil the following requirements:

- provide an institutional environment supportive to growth and sound public finances;
- limit commitments to the essential role of government in providing goods and services;
- set growth and employment-promoting incentives for the private sector;
- make efficient use of public resources;
- finance government activities and, where appropriate, private sector activities with an efficient and stable tax system;
- support macroeconomic stability through stable and sustainable public accounts.

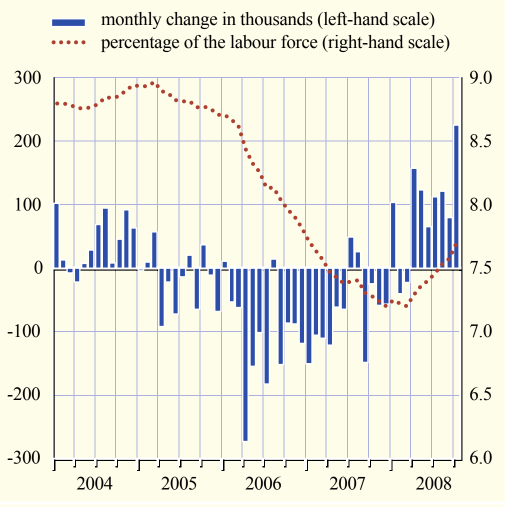
Such measures should be in line with the principle of an open market economy with free competition to avoid a situation whereby government support to domestic companies discriminates against foreign firms.

4 A. Afonso, W. Ebert, L. Schuknecht and M. Thöne, "Quality of Public Finances and Growth", European Central Bank Working Paper No. 438, 2005, and European Commission, "Public finances in EMU – 2008", European Economy, 4 July 2008.
5 S. Deroose and C. Kastrop (eds.), "The Quality of Public Finances: Findings of the Economic Policy Committee-Working Group (2004-2007)", European Commission Occasional Papers 37, 2008.

Overall, the combination of moderating labour demand and more sustained growth in the potential supply of workers, suggests that labour markets have begun to loosen. Although it remains fairly low by historical standards, the unemployment rate in the euro area has increased sharply since the start of the year, moving from 7.2% in the first quarter of the year to 7.7% by October. The number of unemployed rose for the seventh consecutive month in October – the increase of 225,000 in the month of October was the largest monthly rise since 1993 (see Chart 52). The European Commission's Business Survey also indicated a decline in the proportion of firms reporting labour shortages as a limit to production in October. As firms pare back their labour demands, labour market pressure may be expected to continue to ease over the coming year.

Chart 52 Unemployment

(monthly data; seasonally adjusted)



Source: Eurostat.

4.3 THE OUTLOOK FOR ECONOMIC ACTIVITY

Since September, there has been an intensification and broadening of the financial market turmoil. Tensions have increasingly spilled over from the financial sector to the real economy and a number of downside risks to economic activity that were identified previously have materialised, leading to a decline in the pace of euro area activity during 2008. Surveys point to a marked deterioration in activity towards the end of the year. Faced with subdued real income growth, falling financial wealth, tightening credit conditions and worsening labour market prospects, household spending has been subdued. Business investment has contracted as profitability declined, capacity pressures waned, and tighter lending standards raised financing costs and reduced funding availability. Residential investment has also moderated as housing markets in several euro area countries have softened. External demand has weakened as advanced economies have slowed and emerging markets have been increasingly affected by the turmoil. The moderation in output has reduced capacity pressures within businesses and conditions in the labour market appear to have eased. The unemployment rate has increased and surveys of employment expectations have moderated.

The outlook for economic activity is extraordinarily uncertain, in large part stemming from the intensification and broadening of the financial market turmoil. Global economic weakness and very sluggish domestic demand is expected to persist in the next few quarters. According to the December 2008 Eurosystem staff macroeconomic projections for the euro area, a subsequent recovery should then gradually take place, supported by the fall in commodity prices and assuming that the external environment improves and the financial tensions weaken. Eurosystem staff macroeconomic projections foresee average annual real GDP growth in a range between 0.8% and 1.2% in 2008, between -1.0% and 0.0% in 2009, and between 0.5% and 1.5% in 2010. In comparison with the September ECB staff projections, these figures represent substantial downward revisions.

Risks to economic growth lie on the downside. They relate mainly to the potential for a more significant impact on the real economy of the turmoil in financial markets, as well as concerns about protectionist pressures and possible disorderly developments owing to global imbalances.

5 FISCAL DEVELOPMENTS

The current fiscal outlook points to a sharp deterioration in budget balances in the euro area, with risks tilted further to the downside. According to the European Commission's autumn 2008 economic forecast, which does not fully reflect the recent macroeconomic slowdown, the euro area average general government deficit ratio is projected to increase considerably in 2008 and 2009. Three euro area countries are expected to report a deficit at or above the 3%-of-GDP reference value in 2008. The deterioration in the budgetary outlook is caused by the worsening macroeconomic environment, as well as tax cuts in a number of countries. The risks to this projection of the fiscal balances are firmly on the downside owing to the uncertain macroeconomic outlook, the fiscal impact of the financial crisis and plans for fiscal stimulus measures. To preserve confidence in the soundness of fiscal policies, it is essential that all parties involved meet their commitment to apply, in full, the provisions of the Stability and Growth Pact.

FISCAL DEVELOPMENTS IN 2008

The public finance outlook for the euro area shows a sharp deterioration in headline budget balances. According to the European Commission's autumn economic forecast published on 3 November 2008, the euro area average general government deficit ratio is projected to stand at 1.3% of GDP in 2008 (see Table 9), up from 0.6% in 2007, marking the end of the steady decline observed over the past few years. Compared with the updated stability programmes of end-2007, this figure represents a deterioration of 0.4 percentage point over the initial targets at the euro area level and is accounted for by tax cuts, revenue shortfalls and higher primary expenditure. The Commission projects a deficit ratio at or above the 3%-of-GDP reference value for France, Ireland and Malta in 2008, whereas in 2007 only Greece had a deficit higher than 3% of GDP. The Greek general government deficit in 2007 has been revised upwards to 3.5% of GDP in Eurostat's autumn 2008 notification, compared with 2.8% of GDP in the spring 2008 notification. Eurostat withdrew its reservation to the spring 2008 notification, following the correct recording of EU grants and the improved coverage of extra-budgetary funds and local government and social security funds.

Table 9 Fiscal developments in the euro area

(as a percentage of GDP)

	2004	2005	2006	2007	2008	2009
European Commission economic forecasts, autumn 2008						
a. Total revenue	44.6	44.8	45.3	45.5	45.0	45.0
b. Total expenditure	47.5	47.3	46.6	46.1	46.3	46.9
of which:						
c. Interest expenditure	3.1	2.9	2.9	3.0	3.0	2.9
d. Primary expenditure (b-c)	44.4	44.4	43.8	43.1	43.3	43.9
Budget balance (a-b)	-2.9	-2.5	-1.3	-0.6	-1.3	-1.8
Primary budget balance (a-d)	0.2	0.4	1.6	2.3	1.6	1.1
Cyclically adjusted budget balance	-2.7	-2.2	-1.5	-1.2	-1.6	-1.4
Gross debt	69.5	70.0	68.3	66.1	66.6	67.2
Memo item: real GDP (annual percentage change)	2.2	1.7	2.9	2.7	1.2	0.1
Euro area averages based on 2007-08 updated stability programmes						
Budget balance			-1.5	-0.8	-0.9	-0.4
Primary budget balance			1.5	2.2	2.1	2.3
Cyclically adjusted budget balance			-1.4	-1.0	-0.9	-0.5
Gross debt			68.4	66.4	64.9	63.3
Memo item: real GDP (annual percentage change)			3.0	2.7	2.3	2.2

Sources: European Commission, updated stability programmes 2007-08 and ECB calculations.
Notes: Figures exclude proceeds from the sale of UMTS licences and may not add up due to rounding. Figures include Cyprus, Malta and Slovakia in all years.

Even if the effects of the large-scale government interventions aimed at stabilising financial institutions are not taken into account, the Commission projects the general government gross debt ratio of the euro area to increase from 66.1% of GDP in 2007 to 66.6% of GDP in 2008.[1] To ensure a consistent approach, the statistical treatment of most rescue operations is currently being reviewed by Eurostat.

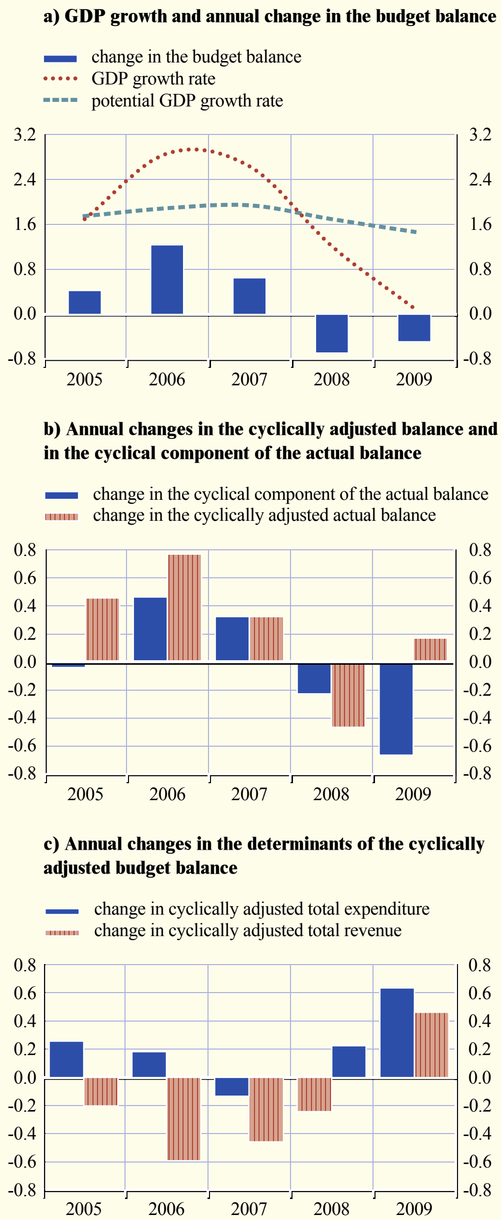
FACTORS UNDERLYING BUDGETARY DEVELOPMENTS IN 2008

The deterioration in the euro area budget balance is driven partly by the decline in the average annual real GDP growth rate (see Chart 53). In particular, the economic slowdown has had a negative impact on the revenue-to-GDP ratio due to the smaller tax base and a shift away from tax-rich growth of wages and salaries and (nominal) private consumption towards less heavily taxed external demand. Part of the reduction in revenues is linked to asset prices, e.g. from stamp duty, in a number of countries. The expenditure ratio has increased due to the mainly cyclical expansion of social benefits and transfers. In addition to the impact of the macroeconomic deterioration, the deficit ratio has risen on account of tax cuts in a number of euro area countries. The higher cyclically adjusted budget deficit thus reflects such discretionary loosening, as well as the impact of disappearing revenue windfalls.

The deterioration in the aggregate budget balance in the euro area masks notable divergences across countries. Compared with the Commission's 2008 spring forecast, the budgetary outlook has deteriorated sharply in Ireland, Spain and Malta, the deficit ratio being revised downwards by 4.1, 2.2 and 2.2 percentage points respectively. By contrast, the European Commission has revised upwards its projection of the general government balance in Germany, Luxembourg, Slovenia and Finland.

Chart 53 Determinants of budgetary developments in the euro area

(in percentage points of GDP; percentage changes)



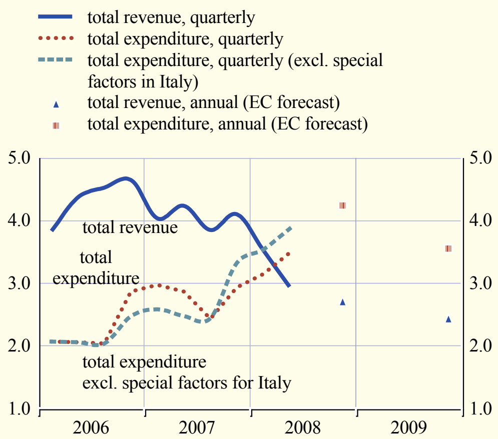
Sources: European Commission (autumn 2008 economic forecast) and ECB calculations.
Note: Cyprus, Malta and Slovakia are included in the euro area aggregate.

1 The fiscal costs of the government interventions to support the financial sector are extremely difficult to assess. At the end of November 2008, the potential direct effect on euro area general government debt of the government bailouts announced was estimated at €288.6 billion (about 3% of euro area GDP); the impact on the euro area government deficit of the measures taken was estimated at €2.5 billion (about 0.03% of euro area GDP) and the impact on government contingent liabilities was estimated at €2 trillion (or 21% of euro area GDP).

Quarterly data available up to the second quarter of 2008 show that total revenue growth has fallen from the previously elevated levels, while expenditure growth has increased, especially if corrected for the effect of special factors in Italy (see Chart 54). Looking ahead, the growth rate of annual revenue is projected to fall steadily further and to stand considerably below the rate of expenditure growth over the whole forecast horizon.

Chart 54 Quarterly government finance statistics and projections, euro area

(year-on-year percentage growth rate of four-quarter moving sums)



Sources: ECB calculations based on Eurostat and national data, European Commission.
Notes: The chart shows the evolution of total revenue and total expenditure in terms of four-quarter moving sums for the period from Q1 2006 to Q2 2008, plus the annual projections for 2008 and 2009 from the European Commission's autumn 2008 forecast. In the case of Italy, the special factors excluded from total expenditure in the second half of 2006 amounted to 0.3% of euro area annual GDP and were related to a takeover of railway debt.

PROSPECTS FOR PUBLIC FINANCES IN 2009

For 2009, based on information available up to the autumn, the Commission forecast projects the average euro area deficit to deteriorate further, increasing to 1.8% of GDP. This projected deterioration is due mainly to the less favourable macroeconomic conditions, while the cyclically adjusted actual budget balance is expected to improve slightly. All euro area countries except Greece, Malta and Slovakia are projected to see a worsening of their budgetary positions. In Ireland and France, the general government deficit is forecast to remain in excess of the 3%-of-GDP reference value. The risks to the outlook for fiscal balances are firmly on the downside due to the uncertain macroeconomic outlook, the fiscal impact of the financial crisis and plans for fiscal stimulus measures in Europe. According to recently released macroeconomic indicators and the latest Eurosystem staff projections (see Section 6), some of these risks have materialised, which suggests that the prospects for public finances in 2009 are considerably worse than projected in the Commission's autumn 2008 forecast.

The sharp macroeconomic deterioration has led to calls for concerted fiscal action by European governments to stimulate aggregate demand. On 26 November, the European Commission proposed a fiscal package of €200 billion (1.5% of EU GDP), of which €170 billion (or 1.2% of GDP) will come from national measures and €30 billion from EU and EIB budgets. The package proposes a mixture of revenue and expenditure measures that Member States can adopt according to the needs of their domestic economy and the starting position of their public finances. The proposed measures include (i) a temporary increase in public expenditure (e.g. transfers to households, unemployment benefits and public investment), (ii) guarantees and loan subsidies to credit-constrained companies, (iii) well-designed financial incentives to firms operating in specific sectors (e.g. to promote energy efficiency and the adaptation to climate change), (iv) lower taxes on labour income and lower social contributions paid by employers, and (v) a temporary reduction in the level of the standard rate of VAT. By the end of December 2008, Member States that adopt counter-cyclical budgetary measures are required to submit an updated stability or convergence programme. Regarding the EU contribution, this is planned to be financed from the EU budget for the years 2007-2013.

FISCAL POLICY CONSIDERATIONS

In the current environment, characterised by a high degree of uncertainty about the macroeconomic impact of the financial crisis, fiscal policies should be guided by a number of basic principles and considerations. First and foremost, confidence in the soundness of public finances must be preserved, in particular at a time when confidence in the banking sector is low. A precondition for this is maintaining both the public's trust in the sustainability of fiscal policies and the integrity of the rules-based EU fiscal framework. It is essential that all parties involved meet their commitment to apply, in full, the provisions of the Stability and Growth Pact, which provides the necessary flexibility.

Second, the strength of automatic fiscal stabilisers must be taken into account. Indeed, these stabilisers are large in the euro area and therefore should be the first line of fiscal support for a weakening economy. Moreover, governments have already committed substantial amounts to support the banking system, thus targeting the root of the current problems. While most of the commitments are not taken into account when calculating deficit or debt, they will have a direct impact on both if and when exercised. Third, where room for manoeuvre exists, additional budget measures could be most effective if they are timely, targeted and temporary. Measures that, at the same time support the sound foundations for a recovery and potential growth, enhance the quality of public finances and promote structural reforms will be particularly helpful (see Box 8). Countries should persist with the appropriate reforms to exploit fully the benefits offered by growing international trade and market integration, in line with the principle of an open market economy with free competition.

6 EUROSYSTEM STAFF MACROECONOMIC PROJECTIONS FOR THE EURO AREA

On the basis of the information available up to 20 November 2008, Eurosystem staff have prepared projections for macroeconomic developments in the euro area.[1] Average annual real GDP growth is projected to be between 0.8% and 1.2% in 2008, between -1.0% and 0.0% in 2009 and between 0.5% and 1.5% in 2010. The average rate of increase in the overall HICP is projected to be between 3.2% and 3.4% in 2008, between 1.1% and 1.7% in 2009 and between 1.5% and 2.1% in 2010.

Box 9

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 November 2008.[1] The assumption about short-term interest rates is of a purely technical nature. These rates are measured by the three-month EURIBOR, market expectations being derived from futures rates. The methodology implies an overall average level of short-term interest rates of 4.7% in 2008, which falls to 2.8% in 2009 and rebounds to 3.2% in 2010. The market expectations for euro area ten-year nominal government bond yields imply a slight increase, from an average of 4.4% in 2008 to 4.5% in 2009 and 4.7% in 2010.[2] The baseline projection also includes the assumption that bank lending spreads increase further from their current level, reflecting the heightened risk consciousness in financial markets. 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 99.9 in 2008, USD 67.3 in 2009 and USD 76.6 in 2010. International food prices are assumed to rise strongly, by 28.9%, in 2008 and to decline by 9.7% in 2009, before increasing again by 4.9% in 2010. The prices of other (i.e. non-energy and non-food) commodities in US dollars are assumed to increase by 3.5% in 2008, to decrease significantly, by 22.9%, in 2009 and to grow by 5.4% in 2010.

The technical assumption is also made that bilateral exchange rates remain unchanged over the projection horizon at the average levels prevailing in the two-week period ending on the cut-off date. This implies a EUR/USD exchange rate of 1.27 and an effective exchange rate of the euro that is, on average, 4.1% higher in 2008 than the average for 2007 and 5.5% lower in 2009 than the average for 2008.

Fiscal policy assumptions are based on individual euro area countries' national budget plans as available on 20 November 2008. 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 Oil and food price assumptions are based on futures prices up to end-2010. For other commodities, prices are assumed to follow futures until end-2009 and thereafter to develop in line with global economic activity.
2 See Box 4 in this issue of the Monthly Bulletin.

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

THE INTERNATIONAL ENVIRONMENT

Global economic prospects have been considerably dented by an economic downturn now extending to all advanced economies. Heightened financial strains, the ongoing housing market adjustment and increased spillovers from the United States to other economies have led to a significant worsening of the outlook for global growth. In the near term, the global cyclical downturn is projected to be driven mainly by subdued growth prospects in the United States and other advanced economies, but activity in emerging markets is also expected to slow as these economies face weaker external demand and negative financial spillovers.

Economic growth outside the euro area is projected to be weak until early 2009 and to recover only very gradually thereafter, benefiting from accommodative macroeconomic policies, an expected gradual relaxing of the financial tensions and the decline in commodity prices. On account of very weak global trade dynamics, euro area foreign demand is expected to be subdued until mid-2009, before picking up very slowly. The main contributions to euro area foreign demand are expected to stem from emerging markets and oil-exporting countries, while the contributions from advanced economies are expected to remain more moderate.

Overall, annual growth in world real GDP outside the euro area is projected to average 3.9% in 2008, 2.4% in 2009 and 3.6% in 2010, while growth in the euro area's export markets is projected to be 4.7% in 2008, 2.5% in 2009 and 5.0% in 2010.

REAL GDP GROWTH PROJECTIONS

The euro area faces a protracted period of global economic weakness and tight financing conditions, which is expected to lead to negative quarterly GDP growth rates until mid-2009. The subsequent very moderate rebound is projected to reflect a gradually improving external environment – in particular, commodity price pressures are assumed to abate considerably – along with assumed lower short-term interest rates and the gradual fading out of negative financial spillovers in the euro area. As a result, average annual real GDP growth is projected to be between 0.8% and 1.2% in 2008, between -1.0% and 0.0% in 2009 and between 0.5% and 1.5% in 2010. This pattern of weak growth in the euro area reflects both modest global activity and very subdued domestic demand.

In particular, euro area exports are projected in the near term to reflect the global slowdown, affected also by the lagged effects of past losses in the price competitiveness of the euro area. The rebound in exports expected in the course of 2009 is explained by both higher foreign demand growth and improved price competitiveness, mostly stemming from the recent depreciation of the euro.

Table 10 Macroeconomic projections for the euro area

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

	2007	2008	2009	2010
HICP	2.1	3.2-3.4	1.1-1.7	1.5-2.1
Real GDP	2.6	0.8-1.2	-1.0-0.0	0.5-1.5
Private consumption	1.6	0.1-0.5	-0.3-0.7	0.6-1.8
Government consumption	2.3	1.9-2.3	1.3-1.9	1.3-1.9
Gross fixed capital formation	4.2	0.2-1.2	-6.0--3.0	-2.4-1.0
Exports (goods and services)	5.9	2.4-3.4	-1.4-1.0	2.3-4.9
Imports (goods and services)	5.4	2.0-3.0	-1.9-1.1	1.4-5.2

1) The projections for real GDP and its components refer to working-day-adjusted data. The projections for exports and imports include intra-euro area trade.
2) Slovakia is included as part of the euro area in the projection for 2009. The average annual percentage changes for 2009 are based on a euro area composition that includes Slovakia already in 2008.

Among the domestic components of GDP, total investment is expected to be most significantly affected by tight financing conditions and weak global activity throughout the projection horizon. Non-residential private investment is, moreover, projected to be dampened by declining profit margins, while residential investment projections also reflect ongoing corrections in the housing markets of some euro area countries. By contrast, after declining for most of 2008, government investment growth is assumed to rebound in 2009, thereby supporting total investment. Overall, the annual growth rate of total fixed investment is projected to be between 0.2% and 1.2% in 2008, between -6.0% and -3.0% in 2009 and between -2.4% and 1.0% in 2010.

Private consumption growth is also expected to be subdued in the period ahead. The projected pattern largely mirrors developments in real disposable income, which are in turn expected to be affected by falls in employment. The expected modest growth in consumption also reflects a further increase in precautionary savings over the period 2008-09 in view of high economic uncertainty, increasing unemployment and declines in stock and house prices. Government consumption is projected to grow over the projection horizon at a more sustained rate.

In line with the profile of domestic demand and exports, euro area import growth is projected to decline in both 2008 and 2009. Given that imports are expected to grow less than exports, net trade is projected to contribute positively to GDP growth over the whole projection horizon.

Following the projected weakness in economic activity, employment is expected to decline over the whole projection horizon. In 2009, labour demand is also expected to be dampened by increases in real wages, reflecting past contract renewals. In addition, prospects for housing investment imply that the construction sector will contribute negatively to employment growth. Over the period 2009-10, the labour force is assumed to grow at rates far below those seen since 2002, owing mainly to the "discouraged-worker" effect induced by the cyclical downturn but also to the projected decline in the growth of the working-age population. Reflecting employment projections and labour force assumptions, the unemployment rate is expected to increase significantly over the projection horizon.

PRICE AND COST PROJECTIONS

Overall year-on-year HICP inflation peaked at 4.0% in July 2008. Following the decline in commodity prices and reflecting the deteriorating economic outlook, annual average HICP inflation is expected to decline sharply from between 3.2% and 3.4% in 2008 to between 1.1% and 1.7% in 2009, before rebounding to between 1.5% and 2.1% in 2010. The projected U-shaped pattern of inflation reflects mainly the effects of past increases in commodity prices (see Box 6 in this issue of the Monthly Bulletin). The HICP excluding energy is expected to follow a smoother downward path over the projection horizon.

In more detail, external price pressures are projected to diminish until the end of 2009, reflecting mostly past and future assumed developments in commodity prices. Thereafter, the counteracting effects of the recent depreciation of the euro on import prices are expected to predominate, leading to somewhat higher import price increases in 2010.

Turning to domestic price pressures, the growth of compensation per employee is estimated to have risen significantly in 2008. This increase reflects significantly higher collective wage agreements in both the private and the public sectors. Looking forward, compensation per employee is expected to grow somewhat less strongly over the period 2009-10, in the context of weak labour markets with heightened international competition. Reflecting the acceleration of

Table 11 Comparison with the September 2008 projections

(average annual percentage changes)

	2007	2008	2009
Real GDP – September 2008	2.6	1.1-1.7	0.6-1.8
Real GDP – December 2008	2.6	0.8-1.2	-1.0-0.0
HICP – September 2008	2.1	3.4-3.6	2.3-2.9
HICP – December 2008	2.1	3.2-3.4	1.1-1.7

wages and, to a lesser extent, the cyclical downswing in productivity, unit labour cost growth is projected to increase markedly in 2008, before decreasing in 2009 and 2010, as wages decelerate and productivity rebounds. Following years of marked increases, profit margins are expected to decrease in both 2008 and 2009, absorbing part of the inflationary pressures stemming from higher unit labour cost and import price growth, as competition strengthens and activity slows. As the economy recovers and GDP growth gradually rises, profit margins are projected to increase again in 2010.

COMPARISON WITH THE SEPTEMBER 2008 PROJECTIONS

With regard to real GDP growth, the projection ranges for both 2008 and 2009 have been adjusted significantly downwards compared with those published in the September 2008 issue of the Monthly Bulletin. The revisions are particularly sizeable for 2009. These shifts reflect both much weaker short-term economic prospects and further domestic and external effects of the ongoing financial turmoil over the horizon.

With regard to HICP inflation, the ranges projected are now below those of the September 2008 projections for both 2008 and 2009, notably so in the case of the latter year. The revisions stem mostly from strong downward revisions to assumed energy and food commodity prices, but also reflect the impact of lower activity on both price and wage-setting.

Box 10

FORECASTS BY OTHER INSTITUTIONS

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

In the forecasts currently available from other institutions, euro area real GDP is expected to grow by between 1.0% and 1.2% in 2008, between -0.6% and 0.3% in 2009 and between 0.9% and 1.6% in 2010. Most available forecasts for growth are therefore broadly consistent with the ranges of the Eurosystem staff projections.

As regards inflation, available forecasts anticipate average annual HICP inflation to be between 3.4% and 3.5% in 2008, between 1.4% and 2.2% in 2009 and between 1.3% and 2.1% in 2010. A number of forecasts are outside the range of the Eurosystem staff projections in 2009, most likely because they were completed when oil prices were higher and therefore they used assumptions of stronger commodity prices.

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

(average annual percentage changes)

		GDP growth			HICP inflation		
	Date of release	2008	2009	2010	2008	2009	2010
IMF	November 2008	1.2	-0.5	n.a.	3.5	1.9	n.a.
European Commission	October 2008	1.2	0.1	0.9	3.5	2.2	2.1
Survey of Professional Forecasters	October 2008	1.2	0.3	1.4	3.4	2.2	2.0
Consensus Economics Forecasts	November 2008	1.0	-0.2	1.6	3.4	1.8	2.0
OECD	November 2008	1.0	-0.6	1.2	3.4	1.4	1.3
Eurosystem staff projections	December 2008	0.8-1.2	-1.0-0.0	0.5-1.5	3.2-3.4	1.1-1.7	1.5-2.1

Sources: European Commission Economic Forecasts, Autumn 2008; IMF World Economic Outlook update, November 2008, for GDP and World Economic Outlook, October 2008, for the HICP; OECD Economic Outlook No 84, November 2008, preliminary edition; Consensus Economics Forecasts; and the ECB's Survey of Professional Forecasters.
Note: The Eurosystem staff macroeconomic projections and the OECD forecasts both report working-day-adjusted annual growth rates, whereas the European Commission and the IMF report annual growth rates that are not adjusted for the number of working days per annum. Other forecasts do not specify whether they report working-day-adjusted or non-working-day-adjusted data.

7 EXCHANGE RATE AND BALANCE OF PAYMENTS DEVELOPMENTS

7.1 EXCHANGE RATES

Conditions in foreign exchange markets have changed fairly significantly over the past three months amid considerable volatility. Having strengthened in the first half of the year, the effective exchange rate of the euro weakened significantly from August onwards, and on 3 December was 14.3% lower than at the beginning of 2008.

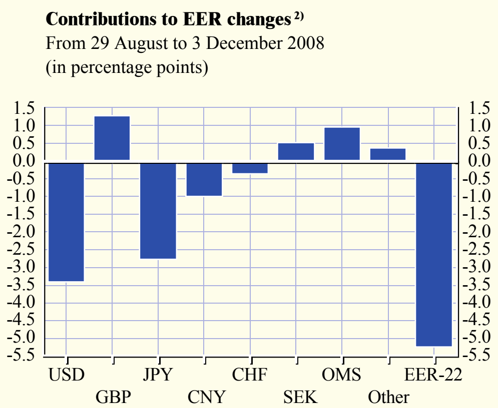
EFFECTIVE EXCHANGE RATE OF THE EURO

Conditions in foreign exchange markets have changed fairly significantly over the past three months amid considerable volatility associated with the ongoing global financial turmoil. After strengthening in effective terms in the first half of the year, the euro began to weaken in August. The downward pressure intensified in October, largely reflecting a reassessment of the economic situation in the euro area in relation to other economic areas. The euro's depreciation was also associated with a rise in expected exchange rate volatility to historical peaks in an environment of heightened global risk aversion. More recently, in November, the euro recorded a moderate appreciation vis-à-vis most main currencies, in particular the pound sterling, the Swiss franc, the Korean won and the currencies of some of the newer EU Member States, although this was partly counterbalanced by a depreciation against the Japanese yen.

On 3 December 2008 the nominal effective exchange rate of the euro – as measured against

Chart 55 Euro effective exchange rate and its decomposition [1]

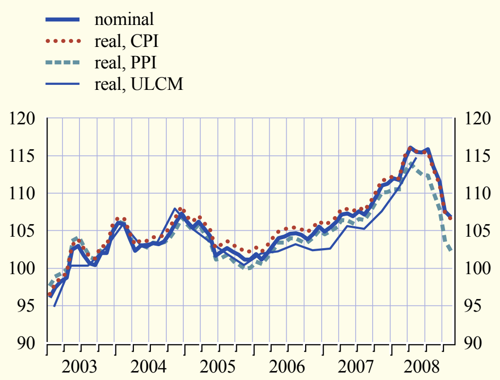
(daily data)



Source: ECB.
1) An upward movement of the index represents an appreciation of the euro against the currencies of the most important trading partners of the euro area and all non-euro area EU Member States.
2) Contributions to EER-22 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 GBP and SEK). The category "Other" refers to the aggregate contribution of the remaining six trading partners of the euro area in the EER-22 index. Changes are calculated using the corresponding overall trade weights in the EER-22 index.

Chart 56 Euro nominal and real effective exchange rates [1]

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



Source: ECB.
1) An upward movement of the EER-22 indices represents an appreciation of the euro. The latest observations for monthly data are for November 2008. In the case of the ULCM-based real EER-22, the latest observation is for the second quarter of 2008 and is partly based on estimates.

the currencies of 22 of the euro area's important trading partners – was 5.3% below its level at the end of August and 0.4% lower than its average level in 2007. This weakening resulted from a broad-based and sizeable depreciation in nominal bilateral terms vis-à-vis the US dollar, the Japanese yen, the Chinese renminbi, the Hong Kong dollar and the Swiss franc. These movements were partially offset by an appreciation of the euro against the pound sterling, the Korean won, the Swedish krona and the currencies of some of the newer EU Member States (see Chart 55).

With regard to indicators of the international price and cost competitiveness of the euro area, in November 2008 the real effective exchange rate of the euro was, on average, 3% lower than its average 2007 level, based on developments in consumer and producer prices (see Chart 56).

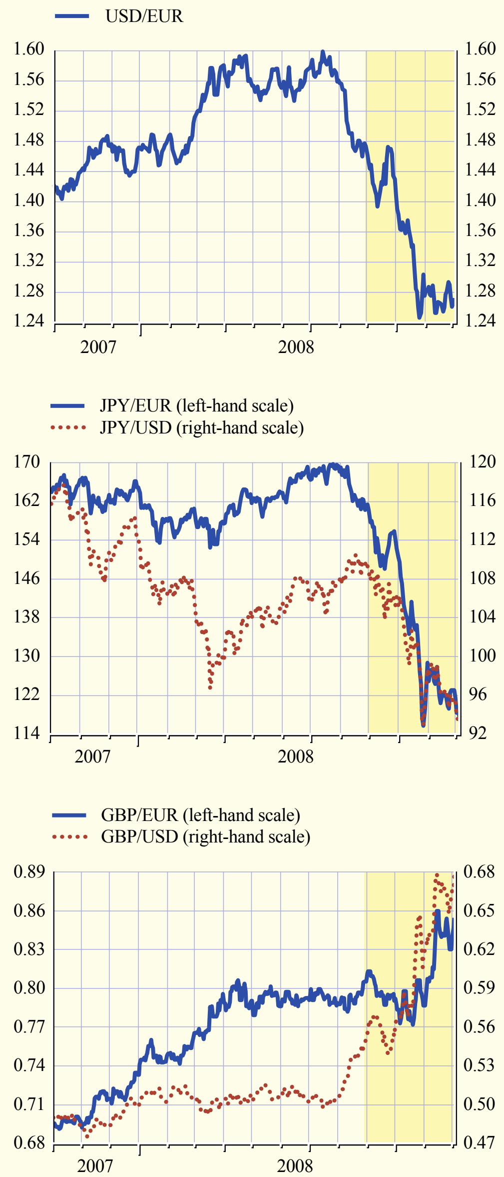
US DOLLAR/EURO

After appreciating at the beginning of the year and reaching historical peaks against the US dollar in April and July 2008, the euro began to weaken fairly abruptly in early August. While the appreciation was widely associated with market expectations of widening interest rate differentials in favour of euro area assets, the subsequent reversal in the USD/EUR exchange rate was largely a result of a reassessment of relative economic prospects in the United States and the euro area.

More specifically, with the exception of a temporary episode of euro appreciation in the second half of September, the euro has depreciated sharply over the past three months, and in October reached its lowest level in more than two years. At the same time, expected volatility reached historical peaks. The remarkable weakening of the euro in October might be partly attributable to higher US dollar holdings in financial centres outside the United States and to repatriations of funds into the United States amid continued financial deleveraging. Technical factors in foreign exchange markets may have also helped to support the US dollar. In November the weakening of the euro came to an end and the euro broadly stabilised, mirroring a deterioration in market expectations with regard to economic growth in both the United States and the euro area. On 3 December 2008 the euro traded at USD 1.26, 14.3% below its level at the end of August and 7.9% weaker than its average level in 2007 (see Chart 57).

Chart 57 Patterns in exchange rates

(daily data)



Source: ECB.
Note: The shaded area refers to the period from 29 August 2008 to 3 December 2008.

JAPANESE YEN/EURO

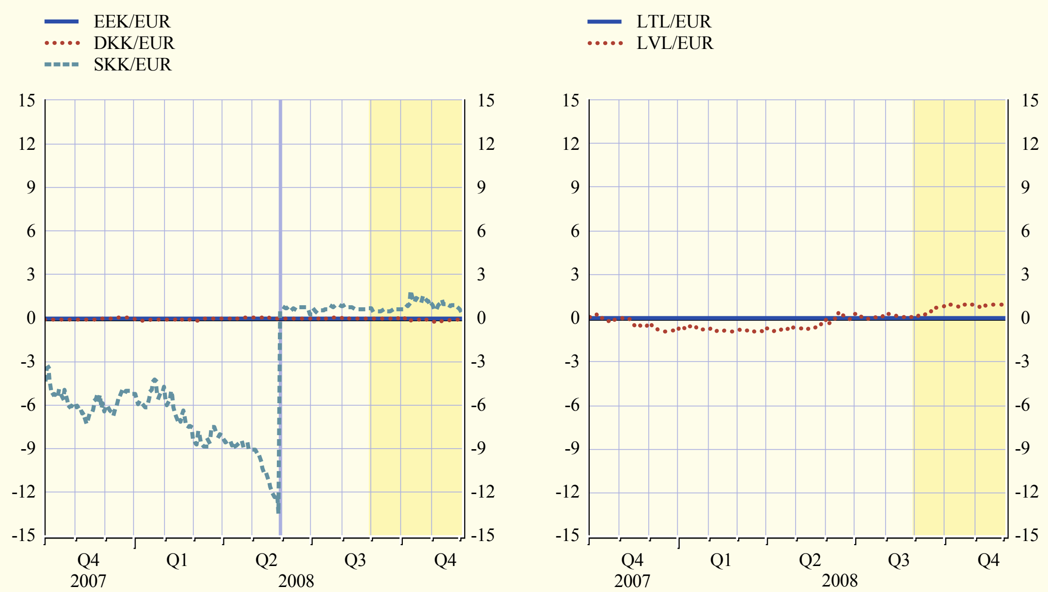
The euro has also depreciated sharply against the Japanese yen over the past three months, following a gradual strengthening in the first half of the year. Overall, in 2008, the JPY/EUR exchange rate has moved in an unusually wide range of around JPY 116 to JPY 170. The sharp depreciation of the euro in the last three months is mainly associated with a rise in implied exchange rate volatility – as captured by indicators based on options prices – to historical peaks. This supported the Japanese yen, as it reduced the attractiveness of using it as a means of funding carry trade positions, i.e. trades that consist of borrowing in a low-yielding currency (such as the yen) and investing in a high-yielding currency. In addition, the reassessment of the relative prospects for economic growth across the various economic areas appears to have also affected the JPY/EUR exchange rate. Overall, the depreciation of the euro was more pronounced against the Japanese currency than against the US dollar. On 27 October, the G7 finance ministers and central bank governors issued a statement voicing concerns about the recent excessive volatility in the exchange rate of the yen and its possible adverse implications for economic and financial stability. In November the euro continued to depreciate, but at a lower rate than in October, and on 3 December stood at JPY 117.39, i.e. 26.7% lower than its level at the end of August (see Chart 57).

EU MEMBER STATES' CURRENCIES

Over the past three months, most currencies participating in ERM II have remained stable and have continued to trade at, or close to, their respective central rates (see Chart 58). An exception is the Slovak koruna, which, following the revaluation of its central rate within ERM II with effect from 29 May 2008, has consistently traded at a level slightly weaker than its new central rate of SKK 30.1260 to the euro, to stand at 0.3% below this rate on 3 December. The Latvian lats, after

Chart 58 Patterns in exchange rates in ERM II

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



Source: ECB.
Note: A positive (negative) deviation from the central rate against the euro implies that the currency is on the weak (strong) side of the band. For the Danish krone, the fluctuation band is ±2.25%; for all other currencies, the standard fluctuation band of ±15% applies.
1) The vertical line indicates the date of 29 May 2008, when the central rate of the Slovak koruna was revalued from 35.4424 to 30.1260 SKK/EUR.

trading on the strong side of its fluctuation band in the first months of the year, has weakened somewhat and on 3 December stood 0.9% below its central rate.

Against the currencies of other EU Member States not participating in ERM II, the euro, which was broadly stable in the second and third quarters against the pound sterling, appreciated fairly sharply in November. Following the decision of the Bank of England's Monetary Policy Committee to reduce its main policy rate by 150 basis points to 3.0% on 6 November, the euro reached its highest level since its launch. Between the end of August and 3 December 2008 the euro appreciated by 6.2% vis-à-vis the pound sterling. Over the same period the euro appreciated by 14.9% against the Polish zloty and by 10.4% against the Hungarian forint, as markets continued to be concerned about the Hungarian economy's external vulnerabilities amid the ongoing financial turmoil and the downgrading of some of the country's credit ratings. Furthermore, the euro appreciated by 10.8% against the Swedish krona and by 8.7% against the Romanian leu.

OTHER CURRENCIES

The euro depreciated abruptly against the Swiss franc in October, which may have also been related to rising expected exchange rate volatility and the unwinding of carry trades. Moreover, the Swiss currency has also served as a safe haven currency amid the current financial turbulence. As a result, between the end of August and 3 December the euro depreciated by 5.1% against the Swiss franc. Over this period the euro also depreciated by around 15% against the Hong Kong dollar and by around 14% against the Chinese renminbi, which are linked to the US dollar, and by around 7% against the Singapore dollar. Furthermore, the euro appreciated by around 15% against the Korean won and the Australian dollar, by around 12% against the Norwegian krone and by around 2% against the Canadian dollar.

7.2 BALANCE OF PAYMENTS

The 12-month cumulated current account to September 2008 recorded a deficit of €35.8 billion (0.3% of GDP), compared with a surplus of €48.7 billion a year earlier. This shift largely reflected a decrease in the goods surplus, due mainly to price rather than volume effects. While export and import volumes both contracted amid the global economic slowdown, import prices increased sharply owing to higher commodity prices. In the financial account, combined direct and portfolio investment registered cumulative net outflows of €107 billion in the 12-month period to September 2008, compared with net inflows of €166 billion a year earlier. This shift resulted largely from lower net purchases of euro area securities by non-resident investors in the course of 2008, and from the sharp disinvestment in euro area stocks by non-resident investors in September 2008 on account of the financial turmoil.

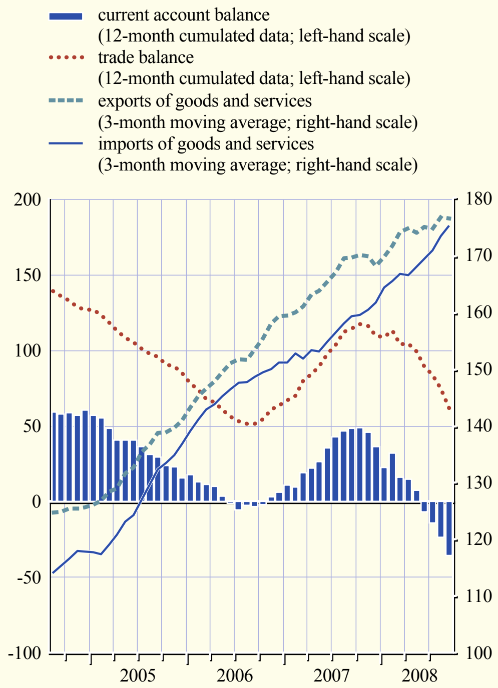
TRADE AND THE CURRENT ACCOUNT

The deficit in the 12-month cumulated current account, which reached €35.8 billion (working day and seasonally adjusted data) in September 2008, corresponding to 0.3% of GDP, has grown over the last four months. This continued the negative trend in the current account balance which started in October 2007, when the current account surplus peaked at €48.9 billion. These developments can be attributed to the sharp contraction in the surplus in goods (see Chart 59).

The decline in the goods surplus (by €56.8 billion in the 12-month period to September 2008 compared with the same period a year earlier) mainly resulted from a combination of weakening exports and robust growth in import values. Over the past year, export and import volumes have declined sharply on account of weakening foreign and domestic demand respectively, while import prices have risen strongly on account of higher commodity prices.

Chart 59 The euro area current account and trade balances

(EUR billions; monthly data; seasonally adjusted)



Source: ECB.

More recently, against the backdrop of weakening foreign demand, growth in the value of goods exports moderated to 0.8% and 0.9% in the second and third quarters of 2008 respectively, down from the exceptional 4.6% in the first quarter (see Table 12). The slowdown in the expansion of goods exports can largely be explained by developments in global demand. In particular, following a temporary rebound in the first quarter of 2008, euro area exports to the United States and other OECD countries, as well as to China and to the EU Member States that have joined the EU since 2004, weakened noticeably in the second and third quarters as demand from these countries lost momentum. At the same time, the growth in exports to OPEC countries remained fairly robust. Overall, in the summer of 2008 the aggregate fall in export volumes was slightly smaller than the rise in export prices, such that they almost offset each other in their effects on export values.

Despite the fall in oil prices over the summer, oil prices were above €70 in September 2008. High oil and non-energy commodity prices accounted for the strong growth in the value of imports. Specifically, on a 12-month cumulated basis, the oil trade deficit amounted to €223 billion in August 2008, having steadily increased since the last quarter of 2002.

The breakdown of trade in goods by volumes and prices, available up to August 2008, signals a steady increase in import prices since the fourth quarter of 2007, while import volumes have declined steadily, particularly those of intermediate goods. Box 11 presents the new euro area industrial import price and industrial producer export price indices.

Turning to other items of the current account, in 12-month cumulated terms to September 2008, the surplus in services increased somewhat, to reach €54.2 billion, up from €50.1 billion a year earlier. At the same time, the income balance deteriorated from a surplus of €15.5 billion to a deficit of €7.8 billion, while the current transfers balance deteriorated from €81.6 billion in the 12-month period to September 2007 to €90.1 billion.

Table 12 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	
	2008 Aug.	2008 Sep.	2007 Dec.	2008 Mar.	2008 June	2008 Sep.	2007 Sep.	2008 Sep.
	EUR billions							
Current account	-5.3	-10.6	-1.2	-2.2	-2.3	-6.3	48.7	-35.8
Goods balance	-1.9	-5.6	2.0	2.0	1.2	-2.6	64.7	7.9
Exports	137.1	131.6	126.5	132.3	133.3	134.6	1492.5	1580.2
Imports	138.9	137.2	124.5	130.3	132.1	137.2	1427.8	1572.4
Services balance	4.7	2.1	4.4	5.4	4.4	3.9	50.1	54.2
Exports	43.0	42.4	41.8	42.0	41.9	42.1	474.9	503.3
Imports	38.3	40.3	37.3	36.6	37.5	38.3	424.8	449.1
Income balance	-1.3	-0.4	0.1	-0.9	-0.9	-0.8	15.5	-7.8
Current transfers balance	-6.9	-6.6	-7.7	-8.7	-6.9	-6.8	-81.6	-90.1
Financial account 1)	-29.6	10.5	-24.4	-1.5	29.1	-8.3	72.4	-15.2
Combined net direct and portfolio investment	-28.0	38.6	-16.1	-11.1	-4.9	-3.5	166.5	-106.8
Net direct investment	-9.8	-18.5	8.3	-35.7	-16.4	-13.5	-175.2	-171.8
Net portfolio investment	-18.2	57.1	-24.4	24.6	11.4	10.0	341.6	65.0
Equities	-1.8	-59.6	-17.1	30.2	-17.2	-20.7	117.1	-74.6
Debt instruments	-16.5	116.7	-7.3	-5.5	28.6	30.7	224.6	139.6
Bonds and notes	17.7	40.5	5.8	13.0	25.3	19.3	255.4	190.4
Money market instruments	-34.2	76.2	-13.1	-18.6	3.3	11.4	-30.8	-50.8
	Percentage changes over previous period							
Goods and services								
Exports	2.2	-3.4	-0.9	3.6	0.5	0.9	10.7	5.9
Imports	3.2	0.2	1.5	3.1	1.6	3.5	7.4	9.1
Goods								
Exports	1.5	-4.0	-1.5	4.6	0.8	0.9	11.0	5.9
Imports	2.5	-1.2	1.4	4.6	1.4	3.9	6.7	10.1
Services								
Exports	4.8	-1.4	0.9	0.4	-0.3	0.7	9.8	6.0
Imports	5.8	5.4	1.9	-1.9	2.3	2.1	9.8	5.7

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.

Box 11

NEW EURO AREA INDUSTRIAL IMPORT PRICE AND INDUSTRIAL PRODUCER EXPORT PRICE INDICES

New industrial import price and industrial producer export price indices for the euro area were recently published by Eurostat and will henceforth be included in the "Euro area statistics" section of the Monthly Bulletin. This box introduces the new data and their statistical background and examines recent developments in euro area trade prices.

Import prices are an important indicator of price pressures from abroad. They may affect consumer price inflation both directly, via imported consumer goods, and indirectly, via the use of imported basic and intermediate goods as inputs in the production processes of producers resident in the euro area. Export prices are of interest in assessing the competitiveness of the euro area economy. In addition, import and export price statistics can be used as an input into other statistics, for example to construct reliable volume measures for cross-border trade in the national accounts.

Comparison with unit value indices and statistical background

The new price indices replace the unit value indices from the external trade statistics and are included in Section 7.5 of the "Euro area statistics" section. Price indices are more relevant for monitoring price developments than unit value indices, since the latter are affected not only by price changes but also by changes in the composition and quality of the traded products.[1] For example, if from one period to the next a greater quantity of expensive flat-screen televisions and fewer cheap traditional televisions are imported, the unit value index for televisions would indicate a price increase, even if the prices of the flat-screen and the traditional televisions had not changed. Therefore, if the quality of products increases (decreases), the unit value index will be upward (downward) biased. By contrast, Laspeyres-type price indices follow the so-called matched models principle. This means that a basket of goods is defined in the base period and the same basket is repriced again in each subsequent period. If the characteristics of the products change, statisticians try to quantify the quality change so that only the pure price change is reflected in the index.

Following a revision of the EU Council Regulation concerning short-term statistics in 2005,[2] national statistical institutes of euro area member countries are required to compile industrial import price indices and industrial producer export price indices, including a distinction between international trade within and outside the euro area. In turn these data are then used to compile indices for the euro area as a whole, relating to goods traded between euro area and non-euro area agents. These indices cover prices for industrial goods, i.e. all goods except agricultural and forestry products, but not services. The euro area producer export price index provides a proxy for a full export price index; it includes exports dispatched by producers but excludes exports dispatched by wholesalers and re-exports. The prices recorded in the new import and producer export price indices are expressed in euro and therefore take into account exchange rate movements. The indices are published by Eurostat on a monthly basis.

The industrial import price index is available approximately 45 days after the reference period. In order to reduce the reporting burden, national statistical institutes need to provide data only for product groups for which the Member State's share in total euro area imports is significant. Hence, for example, France must provide data for 92 product groups and Slovenia for only one product group. This approach ensures sufficient quality for the euro area aggregates; a full national breakdown is not provided. As some countries, notably Italy, have not yet provided data to Eurostat, the euro area indices currently cover approximately 70% of euro area imports of industrial goods. Once all countries meet their legal obligations, coverage will reach around 85%. The index is weighted by import shares and begins in 2005. The industrial producer export price index is available approximately 30 days after the reference period and has a country coverage

1 The new indices also differ from the unit value indices in terms of the coverage of the data and the classifications used. Whereas the external trade data cover all traded goods, the new price indices are limited to industrial goods. In addition the new price indices are published according to the breakdown by Main Industrial Groupings, which differs from the Broad Economic Categories used in external trade data. The main difference is that energy products are treated as a separate category within the Main Industrial Groupings, whilst these are subsumed within intermediate and consumption goods under Broad Economic Categories.

2 See Regulation (EC) No 1158/2005 of the European Parliament and of the Council of 6 July 2005 amending Council Regulation (EC) No 1165/98 concerning short-term statistics.

of over 90%. The index is weighted by turnover shares of goods dispatched to non-euro area customers and begins in 2000.

Developments in industrial producer export prices and industrial import prices

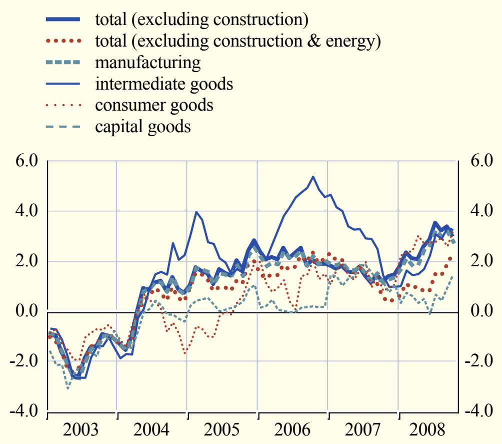
At an aggregate level, the new export and import price indices provide a similar picture to the unit value indices. Total euro area export price inflation (excluding construction) recently picked up, reaching 2.9% in October 2008, after declining from an annual growth rate of around 2% at the beginning of 2006 to less than 1.5% at the end of 2007 (see Chart A). While this acceleration was broad-based, the main driver was the increase in the export prices of energy goods, which also led to higher energy input costs. In addition, over the last few months, there has been some easing of competitive pressures, owing to the depreciation of the euro and higher export prices of euro area competitors (in euro terms). Accordingly, euro area exporters may attempt to increase their profit margins by raising their export prices (in euro terms).

Rising energy and commodity prices were also the main factor behind the strong increase in total euro area import prices, which peaked at 13.3% in June 2008 (see Chart B). The recent large drop in oil prices led to some deceleration in total annual import price inflation, which stood at 8.5% in September 2008. By contrast, prices of all other categories of goods have been either stable or declining in recent years, mainly owing to structural factors. In particular, globalisation has been accompanied by a higher share of low-cost countries acting as suppliers of manufacturing goods imports into the euro area. Until recently, this has exerted some downward pressure on total euro area import prices.[3] The increasing international competition may also explain the continuous decline in capital goods import prices. Looking ahead, these structural factors will reinforce the impact of lower commodity prices on import price inflation.

3 See also the box entitled "Is the downward impact of globalisation on import prices waning?" in the June 2007 issue of the Monthly Bulletin.

Chart A Industrial producer export prices

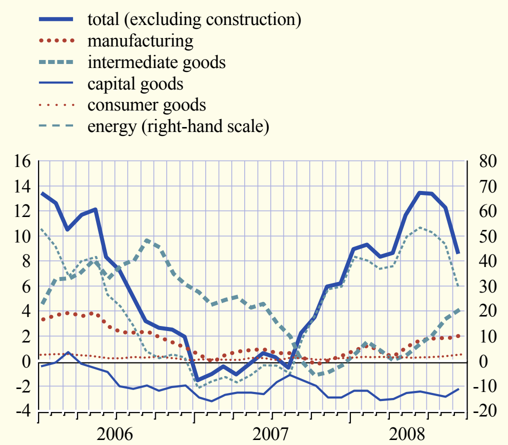
(annual percentage changes)



Source: Eurostat.

Chart B Industrial import prices

(annual percentage changes)



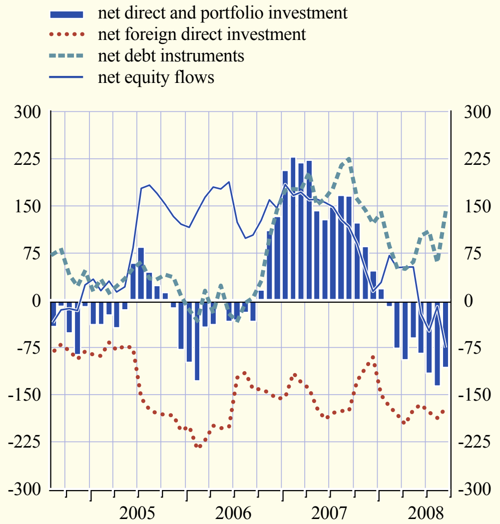
Source: Eurostat.

FINANCIAL ACCOUNT

In the 12-month period to September 2008, euro area combined direct and portfolio investment recorded net outflows of €106.8 billion, compared with net inflows of €166.5 billion a year earlier. Portfolio investment was the driver of this shift in the financial account, with net inflows contracting by €276.6 billion. By contrast, net outflows in direct investment remained broadly stable, at around €170 billion, in the same period (see Chart 60).

Chart 60 Euro area combined direct and portfolio investment

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



Source: ECB.

The financial turmoil which started in early August 2007 as a result of the US sub-prime mortgage crisis has led to uncertainty in financial markets, with liquidity diminishing in key market segments. The resulting global portfolio allocation decisions have had an impact on euro area cross-border portfolio investment flows. Global investors have reduced their investment in euro area equities because the corporate profit outlook had deteriorated in euro area countries, but also – according to market reports – because market participants were expecting a depreciation of the euro. Over the third quarter of 2008 global investors sold euro area equities and increased their investment in fixed income instruments, reflecting a flight-to-quality strategy caused by uncertainty in the financial markets. In particular, in September 2008 volatility in all main markets soared, adding to the uncertainty in the global outlook. In this context, the financial account in September 2008 recorded unusually high net sales of both euro area equity by non-residents (€86.3 billion), and foreign equity by euro area residents (€26.7 billion).

Overall, in the second and third quarters of 2008, the euro area net portfolio investment account recorded net inflows in debt instruments, which were partly counterbalanced by net outflows in equity, while foreign direct investment abroad remained solid. The strong euro exchange rate made it more expensive for foreign investors to invest in euro area equity capital and favoured euro area investment abroad.

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 2008 TO INCLUDE CYPRUS AND MALTA

Unless otherwise indicated, all data series covering observations for 2008 relate to the Euro 15 (the euro area including Cyprus and Malta) 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 2001, 2007 and 2008, calculated from a base in 2000, 2006 and 2007, use a series which takes into account the impact of the entry of Greece, Slovenia and Cyprus and Malta, respectively, into the euro area. Historical data referring to the euro area before the entry of Cyprus and Malta are available on the ECB web site 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

	M1 [1]	M2 [1]	M3 [1), 2)]	M3 [1), 2)] 3-month moving average (centred)	MFI loans to euro area residents excluding MFIs and general government [1]	Securities other than shares issued in euro by non-MFI corporations [1]	3-month interest rate (EURIBOR, % per annum, period averages)	10-year spot rate (% per annum, end-of-period) [3]
	1	2	3	4	5	6	7	8
2006	8.6	8.7	8.4	-	10.9	15.3	3.08	3.91
2007	6.4	9.9	11.1	-	10.8	18.6	4.28	4.38
2007 Q4	5.9	10.7	12.0	-	11.1	19.5	4.72	4.38
2008 Q1	3.8	10.3	11.2	-	11.1	20.4	4.48	4.13
Q2	2.3	10.0	10.1	-	10.5	17.8	4.86	4.73
Q3	0.6	9.1	9.0	-	9.1	18.9	4.98	4.34
2008 June	1.5	9.5	9.6	9.6	9.9	18.0	4.94	4.73
July	0.3	9.1	9.2	9.2	9.3	17.1	4.96	4.53
Aug.	0.2	8.9	8.8	8.9	8.8	20.2	4.97	4.34
Sep.	1.2	8.9	8.7	8.7	8.5	20.5	5.02	4.34
Oct.	3.7	9.3	8.7	.	7.8	.	5.11	4.25
Nov.	.	.	.	.	.	.	4.24	3.77

2. Prices, output, demand and labour markets

	HICP	Industrial producer prices	Hourly labour costs	Real GDP	Industrial production excluding construction	Capacity utilisation in manufacturing (percentages)	Employment	Unemployment (% of labour force)
	1	2	3	4	5	6	7	8
2006	2.2	5.1	2.5	2.9	4.0	83.2	1.6	8.3
2007	2.1	2.8	2.6	2.6	3.4	84.2	1.8	7.4
2008 Q1	3.4	5.4	3.5	2.1	2.5	83.9	1.5	7.2
Q2	3.6	7.1	2.7	1.4	1.1	83.3	1.2	7.4
Q3	3.8	8.5	.	0.6	-1.6	82.2	.	7.5
2008 June	4.0	8.0	-	-	-0.4	-	-	7.4
July	4.0	9.2	-	-	-1.1	82.8	-	7.5
Aug.	3.8	8.6	-	-	-0.7	-	-	7.5
Sep.	3.6	7.9	-	-	-2.7	-	-	7.6
Oct.	3.2	6.3	-	-	.	81.6	-	7.7
Nov.	2.1	.	-	-	.	-	-	.

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-22 [4] (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
2006	17.9	19.8	-156.7	290.4	325.8	103.6	104.6	1.2556
2007	51.8	57.5	-90.4	137.7	347.4	107.7	108.3	1.3705
2007 Q4	15.8	10.3	25.0	-73.2	347.4	110.5	111.2	1.4486
2008 Q1	-2.4	-1.5	-107.1	73.8	356.3	112.7	113.1	1.4976
Q2	-21.4	6.2	-49.2	34.3	353.9	115.7	115.7	1.5622
Q3	-8.9	-6.9	-40.5	30.0	370.9	113.7	113.3	1.5050
2008 June	2.8	2.6	-19.6	41.0	353.9	115.4	115.4	1.5553
July	2.0	2.3	-12.3	-8.8	355.6	115.8	115.5	1.5770
Aug.	-5.5	-5.2	-9.8	-18.2	350.7	113.5	113.2	1.4975
Sep.	-5.4	-3.9	-18.5	57.1	370.9	111.6	111.2	1.4370
Oct.	.	.	.	.	368.0	107.6	107.4	1.3322
Nov.	.	.	.	.	.	106.8	106.6	1.2732

Sources: ECB, European Commission (Eurostat and Economic and Financial Affairs DG) and Reuters.
Note: For more information on the data, see the relevant tables later in this section.

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

MONETARY POLICY STATISTICS

1.1 Consolidated financial statement of the Eurosystem
(EUR millions)

1. Assets

	2008 7 November	2008 14 November	2008 21 November	2008 28 November
Gold and gold receivables	220,193	220,183	220,126	220,011
Claims on non-euro area residents in foreign currency	155,783	160,230	163,037	159,670
Claims on euro area residents in foreign currency	226,525	227,511	198,446	208,202
Claims on non-euro area residents in euro	11,426	11,557	10,707	10,277
Lending to euro area credit institutions in euro	723,410	800,711	803,487	794,921
Main refinancing operations	312,790	335,184	338,720	335,166
Longer-term refinancing operations	402,168	462,835	462,836	455,319
Fine-tuning reverse operations	0	0	0	0
Structural reverse operations	0	0	0	0
Marginal lending facility	8,441	2,654	1,892	4,375
Credits related to margin calls	12	37	38	60
Other claims on euro area credit institutions in euro	67,356	43,587	44,149	49,487
Securities of euro area residents in euro	118,661	118,795	119,349	120,502
General government debt in euro	37,442	37,442	37,491	37,491
Other assets	379,570	378,704	377,190	378,490
Total assets	1,940,367	1,998,720	1,973,981	1,979,051

2. Liabilities

	2008 7 November	2008 14 November	2008 21 November	2008 28 November
Banknotes in circulation	729,294	728,554	726,683	731,454
Liabilities to euro area credit institutions in euro	377,887	444,043	429,106	401,159
Current accounts (covering the minimum reserve system)	152,351	280,171	204,905	197,203
Deposit facility	225,500	163,842	224,193	203,888
Fixed-term deposits	0	0	0	0
Fine-tuning reverse operations	0	0	0	0
Deposits related to margin calls	36	30	8	69
Other liabilities to euro area credit institutions in euro	273	247	142	177
Debt certificates issued	0	0	0	0
Liabilities to other euro area residents in euro	86,873	89,376	120,054	142,095
Liabilities to non-euro area residents in euro	315,863	306,175	268,851	278,357
Liabilities to euro area residents in foreign currency	-880	-1,391	-1,575	-1,546
Liabilities to non-euro area residents in foreign currency	16,746	17,000	16,799	14,517
Counterpart of special drawing rights allocated by the IMF	5,384	5,384	5,384	5,384
Other liabilities	168,559	168,963	168,168	167,081
Revaluation accounts	168,685	168,685	168,685	168,685
Capital and reserves	71,683	71,684	71,686	71,687
Total liabilities	1,940,367	1,998,720	1,973,981	1,979,051

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

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.
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)]

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 [4)]	Weighted average rate	
	1	2	3	4	5	6	7	8
				Main refinancing operations				
2008 6 Aug.	241,886	424	160,000	-	4.25	4.38	4.41	7
13	233,394	430	176,000	-	4.25	4.37	4.40	7
20	228,735	454	151,000	-	4.25	4.38	4.40	7
27	226,453	424	167,000	-	4.25	4.39	4.42	7
3 Sep.	226,254	411	160,000	-	4.25	4.39	4.41	7
10	223,273	422	176,500	-	4.25	4.39	4.41	7
17	328,662	533	150,000	-	4.25	4.53	4.58	7
24	334,044	506	180,000	-	4.25	4.73	4.78	7
1 Oct.	228,012	419	190,000	-	4.25	4.65	4.96	7
8	271,271	436	250,000	-	4.25	4.70	4.99	7
15 [5)]	310,412	604	310,412	3.75	-	-	-	7
22	305,421	703	305,421	3.75	-	-	-	7
29	325,112	736	325,112	3.75	-	-	-	7
5 Nov.	311,991	756	311,991	3.75	-	-	-	7
12	334,413	848	334,413	3.25	-	-	-	7
19	338,018	851	338,018	3.25	-	-	-	7
26	334,461	836	334,461	3.25	-	-	-	7
3 Dec.	339,520	787	339,520	3.25	-	-	-	7
				Longer-term refinancing operations				
2008 10 July	74,579	141	25,000	-	-	4.93	5.03	182
31	107,684	189	50,000	-	-	4.70	4.76	91
14 Aug.	78,920	124	50,000	-	-	4.61	4.74	91
28	77,216	191	50,000	-	-	4.60	4.74	91
11 Sep.	69,500	114	50,000	-	-	4.45	4.66	91
25	154,577	246	50,000	-	-	4.98	5.11	84
30	141,683	210	120,000	-	-	4.36	4.88	38
9 Oct.	113,793	181	50,000	-	-	5.36	5.57	182
30 [5)]	103,108	223	103,108	3.75	-	-	-	91
7 Nov.	20,416	55	20,416	3.75	-	-	-	33
13	41,558	127	41,558	3.25	-	-	-	182
13	66,807	139	66,807	3.25	-	-	-	91
27	42,185	161	42,185	3.25	-	-	-	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 [4)]	Weighted average rate	
	1	2	3	4	5	6	7	8	9	10
2008 10 June	Collection of fixed-term deposits	18,505	15	14,000	4.00	-	-	-	-	1
8 July	Collection of fixed-term deposits	14,585	12	14,585	4.00	-	-	-	-	1
12 Aug.	Collection of fixed-term deposits	22,630	10	21,000	4.25	-	-	-	-	1
9 Sep.	Collection of fixed-term deposits	20,145	17	20,145	4.25	-	-	-	-	1
15	Reverse transaction	90,270	51	30,000	-	4.25	-	4.30	4.39	1
16	Reverse transaction	102,480	56	70,000	-	4.25	-	4.32	4.40	1
18	Reverse transaction	49,330	43	25,000	-	4.25	-	4.30	4.39	1
24	Reverse transaction	50,335	36	40,000	-	4.25	-	4.25	4.35	1
1 Oct.	Collection of fixed-term deposits	173,047	52	173,047	4.25	-	-	-	-	1
2	Collection of fixed-term deposits	216,051	65	200,000	4.25	-	-	-	-	1
3	Collection of fixed-term deposits	193,844	54	193,844	4.25	-	-	-	-	3
6	Collection of fixed-term deposits	171,947	111	171,947	4.25	-	-	-	-	1
7	Collection of fixed-term deposits	147,491	97	147,491	4.25	-	-	-	-	1
9	Reverse transaction	24,682	99	24,682	3.75	-	-	-	-	6
11 Nov.	Collection of fixed-term deposits	149,656	117	79,940	-	-	3.75	3.60	3.51	1

Source: ECB.

1) The amounts shown may differ slightly from those in Section 1.1 due to operations allotted but not settled.

2) With effect from April 2002, split tender operations, i.e. operations with one-week maturity conducted as standard tenders in parallel with a main refinancing operation, are classified as main refinancing operations. For split tender operations conducted before this month, see Table 2 in Section 1.3.

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

4) In liquidity-providing (absorbing) operations, the marginal rate refers to the lowest (highest) rate at which bids were accepted.

5) 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.

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
2006	15,648.3	8,411.7	601.9	1,968.4	1,180.3	3,486.1
2007	17,394.7	9,438.8	815.0	2,143.1	1,364.0	3,633.9
2008 Q1	17,703.3	9,551.7	840.2	2,126.0	1,558.4	3,627.1
Q2	17,971.8	9,775.4	916.3	2,172.4	1,439.4	3,668.1
2008 July	18,035.4	9,825.2	938.2	2,175.7	1,407.4	3,689.0
Aug.	18,165.4	9,888.1	948.6	2,184.4	1,438.7	3,705.6
Sep.	18,231.6	9,969.2	917.1	2,186.7	1,457.1	3,701.5

2. Reserve maintenance

Maintenance period ending on:	Required reserves	Credit institutions' current accounts	Excess reserves	Deficiencies	Interest rate on minimum reserves
	1	2	3	4	5
2006	172.5	173.2	0.7	0.0	3.30
2007	195.9	196.8	1.0	0.0	4.17
2008 15 Jan. [2]	199.8	200.9	1.1	0.0	4.20
12 Feb.	201.6	202.4	0.8	0.0	4.17
11 Mar.	204.6	205.3	0.7	0.0	4.10
15 Apr.	206.9	207.5	0.6	0.0	4.19
13 May	207.8	208.6	0.8	0.0	4.24
10 June	207.3	208.1	0.8	0.0	4.17
8 July	211.9	212.7	0.8	0.0	4.06
12 Aug.	214.1	214.8	0.7	0.0	4.35
9 Sep.	213.3	214.0	0.7	0.0	4.38
7 Oct.	214.8	216.8	2.0	0.0	4.58
11 Nov.	216.1	218.6	2.4	0.0	3.94
9 Dec.	217.2	.	.	.	.

3. Liquidity

Maintenance period ending on:	Liquidity-providing factors					Liquidity-absorbing factors					Credit institutions' current accounts	Base money
		Monetary policy operations of the Eurosystem										
	Eurosystem's net assets in gold and foreign currency	Main refinancing operations	Longer-term refinancing operations	Marginal lending facility	Other liquidity-providing operations	Deposit facility	Other liquidity-absorbing operations [3]	Banknotes in circulation	Central government deposits with the Eurosystem	Other factors (net)		
	1	2	3	4	5	6	7	8	9	10	11	12
2006	327.0	313.1	120.0	0.1	0.1	0.1	0.0	598.6	54.9	-66.4	173.2	771.8
2007	327.5	173.0	278.6	0.3	0.0	0.4	2.2	644.6	61.9	-126.6	196.8	841.9
2008 15 Jan.	343.8	255.7	268.8	0.3	0.0	1.1	68.4	668.2	46.4	-116.4	200.9	870.2
12 Feb.	353.6	173.8	268.5	0.2	0.0	0.4	0.6	651.7	51.7	-110.7	202.4	854.5
11 Mar.	343.3	181.3	268.5	0.1	0.3	0.3	0.0	653.2	59.7	-125.0	205.3	858.7
15 Apr.	349.4	181.5	278.6	0.1	2.6	0.6	0.4	662.1	66.4	-124.8	207.5	870.3
13 May	364.5	174.4	295.0	0.1	0.0	0.3	0.8	667.6	68.8	-112.2	208.6	876.6
10 June	375.0	172.8	287.9	0.3	0.0	0.2	0.5	671.4	67.3	-111.5	208.1	879.7
8 July	376.4	185.4	275.4	0.1	0.0	0.4	0.5	677.2	64.9	-118.3	212.7	890.3
12 Aug.	374.5	166.3	299.3	0.1	0.0	0.3	0.6	686.1	61.3	-123.0	214.8	901.2
9 Sep.	376.6	163.5	300.0	0.1	0.0	0.6	0.7	685.0	61.1	-121.2	214.0	899.5
7 Oct.	417.3	174.1	334.3	7.5	5.9	19.9	45.5	684.3	55.2	-82.6	216.8	921.0
11 Nov.	549.0	301.6	452.5	12.7	4.2	213.7	2.3	722.1	85.0	78.2	218.6	1,154.4

Source: ECB.
1) End of period.
2) Owing to the adoption of the euro by Cyprus and Malta on 1 January 2008, the reserve requirement is an average - weighted by the number of calendar days - of the reserve requirements for the then 13 countries of the euro area for the period 12-31 December 2007 and the reserve requirements for the 15 countries now in the euro area for the period 1-15 January 2008.
3) Starting from 1 January 2008, includes monetary policy operations in the form of collection of fixed-term deposits which were conducted by the Central Bank of Malta and the Central Bank of Cyprus before 1 January 2008 and were still outstanding after this date.

2 MONEY, BANKING AND INVESTMENT FUNDS

2.1 Aggregated balance sheet of euro area MFIs [1]

(EUR billions; outstanding amounts at end of period)

1. Assets

	Total	Loans to euro area residents				Holdings of securities other than shares issued by euro area residents				Money market fund shares/ units [2]	Holdings of shares/ other equity issued by euro area residents	External assets	Fixed assets	Remaining assets
		Total	General government	Other euro area residents	MFIs	Total	General government	Other euro area residents	MFIs					
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Eurosystem													
2006	1,558.2	695.7	19.7	0.6	675.3	217.0	187.5	2.5	27.0	-	17.2	351.4	14.7	262.4
2007	2,046.1	1,031.7	17.8	0.6	1,013.3	268.6	225.1	1.9	41.6	-	17.4	373.7	15.2	339.6
2008 Q2	2,098.5	1,010.6	18.5	0.7	991.5	277.5	234.7	2.4	40.4	-	15.7	381.5	15.9	397.3
2008 July	2,098.8	1,004.4	18.4	0.7	985.4	277.1	234.9	2.5	39.8	-	15.4	385.6	16.1	400.1
Aug.	2,147.2	1,048.3	18.4	0.7	1,029.2	279.0	236.8	2.4	39.8	-	15.5	456.5	16.1	331.8
Sep.	2,473.4	1,342.5	18.5	0.7	1,323.3	278.9	237.4	2.4	39.1	-	14.7	482.4	16.0	338.9
Oct. (p)	2,781.2	1,632.6	18.5	0.6	1,613.5	283.8	242.5	2.4	38.9	-	13.9	478.7	16.0	356.1
	MFIs excluding the Eurosystem													
2006	25,950.2	14,904.3	810.5	9,160.3	4,933.5	3,555.4	1,276.5	645.9	1,632.9	83.5	1,171.4	4,329.0	172.6	1,733.9
2007	29,446.8	16,904.8	956.1	10,159.8	5,788.9	3,880.6	1,194.1	949.8	1,736.6	93.5	1,296.2	4,873.3	206.0	2,192.4
2008 Q2	30,759.9	17,638.7	975.8	10,661.4	6,001.5	4,192.5	1,219.3	1,079.4	1,893.9	98.4	1,309.8	4,895.0	201.3	2,424.2
2008 July	30,769.4	17,695.3	977.3	10,714.6	6,003.5	4,239.4	1,226.2	1,096.5	1,916.7	97.9	1,329.4	4,933.0	201.6	2,272.7
Aug.	31,032.0	17,741.6	970.1	10,723.0	6,048.4	4,287.7	1,228.1	1,125.9	1,933.7	98.5	1,325.2	5,040.1	202.1	2,336.9
Sep.	31,529.7	18,146.5	979.4	10,819.6	6,347.5	4,188.7	1,190.8	1,099.0	1,898.9	100.4	1,318.5	5,118.5	203.4	2,453.7
Oct. (p)	32,450.9	18,445.2	980.2	10,877.6	6,587.3	4,237.4	1,183.1	1,123.8	1,930.5	95.6	1,264.8	5,311.0	204.3	2,892.6

2. Liabilities

	Total	Currency in circulation	Deposits of euro area residents				Money market fund shares/ units [3]	Debt securities issued [4]	Capital and reserves	External liabilities	Remaining liabilities
			Total	Central government	Other general government/ other euro area residents	MFIs					
	1	2	3	4	5	6	7	8	9	10	11
	Eurosystem										
2006	1,558.2	647.0	431.6	33.7	15.9	382.0	-	0.1	208.6	35.3	235.6
2007	2,046.1	697.0	714.7	23.9	19.1	671.8	-	0.1	238.0	66.0	330.3
2008 Q2	2,098.5	699.6	733.2	55.2	24.6	653.3	-	0.1	240.7	98.7	326.2
2008 July	2,098.8	707.8	720.9	61.3	17.5	642.1	-	0.1	242.5	102.1	325.5
Aug.	2,147.2	704.8	766.9	67.5	14.8	684.7	-	0.1	243.9	178.8	252.7
Sep.	2,473.4	705.4	932.3	51.3	17.7	863.3	-	0.1	264.4	285.0	286.2
Oct. (p)	2,781.2	749.1	1,026.0	78.9	29.8	917.3	-	0.1	262.0	401.9	342.1
	MFIs excluding the Eurosystem										
2006	25,950.2	-	13,257.2	124.2	7,890.6	5,242.4	698.3	4,247.6	1,449.7	3,991.1	2,306.2
2007	29,446.8	-	15,082.4	127.1	8,865.9	6,089.4	754.1	4,645.2	1,678.9	4,533.2	2,753.0
2008 Q2	30,759.9	-	15,660.0	155.9	9,216.7	6,287.4	831.7	4,808.3	1,713.8	4,790.2	2,955.8
2008 July	30,769.4	-	15,649.2	119.6	9,232.3	6,297.3	841.5	4,852.2	1,734.9	4,829.0	2,862.6
Aug.	31,032.0	-	15,727.0	119.3	9,256.4	6,351.3	856.7	4,880.4	1,739.4	4,939.4	2,889.0
Sep.	31,529.7	-	16,214.5	140.1	9,325.6	6,748.7	828.2	4,864.9	1,749.2	4,884.0	2,988.8
Oct. (p)	32,450.9	-	16,806.2	179.5	9,404.9	7,221.8	822.0	4,878.4	1,743.8	4,887.2	3,313.2

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: Total	Loans to euro area residents: General government	Loans to euro area residents: Other euro area residents	Holdings of securities other than shares issued by euro area residents: Total	Holdings of securities other than shares issued by euro area residents: General government	Holdings of securities other than shares issued by euro area residents: Other euro area residents	Holdings of shares/ other equity issued by other euro area residents	External assets	Fixed assets	Remaining assets
	1	2	3	4	5	6	7	8	9	10	11
					Outstanding amounts						
2006	19,723.8	9,991.1	830.2	9,161.0	2,112.4	1,464.0	648.4	811.2	4,680.4	187.3	1,941.4
2007	22,331.2	11,134.3	973.9	10,160.4	2,371.0	1,419.2	951.8	884.3	5,247.0	221.1	2,473.5
2008 Q2	23,320.2	11,656.3	994.2	10,662.1	2,535.8	1,454.0	1,081.8	860.5	5,276.5	217.2	2,773.9
2008 July	23,310.0	11,711.0	995.7	10,715.2	2,560.1	1,461.1	1,098.9	878.9	5,318.6	217.7	2,623.7
Aug.	23,520.0	11,712.2	988.6	10,723.6	2,593.2	1,464.9	1,128.4	880.0	5,496.6	218.2	2,619.9
Sep.	23,787.9	11,818.1	997.9	10,820.2	2,529.6	1,428.3	1,101.4	875.6	5,600.9	219.4	2,744.3
Oct. (p)	24,474.3	11,877.0	998.7	10,878.3	2,551.8	1,425.6	1,126.2	837.0	5,789.7	220.3	3,198.4
					Transactions						
2006	1,997.5	877.3	-14.4	891.6	10.7	-96.8	107.5	97.7	801.9	6.4	203.5
2007	2,594.2	1,016.7	-9.7	1,026.4	229.5	-46.8	276.3	60.1	792.9	-0.5	495.4
2008 Q2	355.0	233.0	16.8	216.2	94.5	15.8	78.7	-3.7	-72.9	3.7	100.4
Q3	271.0	145.4	3.4	142.0	-17.7	-35.9	18.3	22.5	77.1	2.1	41.6
2008 July	-20.7	57.4	1.5	55.9	20.0	3.4	16.6	19.5	33.1	0.5	-151.2
Aug.	112.1	-9.7	-7.4	-2.3	26.5	-0.1	26.7	0.4	20.8	0.4	73.6
Sep.	179.6	97.7	9.3	88.4	-64.1	-39.2	-24.9	2.6	23.1	1.1	119.2
Oct. (p)	421.3	18.6	0.0	18.5	16.5	-6.0	22.5	-31.8	-31.7	1.0	448.8

2. Liabilities

	Total	Currency in circulation	Deposits of central government	Deposits of other general government/ other euro area residents	Money market fund shares/ units [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					
2006	19,723.8	592.2	158.0	7,906.5	614.6	2,587.8	1,280.8	4,026.5	2,541.8	15.6
2007	22,331.2	638.5	151.0	8,885.0	660.4	2,867.1	1,487.6	4,599.2	3,083.3	-41.1
2008 Q2	23,320.2	652.0	211.2	9,241.2	733.0	2,874.1	1,489.5	4,889.0	3,282.0	-52.2
2008 July	23,310.0	658.7	180.9	9,249.8	743.2	2,895.9	1,511.3	4,931.1	3,188.1	-49.5
Aug.	23,520.0	656.0	186.8	9,271.2	757.9	2,907.0	1,522.6	5,118.3	3,141.7	-41.7
Sep.	23,787.9	657.1	191.4	9,343.3	727.4	2,927.0	1,555.9	5,169.1	3,275.0	-58.8
Oct. (p)	24,474.3	698.8	258.4	9,434.7	726.1	2,909.0	1,564.2	5,289.1	3,655.3	-61.6
					Transactions					
2006	1,997.5	59.4	-15.2	683.7	27.6	285.5	57.4	601.6	252.2	45.3
2007	2,594.2	45.8	-13.3	835.1	54.5	270.5	163.1	778.8	467.6	-8.0
2008 Q2	355.0	19.2	10.8	207.3	-9.2	51.9	7.8	54.0	47.9	-34.8
Q3	271.0	5.1	-19.8	74.1	-7.5	16.5	69.1	48.7	127.0	-42.2
2008 July	-20.7	6.7	-30.2	3.2	8.8	22.1	22.8	34.5	-92.1	3.5
Aug.	112.1	-2.7	5.9	8.9	14.6	-7.8	12.5	27.5	65.6	-12.4
Sep.	179.6	1.1	4.6	62.0	-30.9	2.2	33.8	-13.3	153.5	-33.3
Oct. (p)	421.3	41.7	67.0	58.3	-1.1	-74.6	17.2	-83.5	467.4	-71.0

Source: ECB.

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

2) Amounts held by euro area residents.

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

2.3 Monetary statistics [1]

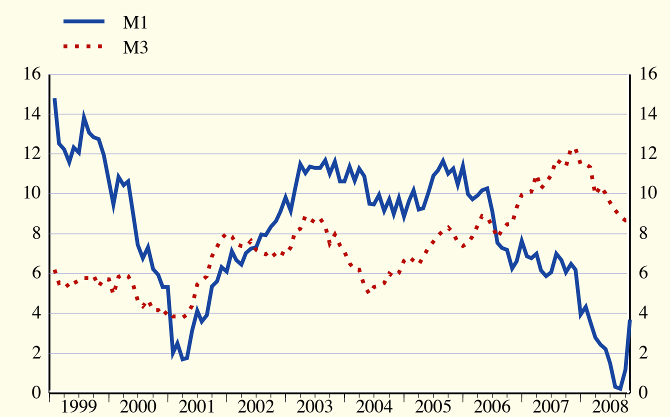
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period, transactions during period)

1. Monetary aggregates [2] and counterparts

	M1	M2-M1	M2	M3-M2	M3	M3 3-month moving average (centred)	Longer-term financial liabilities	Credit to general government	Credit to other euro area residents	Loans	Net external assets [3]
	1	2	3	4	5	6	7	8	9	10	11
					Outstanding amounts						
2006	3,685.4	2,954.2	6,639.6	1,101.5	7,741.1	-	5,434.1	2,321.3	10,644.4	9,171.5	634.3
2007	3,832.7	3,507.2	7,339.9	1,310.5	8,650.4	-	5,977.8	2,417.2	12,027.2	10,176.4	627.5
2008 Q2	3,843.3	3,826.0	7,669.4	1,355.9	9,025.3	-	6,007.0	2,432.2	12,564.6	10,633.0	378.9
2008 July	3,832.1	3,904.1	7,736.2	1,364.3	9,100.5	-	6,046.7	2,450.3	12,660.1	10,680.9	373.2
Aug.	3,844.5	3,949.1	7,793.6	1,363.8	9,157.4	-	6,098.6	2,466.3	12,794.0	10,754.6	384.8
Sep.	3,879.6	3,977.3	7,856.9	1,369.9	9,226.8	-	6,131.2	2,440.1	12,823.7	10,818.3	428.3
Oct. (p)	4,002.3	4,008.7	8,011.0	1,362.7	9,373.7	-	6,118.6	2,433.0	12,861.5	10,887.4	481.8
					Transactions						
2006	261.2	310.5	571.7	130.9	702.6	-	427.7	-114.7	1,105.8	898.6	200.6
2007	145.4	525.4	670.7	220.3	891.0	-	489.5	-60.1	1,369.9	1,031.7	13.5
2008 Q2	-2.2	153.0	150.8	21.8	172.7	-	56.3	24.8	249.8	183.6	-153.5
Q3	27.3	136.8	164.1	16.3	180.4	-	81.6	-2.6	249.3	169.1	33.5
2008 July	-13.0	74.9	62.0	8.4	70.4	-	39.1	14.4	98.9	50.7	-7.1
Aug.	8.3	38.9	47.2	0.5	47.6	-	31.0	11.9	119.7	62.9	14.1
Sep.	31.9	23.0	55.0	7.5	62.5	-	11.4	-29.0	30.7	55.5	26.4
Oct. (p)	111.4	15.2	126.6	-4.4	122.2	-	-68.4	-11.2	2.7	29.6	36.6
					Growth rates						
2006 Dec.	7.6	11.7	9.4	13.3	10.0	9.8	8.5	-4.7	11.6	10.8	200.6
2007 Dec.	3.9	17.7	10.1	20.0	11.5	11.8	9.0	-2.6	12.8	11.2	13.5
2008 June	1.5	19.0	9.5	9.8	9.6	9.6	5.4	-0.8	11.2	9.9	-287.1
2008 July	0.3	19.4	9.1	9.6	9.2	9.2	5.2	0.2	10.9	9.3	-298.0
Aug.	0.2	19.0	8.9	8.5	8.8	8.9	5.2	1.6	10.8	8.8	-249.5
Sep.	1.2	17.7	8.9	7.3	8.7	8.7	5.2	0.8	10.1	8.5	-187.9
Oct. (p)	3.7	15.5	9.3	5.3	8.7	.	3.0	0.7	8.6	7.8	-149.3

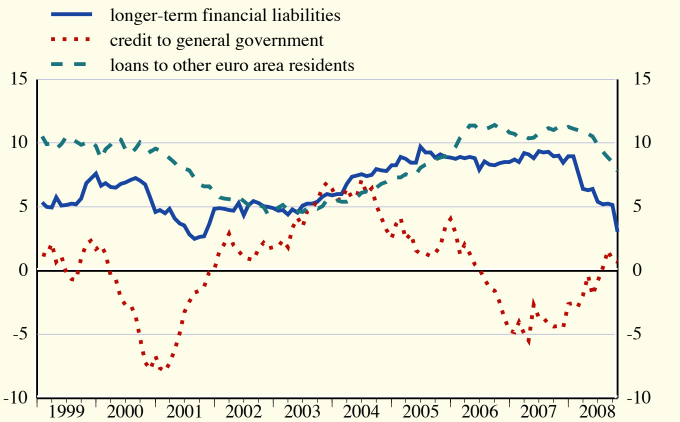
C1 Monetary aggregates [1]

(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.

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.

2.3 Monetary statistics [1]

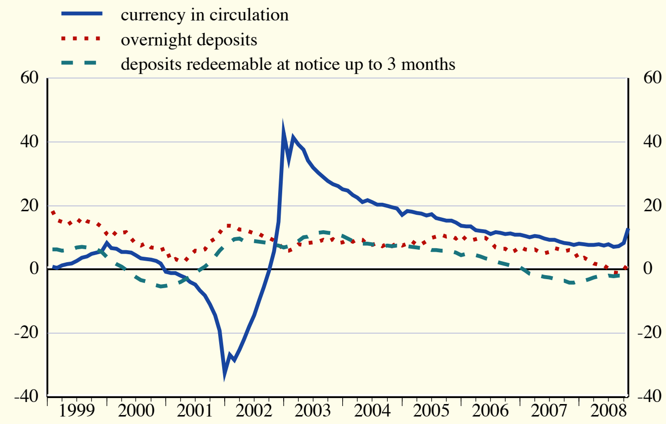
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period, transactions during period)

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						
2006	578.4	3,107.0	1,402.2	1,552.0	266.1	636.9	198.5	2,399.6	102.2	1,655.0	1,277.3
2007	625.8	3,206.9	1,971.8	1,535.3	307.4	686.6	316.6	2,561.0	119.6	1,813.5	1,483.7
2008 Q2	649.6	3,193.7	2,289.3	1,536.7	340.6	728.0	287.3	2,570.4	116.9	1,832.8	1,486.9
2008 July	649.7	3,182.5	2,374.0	1,530.1	346.4	727.5	290.4	2,592.5	116.4	1,833.3	1,504.5
Aug.	653.7	3,190.8	2,421.2	1,527.8	336.6	745.6	281.6	2,619.2	115.4	1,841.1	1,523.0
Sep.	662.9	3,216.7	2,455.4	1,521.9	344.5	732.6	292.7	2,630.1	114.2	1,836.6	1,550.3
Oct. (p)	698.4	3,303.9	2,484.2	1,524.5	346.0	730.4	286.3	2,614.1	116.3	1,824.2	1,564.0
					Transactions						
2006	57.3	203.9	301.2	9.3	30.9	30.0	70.0	217.2	15.4	138.1	57.0
2007	46.9	98.4	581.3	-55.9	43.3	58.6	118.3	152.3	9.9	164.5	162.8
2008 Q2	11.6	-13.8	157.8	-4.8	31.9	-18.6	8.5	26.6	-2.5	17.6	14.5
Q3	13.3	14.0	152.4	-15.6	3.6	2.7	10.1	18.8	-2.7	-0.5	66.0
2008 July	0.1	-13.0	82.1	-7.2	5.7	-2.0	4.7	20.9	-0.5	0.2	18.6
Aug.	4.0	4.3	41.3	-2.4	-9.9	18.2	-7.8	6.9	-1.1	5.5	19.7
Sep.	9.2	22.8	29.1	-6.1	7.8	-13.5	13.2	-9.0	-1.2	-6.2	27.7
Oct. (p)	35.5	75.9	13.0	2.3	1.2	-2.0	-3.6	-75.3	2.1	-17.9	22.7
					Growth rates						
2006 Dec.	11.0	7.0	27.2	0.6	13.2	4.9	54.4	9.9	17.8	9.1	4.7
2007 Dec.	8.1	3.2	41.4	-3.6	16.3	9.2	59.6	6.3	9.6	9.9	12.5
2008 June	8.0	0.3	38.8	-2.0	18.4	2.0	21.5	2.7	-0.8	5.5	10.9
2008 July	7.1	-1.0	38.9	-2.1	17.2	1.1	25.0	3.1	-2.2	4.6	10.5
Aug.	7.2	-1.1	37.3	-1.8	16.7	4.2	10.5	2.7	-3.4	4.6	11.4
Sep.	8.2	-0.1	34.4	-2.0	16.5	3.6	6.6	2.3	-5.7	4.0	12.9
Oct. (p)	13.0	1.9	29.2	-1.4	19.4	1.7	0.0	-0.4	-4.4	2.2	10.8

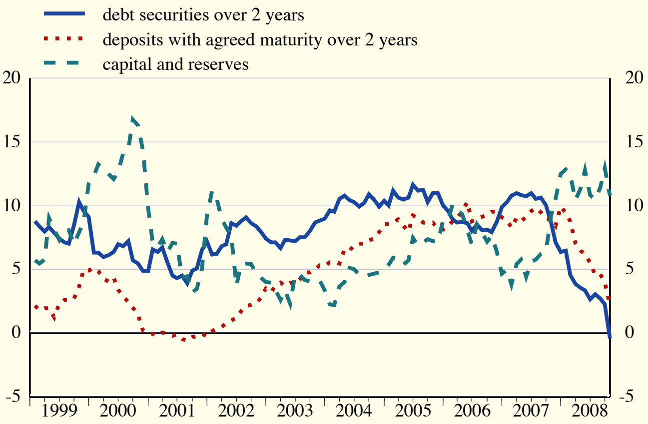
C3 Components of monetary aggregates [1]

(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)]

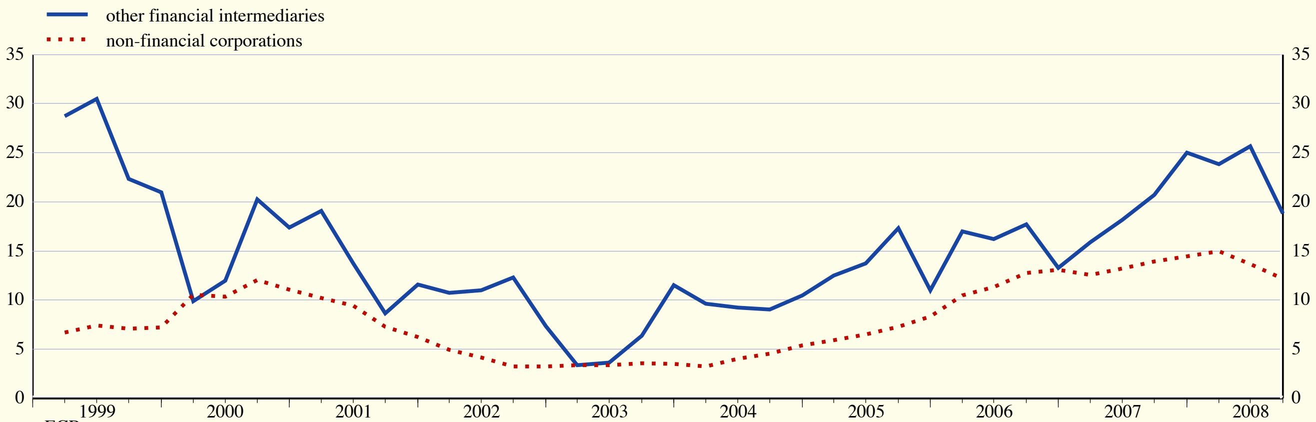
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

1. Loans to financial intermediaries and non-financial corporations [3)]

	Insurance corporations and pension funds		Other financial intermediaries [4)]		Non-financial corporations			
	Total	Up to 1 year	Total	Up to 1 year	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8
	Outstanding amounts							
2006	82.8	55.2	696.0	420.6	3,844.5	1,137.9	707.1	1,999.5
2007	95.1	70.6	867.9	526.3	4,388.7	1,276.5	858.9	2,253.3
2008 Q2	103.3	79.3	998.0	625.8	4,670.7	1,365.6	925.7	2,379.4
2008 July	101.1	78.0	1,000.3	612.3	4,709.0	1,375.8	933.5	2,399.7
Aug.	99.9	76.1	987.2	596.6	4,722.1	1,360.9	943.6	2,417.7
Sep.	100.5	77.0	1,017.9	621.1	4,762.9	1,375.5	952.8	2,434.6
Oct. (p)	103.9	81.0	1,016.1	624.3	4,817.9	1,386.6	964.9	2,466.4
	Transactions							
2006	18.1	13.9	81.9	57.7	446.2	100.5	123.1	222.6
2007	14.0	15.8	175.4	113.5	556.3	144.9	155.7	255.7
2008 Q2	0.5	0.2	53.4	29.2	130.5	38.1	31.7	60.7
Q3	-3.3	-2.6	12.4	-10.2	84.9	7.2	27.1	50.6
2008 July	-2.3	-1.2	0.7	-14.1	41.5	10.6	8.5	22.5
Aug.	-1.5	-2.2	-16.2	-18.4	7.0	-16.4	9.8	13.6
Sep.	0.5	0.8	27.9	22.3	36.4	13.0	8.8	14.5
Oct. (p)	3.0	3.8	-14.1	-4.5	33.2	3.5	7.4	22.3
	Growth rates							
2006 Dec.	28.0	33.3	13.3	15.6	13.1	9.7	20.8	12.4
2007 Dec.	16.8	28.5	25.0	27.0	14.5	12.7	22.0	12.8
2008 June	-4.8	-4.6	25.6	26.0	13.7	11.9	20.0	12.3
2008 July	-7.8	-7.4	24.0	22.2	12.9	11.1	18.8	11.8
Aug.	-8.5	-10.8	20.8	18.2	12.6	10.8	18.4	11.6
Sep.	-9.2	-12.3	18.9	15.6	12.2	10.1	17.5	11.3
Oct. (p)	-9.4	-10.7	15.1	15.6	11.9	10.4	16.1	11.1

C5 Loans to financial intermediaries and non-financial corporations [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) Before January 2003 data were collected in March, June, September and December each year. Monthly data prior to January 2003 are derived from quarterly data.
4) This category includes investment funds.

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

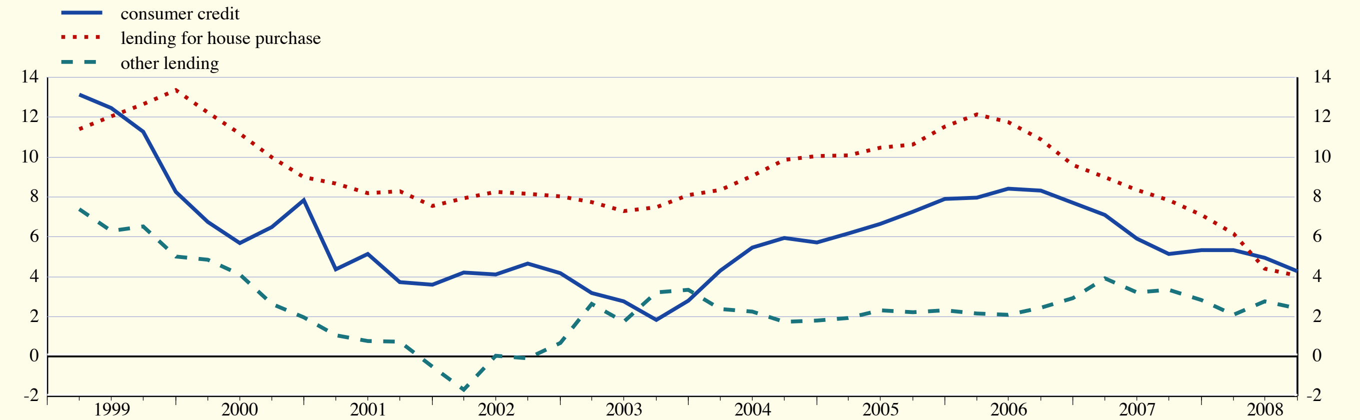
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

2. Loans to households [3)]

	Total	Consumer credit				Lending for house purchase				Other lending			
		Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9	10	11	12	13
	Outstanding amounts												
2006	4,537.0	586.5	135.3	202.7	248.5	3,212.1	15.6	72.1	3,124.5	738.4	146.2	101.5	490.7
2007	4,808.1	617.8	137.6	203.7	276.5	3,436.9	15.9	73.8	3,347.2	753.4	147.5	104.0	501.8
2008 Q2	4,889.4	635.8	139.8	203.8	292.2	3,485.1	15.8	73.2	3,396.0	768.6	152.7	102.4	513.4
2008 July	4,904.2	636.2	139.1	203.0	294.1	3,503.6	15.8	73.4	3,414.5	764.4	146.8	102.2	515.4
Aug.	4,913.7	633.5	137.3	202.2	294.0	3,515.9	15.9	72.6	3,427.4	764.3	146.7	100.7	516.8
Sep.	4,938.2	636.5	140.4	201.3	294.8	3,534.3	16.5	72.7	3,445.1	767.3	149.9	100.3	517.2
Oct. (p)	4,939.7	637.1	140.0	200.2	296.9	3,534.7	16.6	72.1	3,446.0	767.9	148.5	99.8	519.6
	Transactions												
2006	345.3	42.6	8.2	4.8	29.5	281.8	1.5	4.6	275.8	20.9	1.4	3.8	15.7
2007	280.6	31.3	3.6	1.1	26.6	228.6	0.9	2.3	225.3	20.8	1.7	4.4	14.7
2008 Q2	31.8	12.0	3.3	1.1	7.6	8.9	-0.3	0.0	9.1	10.9	6.2	-1.8	6.5
Q3	48.0	1.1	0.7	-2.4	2.7	47.5	0.6	0.0	46.8	-0.5	-3.0	-1.9	4.4
2008 July	16.0	0.8	-0.6	-0.7	2.0	19.1	0.0	0.1	19.0	-3.9	-5.8	-0.3	2.2
Aug.	8.5	-2.6	-1.9	-0.8	0.1	11.1	0.1	-0.2	11.2	0.0	-0.2	-1.2	1.4
Sep.	23.6	3.0	3.2	-0.8	0.6	17.3	0.6	0.1	16.6	3.4	3.0	-0.5	0.8
Oct. (p)	-3.5	0.2	-0.3	-1.1	1.5	-2.8	0.1	-0.7	-2.3	-0.9	-2.2	-0.6	1.9
	Growth rates												
2006 Dec.	8.2	7.7	6.5	2.4	13.2	9.6	9.7	6.8	9.7	2.9	1.0	3.9	3.3
2007 Dec.	6.2	5.3	2.7	0.5	10.7	7.1	6.1	3.2	7.2	2.8	1.2	4.4	3.0
2008 June	4.2	4.9	4.0	-0.8	9.9	4.4	-1.0	1.0	4.5	2.8	2.0	0.6	3.4
2008 July	4.0	4.3	2.6	-1.3	9.6	4.3	0.0	0.6	4.4	2.4	0.6	-0.2	3.5
Aug.	3.9	4.0	2.0	-1.4	9.1	4.1	0.2	0.2	4.2	2.5	2.1	-1.5	3.4
Sep.	3.8	4.3	4.9	-1.3	8.1	4.1	2.3	0.0	4.2	2.4	2.3	-2.1	3.4
Oct. (p)	3.3	3.3	3.2	-2.3	7.6	3.5	3.4	-1.4	3.6	2.3	1.6	-2.9	3.6

C6 Loans to households [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. Before January 2003 data were collected in March, June, September and December each year. Monthly data prior to January 2003 are derived from quarterly data.

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

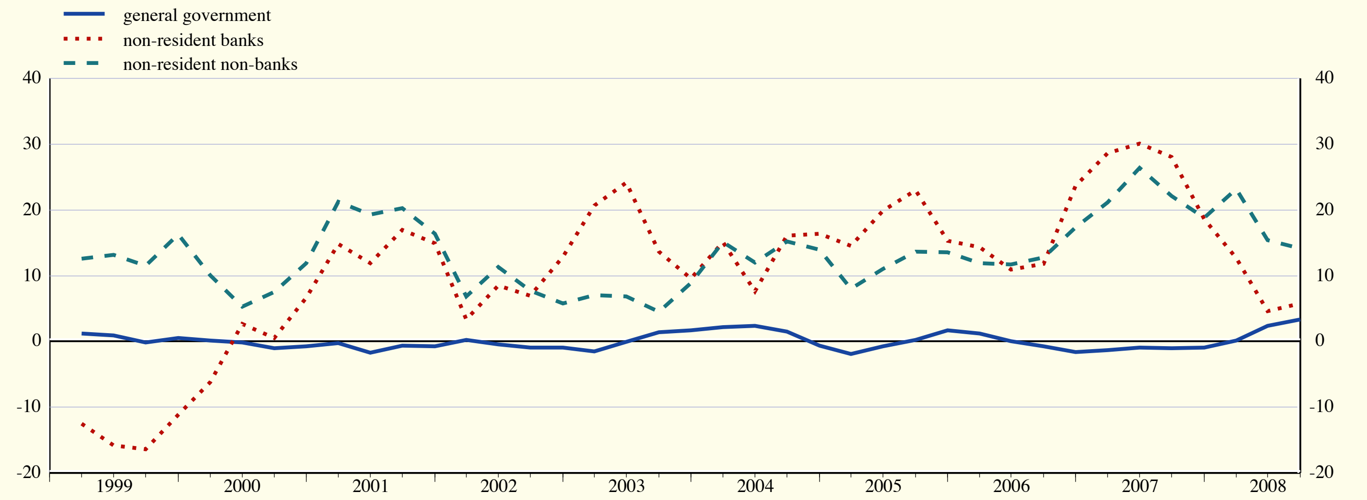
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

3. Loans to government and non-euro area residents

	General government					Non-euro area residents				
	Total	Central government	Other general government			Total	Banks [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									
2005	826.9	125.1	246.8	425.8	29.2	2,485.2	1,722.1	763.1	66.0	697.1
2006	810.5	104.1	232.5	448.1	25.8	2,924.3	2,061.0	863.4	63.2	800.2
2007 Q4	956.1	213.4	217.6	495.7	29.4	3,295.3	2,337.9	957.4	59.8	897.5
2008 Q1	958.0	210.6	212.8	497.3	37.2	3,413.9	2,395.5	1,018.4	61.5	956.9
Q2	975.8	221.0	215.1	497.6	42.0	3,310.8	2,299.2	1,011.5	63.0	948.5
Q3 (p)	979.4	223.7	210.0	501.6	44.1	3,518.9	2,459.2	1,059.7	63.4	996.3
	Transactions									
2006	-13.4	-17.6	-14.3	21.9	-3.4	532.5	402.9	129.5	-0.1	129.6
2007	-7.7	-4.5	-13.0	6.2	3.5	542.1	382.1	160.1	0.3	159.8
2007 Q4	8.0	7.1	3.8	9.2	-12.0	56.9	23.3	33.7	-0.1	33.8
2008 Q1	0.7	-3.3	-4.8	1.0	7.8	215.8	122.3	93.3	2.9	90.4
Q2	17.7	10.3	2.1	0.6	4.8	-100.1	-94.8	-5.2	1.6	-6.7
Q3 (p)	3.4	2.4	-5.2	4.0	2.1	94.0	83.7	9.8	-1.8	11.6
	Growth rates									
2005 Dec.	1.7	-4.3	-3.2	5.4	22.9	14.8	15.3	13.6	2.0	14.9
2006 Dec.	-1.6	-14.0	-5.8	5.1	-11.6	21.8	23.7	17.4	-0.1	19.1
2007 Dec.	-1.0	-4.3	-5.6	1.4	13.7	18.7	18.6	18.8	0.5	20.3
2008 Mar.	0.1	0.9	-5.1	1.6	19.5	15.7	12.7	23.2	10.0	24.1
June	2.4	7.8	-1.8	2.3	11.8	7.7	4.6	15.4	9.5	15.8
Sep. (p)	3.3	12.3	-1.9	3.2	6.6	8.2	5.8	14.2	4.3	14.8

C7 Loans to 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.

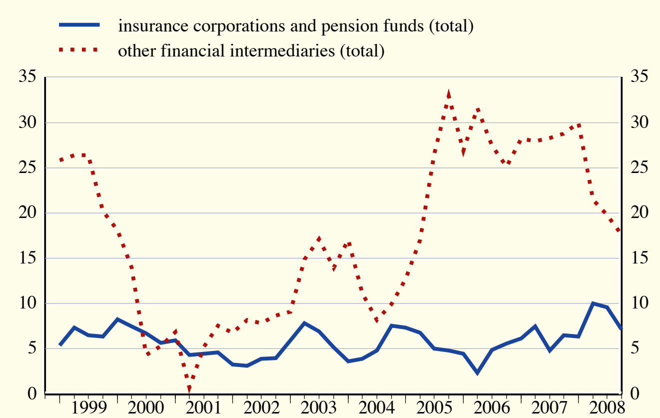
2.5 Deposits held with MFIs, breakdown [1), 2)]

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

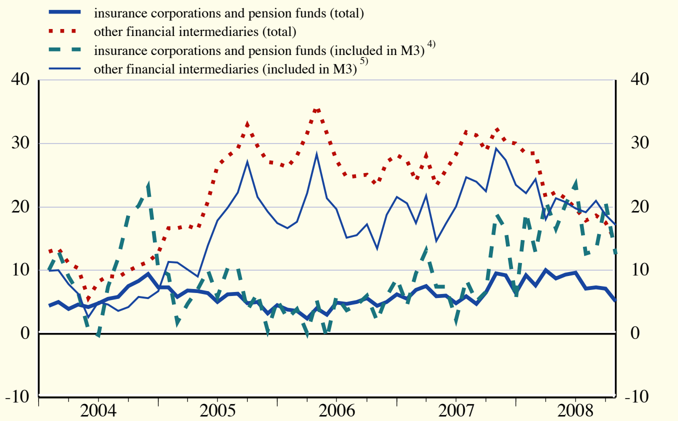
1. Deposits by financial intermediaries

	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													
2006	650.0	70.2	57.1	495.4	1.0	1.4	24.9	1,140.3	283.1	251.8	469.4	10.6	0.2	125.1
2007	687.8	71.1	68.9	525.1	0.8	1.1	20.9	1,472.7	312.3	348.0	652.8	12.2	0.3	147.1
2008 Q2	717.5	73.5	83.7	537.5	1.4	1.6	19.8	1,600.7	335.6	387.2	682.5	12.0	0.2	183.2
2008 July	716.8	69.6	86.0	538.3	1.3	1.6	20.1	1,604.5	299.9	428.9	683.1	14.1	0.2	178.4
Aug.	713.2	66.6	85.5	538.7	1.2	1.6	19.5	1,615.5	287.0	449.1	681.9	12.9	0.1	184.3
Sep.	727.8	75.6	90.2	538.9	1.2	1.6	20.3	1,643.4	323.2	446.7	674.2	11.7	0.1	187.5
Oct. (p)	735.9	83.8	90.2	538.3	1.2	1.5	21.0	1,663.2	337.2	445.0	672.4	12.2	0.1	196.3
	Transactions													
2006	37.9	2.7	5.5	25.6	-0.2	0.0	4.4	249.2	45.5	67.8	130.5	0.3	0.1	4.9
2007	41.4	0.8	11.7	33.4	-0.2	-0.3	-4.1	341.1	32.7	98.9	183.7	1.7	0.1	24.1
2008 Q2	-5.9	-8.3	-0.2	4.9	-0.2	0.0	-2.1	76.4	3.3	28.3	32.5	-1.2	0.0	13.6
Q3	8.4	1.8	6.0	0.3	-0.2	0.0	0.5	30.5	-16.0	55.1	-12.1	-0.6	-0.1	4.1
2008 July	-0.8	-3.9	2.2	0.8	-0.1	0.0	0.3	1.7	-36.4	40.6	0.2	2.1	0.0	-4.8
Aug.	-4.1	-3.1	-0.7	0.4	-0.1	0.0	-0.6	5.2	-14.5	18.4	-3.2	-1.3	0.0	5.8
Sep.	13.3	8.8	4.5	-0.9	0.0	0.0	0.8	23.5	34.9	-4.0	-9.1	-1.3	0.0	3.1
Oct. (p)	6.7	7.7	-0.8	-0.7	0.0	0.0	0.5	5.1	9.5	-6.4	-6.7	0.3	0.0	8.5
	Growth rates													
2006 Dec.	6.2	4.0	10.7	5.4	-16.3	-	21.2	28.2	19.5	36.8	38.9	2.9	-	4.0
2007 Dec.	6.4	1.1	20.5	6.8	-22.5	-	-16.3	30.0	11.5	39.5	39.1	16.0	-	19.0
2008 June	9.6	13.3	42.4	5.7	-10.5	-	3.4	19.8	5.5	35.7	19.7	5.6	-	20.8
2008 July	7.1	-4.1	38.3	5.5	-20.6	-	-3.2	17.9	-6.3	48.4	16.1	5.8	-	18.4
Aug.	7.4	8.4	23.4	5.6	-15.4	-	-5.9	18.7	-4.9	48.5	15.7	8.8	-	18.4
Sep.	7.1	10.9	40.1	3.1	-20.1	-	-3.3	17.6	-3.1	45.0	16.0	-11.6	-	16.1
Oct. (p)	5.1	12.5	18.0	2.7	-20.0	-	-4.3	14.5	2.1	28.4	11.1	-5.8	-	25.2

C8 Total deposits by sector [2)]
(annual growth rates)



C9 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.

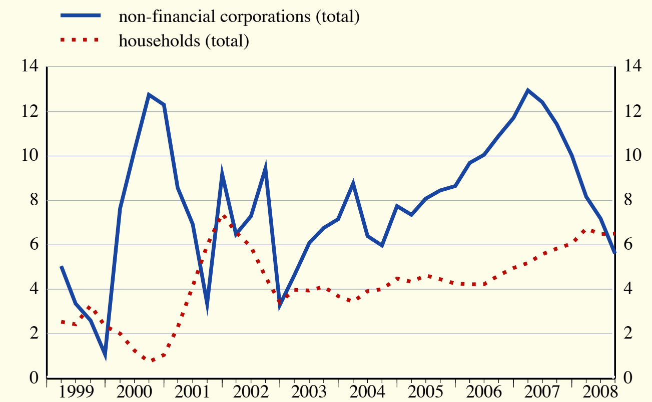
2.5 Deposits held with MFIs, breakdown [1), 2)]

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

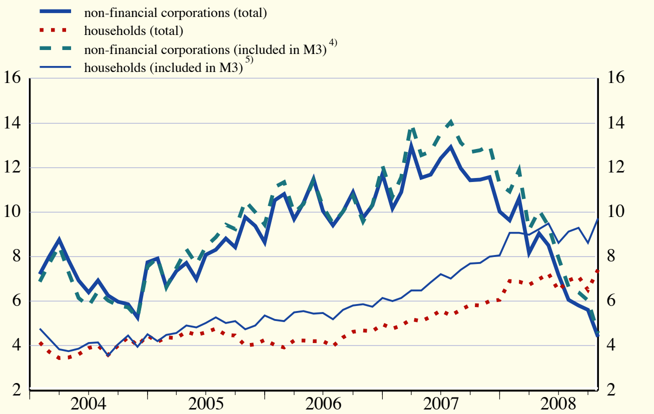
2. Deposits by non-financial corporations and households

	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													
2006	1,343.1	851.8	355.3	69.4	40.5	1.3	24.8	4,552.6	1,751.2	669.0	606.8	1,355.7	99.8	70.0
2007	1,470.6	882.1	474.6	59.6	29.2	1.4	23.7	4,989.0	1,777.7	994.5	561.1	1,457.6	111.1	87.1
2008 Q2	1,481.1	866.2	501.4	61.8	27.3	1.5	23.0	5,162.9	1,784.0	1,179.5	534.8	1,460.4	105.7	98.5
2008 July	1,469.0	842.8	511.9	63.2	26.2	1.4	23.4	5,186.8	1,769.0	1,224.6	531.1	1,449.7	105.2	107.1
Aug.	1,472.4	839.4	518.7	63.4	25.9	1.4	23.7	5,195.5	1,744.9	1,256.4	530.0	1,449.4	104.1	110.8
Sep.	1,497.1	873.4	507.7	64.0	25.6	1.4	25.1	5,197.2	1,750.0	1,270.9	523.9	1,441.3	103.1	108.0
Oct. (p)	1,500.8	860.9	517.9	66.8	24.9	1.4	29.0	5,252.2	1,758.5	1,331.9	515.4	1,439.2	106.1	101.1
	Transactions													
2006	141.2	85.7	55.7	3.9	-4.2	0.1	0.2	215.2	65.7	137.5	-23.1	2.5	15.4	17.2
2007	134.5	31.8	123.3	-8.0	-11.0	-0.7	-1.1	280.9	21.7	321.9	-45.4	-45.6	11.2	17.1
2008 Q2	27.6	16.3	11.1	1.7	-1.5	0.0	0.1	87.1	26.6	79.9	-13.5	-5.5	-3.3	2.9
Q3	3.1	2.5	0.1	0.6	-2.2	-0.1	2.1	33.8	-34.3	89.1	-8.6	-19.2	-2.6	9.5
2008 July	-15.2	-24.5	9.0	1.4	-1.5	0.0	0.5	23.8	-15.0	45.1	-3.7	-10.7	-0.5	8.6
Aug.	-0.3	-5.0	4.9	0.0	-0.3	0.0	0.2	6.1	-24.7	29.8	-1.2	-0.4	-1.1	3.6
Sep.	18.6	32.0	-13.8	-0.7	-0.3	0.0	1.4	3.8	5.3	14.1	-3.8	-8.1	-1.0	-2.7
Oct. (p)	-5.5	-17.0	5.8	2.4	-0.6	0.0	3.9	47.1	7.0	54.9	-8.5	-2.4	2.9	-6.9
	Growth rates													
2006 Dec.	11.7	11.2	18.4	5.7	-9.4	5.9	0.6	5.0	3.9	25.8	-3.7	0.2	18.2	32.6
2007 Dec.	10.0	3.7	34.8	-11.7	-26.9	-31.6	-4.3	6.1	1.2	47.8	-7.5	-3.5	11.2	24.4
2008 June	7.2	0.8	28.2	-7.4	-26.5	-6.7	-13.0	6.5	-0.4	44.8	-7.3	-1.6	-1.1	26.8
2008 July	6.1	0.4	23.2	-4.9	-28.0	-16.0	-8.3	6.9	-0.2	44.8	-7.2	-1.5	-2.2	29.8
Aug.	5.8	1.6	18.8	-5.2	-22.5	-16.9	-11.0	7.1	0.0	43.6	-6.8	-1.3	-3.6	27.4
Sep.	5.6	2.9	14.3	-2.7	-22.8	-17.3	2.9	6.5	-0.6	40.8	-7.0	-1.3	-5.1	28.6
Oct. (p)	4.4	1.8	10.4	1.3	-19.6	-12.8	19.6	7.4	1.2	40.5	-7.7	-0.5	-3.4	17.1

C10 Total deposits by sector [2)]
(annual growth rates)



C11 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)]

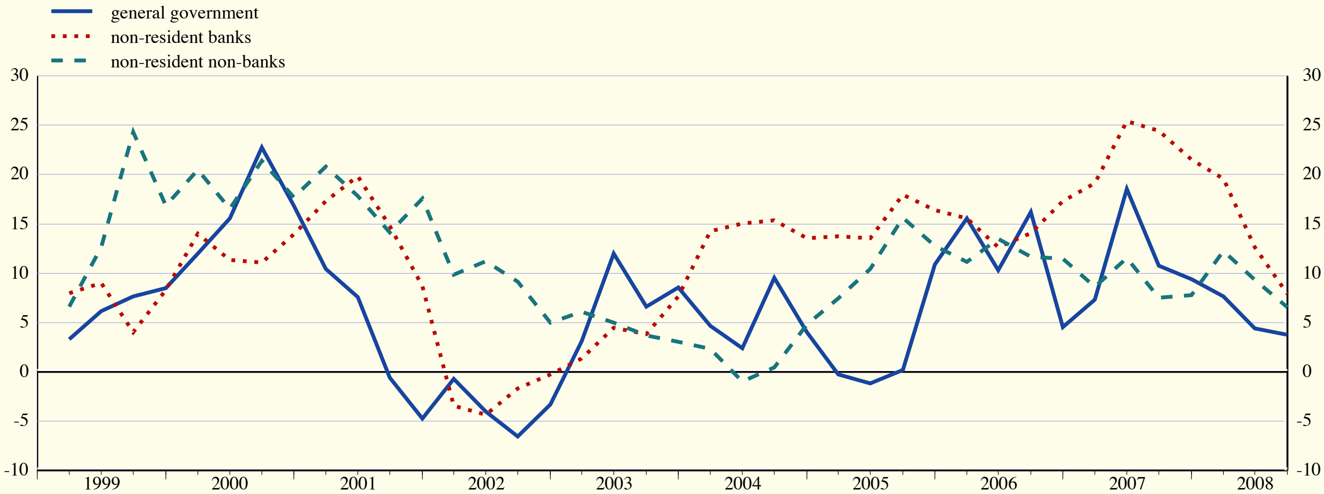
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period, transactions during period)

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									
2005	313.1	149.2	38.3	80.9	44.7	3,050.5	2,250.5	800.0	125.8	674.2
2006	329.0	124.2	45.4	90.8	68.6	3,429.0	2,557.1	871.9	128.6	743.3
2007 Q4	372.9	127.1	59.0	106.8	80.1	3,856.2	2,944.2	912.0	143.4	768.6
2008 Q1	375.9	139.6	49.6	107.6	79.1	4,039.7	3,075.7	964.1	131.1	833.0
Q2	410.3	155.9	56.4	112.0	86.0	4,019.9	3,036.7	983.2	129.3	853.9
Q3 (p)	400.2	140.1	61.7	113.4	85.0	4,138.4	3,147.5	990.9	139.6	851.3
	Transactions									
2006	14.2	-24.5	7.0	7.8	23.9	476.6	385.8	90.8	6.6	84.2
2007	30.9	-3.1	13.6	8.9	11.5	614.6	547.2	67.4	20.2	47.2
2007 Q4	-12.0	-21.9	-1.0	2.8	8.1	50.2	53.2	-3.0	-0.5	-2.5
2008 Q1	2.8	12.4	-9.3	0.7	-1.0	279.2	220.4	58.8	-8.5	67.3
Q2	34.4	16.0	6.8	4.4	7.2	-17.5	-37.0	19.5	-1.8	21.3
Q3 (p)	-10.4	-15.8	5.2	1.3	-1.1	-22.2	-6.4	-15.8	6.5	-22.3
	Growth rates									
2005 Dec.	10.9	8.1	25.4	16.6	0.6	15.4	16.4	12.7	16.8	12.0
2006 Dec.	4.5	-16.5	18.4	9.6	53.5	15.8	17.3	11.5	5.3	12.6
2007 Dec.	9.4	-2.3	29.9	9.8	16.7	18.0	21.5	7.8	15.8	6.4
2008 Mar.	7.7	-3.7	18.1	13.4	16.5	17.8	19.6	12.2	5.5	13.4
June	4.4	-12.2	28.9	10.0	21.0	11.8	12.6	9.4	-0.2	11.0
Sep. (p)	3.7	-6.7	2.9	9.0	18.3	7.6	7.9	6.5	-2.9	8.3

C12 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.

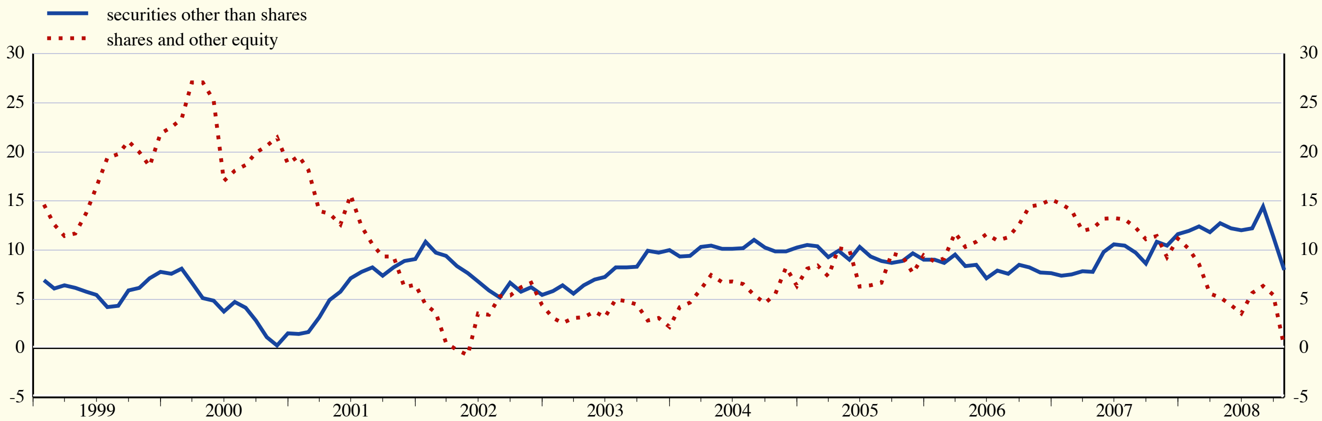
2.6 MFI holdings of securities, breakdown [1), 2)]

(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											
2006	4,664.3	1,560.6	72.3	1,260.4	16.2	615.8	30.1	1,108.9	1,465.9	373.0	798.5	294.4
2007	5,113.7	1,652.6	84.0	1,177.5	16.6	916.5	33.4	1,233.1	1,639.9	424.8	871.4	343.7
2008 Q2	5,483.3	1,795.3	98.6	1,204.1	15.1	1,031.4	48.0	1,290.7	1,601.2	460.4	849.3	291.4
2008 July	5,547.3	1,813.3	103.3	1,211.2	15.1	1,047.8	48.6	1,307.9	1,621.7	461.4	868.0	292.3
Aug.	5,638.3	1,828.2	105.5	1,213.3	14.8	1,075.1	50.9	1,350.6	1,618.9	456.2	869.0	293.7
Sep.	5,497.1	1,796.9	102.0	1,175.2	15.6	1,048.2	50.8	1,308.4	1,607.7	453.1	865.4	289.3
Oct. (p)	5,553.9	1,820.7	109.9	1,163.8	19.3	1,069.0	54.8	1,316.5	1,551.4	437.1	827.7	286.6
	Transactions											
2006	337.4	122.8	10.6	-122.7	0.5	100.6	6.5	219.0	193.3	58.6	96.2	38.5
2007	541.2	136.3	18.2	-86.7	1.5	267.3	9.5	195.0	164.5	52.0	60.0	52.5
2008 Q2	201.1	68.4	11.4	12.7	-0.1	75.9	2.6	30.1	8.1	15.8	-3.7	-4.0
Q3	-43.3	2.1	-3.0	-34.9	-0.8	19.2	-0.8	-25.2	27.3	1.7	22.7	2.9
2008 July	57.7	18.2	4.2	4.7	-0.1	16.1	0.4	14.1	23.2	2.1	19.5	1.6
Aug.	56.6	14.4	-0.9	-0.3	-0.9	26.6	0.2	17.6	-2.2	-5.1	0.4	2.5
Sep.	-157.6	-30.5	-6.3	-39.3	0.3	-23.5	-1.4	-56.9	6.3	4.7	2.8	-1.1
Oct. (p)	-13.1	25.2	-1.0	-11.5	1.8	23.3	-0.8	-50.1	-46.6	-14.9	-31.8	0.0
	Growth rates											
2006 Dec.	7.7	8.5	16.5	-8.9	3.0	19.3	25.7	24.2	15.2	18.6	13.6	15.2
2007 Dec.	11.7	8.7	25.6	-6.9	10.5	42.9	33.4	17.7	11.2	13.9	7.5	17.8
2008 June	12.0	11.2	36.7	-4.5	9.7	36.3	61.2	12.5	3.6	17.5	2.4	-10.4
2008 July	12.2	11.4	26.4	-2.3	9.8	35.7	53.4	11.4	5.7	18.4	5.9	-10.2
Aug.	14.4	12.5	33.0	0.2	4.9	37.9	62.9	13.8	6.3	16.1	7.1	-7.7
Sep.	11.4	11.0	23.9	-1.9	6.6	31.1	45.8	10.3	5.4	13.7	7.7	-10.3
Oct. (p)	8.0	9.2	16.6	-3.0	17.2	27.9	30.6	2.1	0.1	11.3	-1.4	-9.8

C13 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
2006	-3.9	-1.5	-0.9	-1.6	-2.7	-0.1	-0.1	-2.4	-6.7	-1.1	-2.0	-3.6
2007	-4.2	-1.2	-1.4	-1.6	-2.7	-0.2	-0.2	-2.3	-6.9	-0.8	-2.3	-3.7
2008 Q2	-0.9	-0.2	-0.4	-0.4	-0.4	0.0	0.0	-0.4	-1.9	-0.2	-0.9	-0.8
Q3	-1.0	-0.2	-0.4	-0.4	-0.4	0.0	0.0	-0.4	-1.3	-0.2	-0.5	-0.7
2008 July	-0.3	-0.1	-0.1	-0.1	0.0	0.0	0.0	0.0	-0.2	0.0	0.0	-0.2
Aug.	-0.3	-0.1	-0.1	-0.1	-0.1	0.0	0.0	-0.1	-0.6	0.0	-0.4	-0.2
Sep.	-0.4	-0.1	-0.1	-0.2	-0.3	0.0	0.0	-0.3	-0.5	-0.1	-0.1	-0.3
Oct. (p)	-0.6	-0.3	-0.2	-0.1	-0.6	0.0	0.0	-0.6	-0.2	0.1	-0.1	-0.2

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

	Non-financial corporations				Non-euro area residents		
	Total	Up to 1 year	Over 1 year and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year
	1	2	3	4	5	6	7
2006	-13.2	-3.5	-4.6	-5.1	-0.8	-0.1	-0.7
2007	-12.5	-2.1	-5.4	-4.9	-5.2	-3.4	-1.8
2008 Q2	-5.4	-0.9	-3.4	-1.1	0.0	-0.1	0.0
Q3	-4.2	-0.8	-2.3	-1.0	-1.3	-0.7	-0.5
2008 July	-0.5	-0.2	-0.2	-0.2	-0.5	-0.4	-0.1
Aug.	-1.9	-0.1	-1.6	-0.2	-0.1	0.0	-0.1
Sep.	-1.8	-0.5	-0.6	-0.6	-0.6	-0.3	-0.3
Oct. (p)	-0.8	0.0	-0.4	-0.4	-1.0	-0.2	-0.8

3. Revaluation of securities held by MFIs

	Securities other than shares								Shares and other equity			
	Total	MFIs		General government		Other euro area residents		Non-euro area residents	Total	MFIs	Non-MFIs	Non-euro area residents
		Euro	Non-euro	Euro	Non-euro	Euro	Non-euro					
	1	2	3	4	5	6	7	8	9	10	11	12
2006	-8.6	1.2	-0.4	-7.9	-0.2	-0.4	-0.3	-0.7	31.5	7.1	16.3	8.0
2007	-11.8	-2.7	0.0	0.6	-0.2	-2.5	-0.5	-6.5	12.6	3.0	8.8	0.8
2008 Q2	-18.5	-1.5	-0.1	-8.7	-0.1	-2.5	-0.5	-5.0	-7.8	-2.9	-6.5	1.5
Q3	-1.7	-1.2	0.2	5.8	0.2	-1.7	0.0	-5.0	-19.4	-7.6	-6.7	-5.1
2008 July	1.9	0.1	0.1	2.3	0.0	0.4	0.0	-1.0	-2.0	-0.4	-0.8	-0.7
Aug.	4.6	0.9	0.2	2.4	0.1	0.3	0.1	0.8	-0.7	-0.1	0.6	-1.1
Sep.	-8.3	-2.2	0.0	1.1	0.1	-2.3	-0.1	-4.8	-16.7	-7.0	-6.4	-3.3
Oct. (p)	-5.5	-1.2	0.4	0.0	0.2	-2.4	-0.3	-2.3	-9.7	-1.1	-5.9	-2.7

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							Total				
				USD	JPY	CHF	GBP				USD	JPY	CHF	GBP
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	By euro area residents													
2005	4,851.2	90.9	9.1	5.6	0.4	1.5	1.0	7,361.0	96.8	3.2	1.9	0.3	0.1	0.5
2006	5,242.4	90.7	9.3	5.6	0.4	1.5	1.2	8,014.8	96.4	3.6	2.2	0.3	0.1	0.6
2007 Q4	6,089.4	92.1	7.9	4.8	0.4	1.1	1.0	8,993.0	96.4	3.6	2.2	0.4	0.1	0.5
2008 Q1	6,147.8	91.8	8.2	4.7	0.5	1.3	1.0	9,151.4	96.4	3.6	2.1	0.4	0.1	0.6
Q2	6,287.4	91.6	8.4	5.0	0.4	1.4	1.0	9,372.6	96.4	3.6	2.1	0.5	0.1	0.5
Q3 (p)	6,748.7	89.4	10.6	6.8	0.4	1.6	1.1	9,465.8	96.2	3.8	2.2	0.5	0.1	0.6
	By non-euro area residents													
2005	2,250.5	46.2	53.8	35.4	2.7	2.8	10.0	800.0	51.8	48.2	32.1	1.7	2.2	9.2
2006	2,557.1	45.3	54.7	35.1	2.3	2.7	11.5	871.9	50.7	49.3	32.0	1.3	2.0	10.4
2007 Q4	2,944.2	46.8	53.2	33.6	2.9	2.4	11.1	912.0	50.0	50.0	32.9	1.6	1.8	9.9
2008 Q1	3,075.7	48.1	51.9	32.9	3.0	2.6	10.5	964.1	52.3	47.7	31.9	1.4	1.8	8.7
Q2	3,036.7	46.5	53.5	33.9	3.0	2.7	10.6	983.2	51.8	48.2	31.8	1.2	1.7	9.3
Q3 (p)	3,147.5	46.0	54.0	34.8	2.9	2.7	10.2	990.9	51.2	48.8	31.3	1.2	1.6	10.5

2. Debt securities issued by euro area MFIs

	All currencies (outstanding amount)	Euro [4)]	Non-euro currencies				
			Total				
				USD	JPY	CHF	GBP
	1	2	3	4	5	6	7
2005	4,051.7	81.2	18.8	9.6	1.8	1.9	3.2
2006	4,485.5	80.5	19.5	10.0	1.6	1.9	3.5
2007 Q4	4,948.0	81.4	18.6	9.3	1.7	1.9	3.4
2008 Q1	4,993.0	82.1	17.9	8.8	1.8	1.9	3.2
Q2	5,146.7	82.0	18.0	8.9	1.7	1.8	3.5
Q3 (p)	5,182.7	81.8	18.2	8.9	1.8	1.9	3.4

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													
2005	4,569.7	-	-	-	-	-	-	9,112.0	96.3	3.7	1.6	0.2	1.3	0.5
2006	4,933.5	-	-	-	-	-	-	9,970.8	96.4	3.6	1.6	0.2	1.1	0.5
2007 Q4	5,788.9	-	-	-	-	-	-	11,115.9	96.2	3.8	1.8	0.2	0.9	0.6
2008 Q1	5,836.3	-	-	-	-	-	-	11,415.0	96.1	3.9	1.8	0.2	1.0	0.6
Q2	6,001.5	-	-	-	-	-	-	11,637.2	96.0	4.0	1.9	0.2	1.0	0.6
Q3 (p)	6,347.5	-	-	-	-	-	-	11,799.0	95.8	4.2	2.1	0.2	1.0	0.5
	To non-euro area residents													
2005	1,722.1	48.5	51.5	30.5	4.3	2.0	10.1	763.1	38.2	61.8	43.7	1.8	4.1	8.6
2006	2,061.0	50.7	49.3	28.9	2.0	2.3	11.0	863.4	39.3	60.7	43.2	1.1	4.0	8.6
2007 Q4	2,337.9	48.0	52.0	28.9	2.3	2.4	12.7	957.4	40.9	59.1	41.3	1.2	3.7	8.2
2008 Q1	2,395.5	48.2	51.8	27.9	2.9	2.8	12.4	1,018.4	43.0	57.0	39.1	1.3	4.2	7.8
Q2	2,299.2	46.4	53.6	29.3	2.3	2.9	12.7	1,011.5	43.0	57.0	38.4	1.1	4.0	8.6
Q3 (p)	2,459.2	42.8	57.2	32.6	2.7	2.7	12.8	1,059.7	40.7	59.3	40.5	1.4	3.9	8.5

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													
2005	1,517.7	95.6	4.4	2.0	0.3	0.4	1.4	1,980.9	97.8	2.2	1.1	0.3	0.1	0.5
2006	1,632.9	95.6	4.4	2.3	0.2	0.3	1.3	1,922.5	97.6	2.4	1.3	0.3	0.1	0.7
2007 Q4	1,736.6	95.2	4.8	2.4	0.3	0.3	1.5	2,144.0	97.7	2.3	1.4	0.2	0.1	0.5
2008 Q1	1,816.0	95.2	4.8	2.5	0.3	0.3	1.4	2,219.9	97.2	2.8	1.9	0.3	0.1	0.4
Q2	1,893.9	94.8	5.2	2.6	0.4	0.3	1.6	2,298.6	97.3	2.7	1.8	0.3	0.1	0.5
Q3 (p)	1,898.9	94.6	5.4	2.9	0.4	0.3	1.5	2,289.8	97.1	2.9	1.9	0.3	0.1	0.5
	Issued by non-euro area residents													
2005	397.5	51.0	49.0	28.5	0.8	0.5	15.7	522.8	38.3	61.7	35.0	7.8	0.8	12.6
2006	514.5	52.2	47.8	28.8	0.7	0.4	14.5	594.4	38.9	61.1	36.5	4.9	0.8	14.2
2007 Q4	580.8	53.8	46.2	27.4	0.7	0.4	14.4	652.3	35.8	64.2	39.4	4.5	0.8	12.6
2008 Q1	636.2	50.8	49.2	30.2	0.8	0.6	14.4	629.5	38.0	62.0	36.8	5.8	0.9	11.4
Q2	663.7	50.2	49.8	30.7	0.7	0.5	14.9	627.0	38.5	61.5	36.9	5.8	0.8	10.4
Q3 (p)	653.0	51.1	48.9	30.7	0.7	0.4	14.2	655.4	37.2	62.8	38.0	6.0	0.9	10.4

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 Q1	5,714.8	332.6	2,032.6	178.1	1,854.5	2,071.7	720.9	186.6	370.5
Q2	5,993.1	344.2	2,046.7	191.9	1,854.8	2,219.3	786.1	179.7	417.2
Q3	5,892.8	358.3	2,015.0	187.0	1,828.0	2,168.5	773.6	180.6	396.6
Q4	5,781.3	353.4	1,993.4	184.1	1,809.3	2,077.4	784.0	189.1	384.0
2008 Q1	5,160.6	365.5	1,857.8	164.8	1,693.0	1,670.3	719.8	197.1	350.1
Q2 (p)	5,014.9	359.3	1,807.2	157.4	1,649.8	1,624.2	690.7	204.8	328.7

2. Liabilities

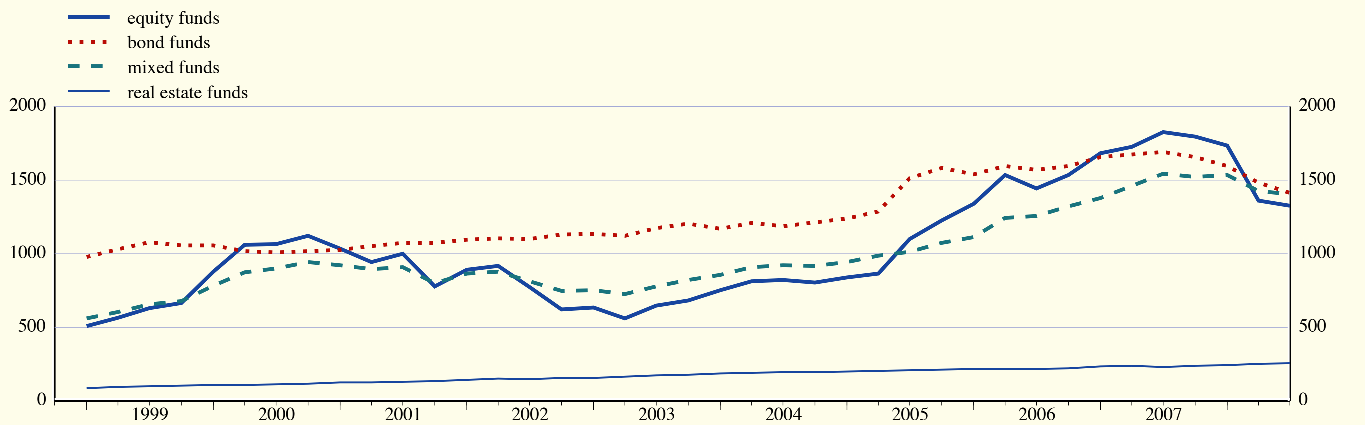
	Total	Deposits and loans taken	Investment fund shares	Other liabilities
	1	2	3	4
2007 Q1	5,714.8	80.9	5,351.4	282.6
Q2	5,993.1	82.9	5,589.0	321.3
Q3	5,892.8	78.5	5,496.8	317.5
Q4	5,781.3	76.8	5,411.5	293.0
2008 Q1	5,160.6	76.4	4,846.6	237.6
Q2 (p)	5,014.9	74.8	4,720.6	219.5

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 Q1	5,714.8	1,724.3	1,674.1	1,459.9	238.5	618.1	4,374.0	1,340.9
Q2	5,993.1	1,826.0	1,692.8	1,541.6	230.8	701.8	4,579.4	1,413.8
Q3	5,892.8	1,797.1	1,654.6	1,523.2	236.1	681.7	4,468.3	1,424.5
Q4	5,781.3	1,735.5	1,596.8	1,535.4	244.2	669.4	4,344.6	1,436.7
2008 Q1	5,160.6	1,362.6	1,483.3	1,427.8	249.6	637.4	3,778.1	1,382.5
Q2 (p)	5,014.9	1,324.6	1,413.6	1,405.5	256.1	615.3	3,646.8	1,368.1

C14 Total assets of investment funds

(EUR billions)



Source: ECB.

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

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

(EUR billions; outstanding amounts at end of period)

1. Funds by investment policy

	Total	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 Q1	1,724.3	59.4	65.6	25.4	40.2	1,461.9	78.9	-	58.5
Q2	1,826.0	61.1	67.7	27.0	40.7	1,546.9	84.5	-	65.8
Q3	1,797.1	72.0	68.7	26.7	41.9	1,505.5	82.4	-	68.5
Q4	1,735.5	58.1	71.8	26.5	45.2	1,464.2	79.5	-	61.9
2008 Q1	1,362.6	51.2	63.0	21.3	41.7	1,130.9	65.7	-	51.7
Q2 (p)	1,324.6	54.1	65.0	22.0	43.0	1,088.5	65.3	-	51.6
	Bond funds								
2007 Q1	1,674.1	112.3	1,357.7	94.0	1,263.7	43.9	52.6	-	107.5
Q2	1,692.8	115.1	1,347.9	98.3	1,249.6	62.3	55.6	-	112.0
Q3	1,654.6	109.9	1,318.4	97.0	1,221.5	62.6	53.3	-	110.4
Q4	1,596.8	116.1	1,273.1	92.7	1,180.4	58.0	49.8	-	99.8
2008 Q1	1,483.3	124.7	1,167.7	80.3	1,087.5	56.8	45.5	-	88.6
Q2 (p)	1,413.6	116.0	1,118.4	74.6	1,043.8	57.8	42.7	-	78.5
	Mixed funds								
2007 Q1	1,459.9	73.8	530.1	44.1	486.0	381.0	323.6	0.3	150.9
Q2	1,541.6	81.5	530.2	50.8	479.4	399.2	347.9	0.9	181.9
Q3	1,523.2	86.2	522.6	46.3	476.3	405.4	345.1	0.5	163.3
Q4	1,535.4	89.7	547.0	47.3	499.7	393.1	343.6	0.7	161.4
2008 Q1	1,427.8	97.9	528.0	46.4	481.6	339.4	313.9	1.2	147.3
Q2 (p)	1,405.5	99.1	519.8	42.5	477.3	341.6	308.3	0.8	135.9
	Real estate funds								
2007 Q1	238.5	18.9	6.7	1.9	4.8	4.6	9.6	186.1	12.6
Q2	230.8	18.8	6.6	1.9	4.7	4.3	10.0	178.1	12.9
Q3	236.1	20.7	6.4	1.6	4.8	3.9	13.1	179.2	12.8
Q4	244.2	19.7	6.0	1.5	4.5	3.4	12.5	187.9	14.7
2008 Q1	249.6	19.9	5.3	1.1	4.2	3.1	11.3	195.4	14.6
Q2 (p)	256.1	17.9	5.9	1.1	4.8	3.0	10.1	203.4	15.7

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 Q1	4,374.0	274.4	1,422.4	1,695.8	530.1	153.3	297.9
Q2	4,579.4	278.8	1,434.5	1,819.1	577.5	145.0	324.5
Q3	4,468.3	287.9	1,375.7	1,791.2	564.1	142.9	306.4
Q4	4,344.6	279.9	1,336.9	1,717.4	569.6	149.1	291.8
2008 Q1	3,778.1	277.6	1,218.3	1,362.1	514.2	154.1	251.9
Q2 (p)	3,646.8	264.5	1,177.3	1,326.6	485.5	154.9	238.0
	Special investors' funds						
2007 Q1	1,340.9	58.2	610.2	375.9	190.7	33.3	72.6
Q2	1,413.8	65.4	612.2	400.2	208.6	34.7	92.6
Q3	1,424.5	70.4	639.3	377.3	209.5	37.7	90.2
Q4	1,436.7	73.4	656.6	360.0	214.5	40.0	92.2
2008 Q1	1,382.5	88.0	639.6	308.1	205.6	43.0	98.2
Q2 (p)	1,368.1	94.8	629.9	297.6	205.2	49.9	90.7

Source: ECB.

EURO AREA ACCOUNTS

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

Uses 2008 Q2	Euro area	Households	Non-financial corporations	Financial corporations	General government	Rest of the world
External account						
Exports of goods and services						525.8
Trade balance [1]						-17.9
Generation of income account						
Gross value added (basic prices)						
Taxes less subsidies on products						
Gross domestic product (market prices)						
Compensation of employees	1,112.2	110.7	712.1	55.3	234.1	
Other taxes less subsidies on production	40.6	4.4	28.2	4.2	3.7	
Consumption of fixed capital	337.0	91.4	191.3	11.0	43.4	
Net operating surplus and mixed income [1]	586.3	304.0	253.6	30.1	-1.4	
Allocation of primary income account						
Net operating surplus and mixed income						
Compensation of employees						4.5
Taxes less subsidies on production						
Property income	1,201.5	59.6	514.5	553.8	73.6	166.1
Interest	561.9	57.2	89.7	341.5	73.5	87.5
Other property income	639.5	2.3	424.8	212.3	0.1	78.6
Net national income [1]	1,947.4	1,690.8	-8.9	32.2	233.3	
Secondary distribution of income account						
Net national income						
Current taxes on income, wealth, etc.	295.1	225.8	53.5	15.5	0.3	5.3
Social contributions	413.6	413.6				0.8
Social benefits other than social transfers in kind	407.5	1.4	16.0	28.5	361.5	0.6
Other current transfers	184.4	69.4	25.2	49.2	40.6	8.4
Net non-life insurance premiums	47.1	34.5	11.0	0.9	0.7	1.2
Non-life insurance claims	47.0			47.0		0.8
Other	90.2	34.9	14.2	1.2	39.9	6.5
Net disposable income [1]	1,929.3	1,474.7	-75.1	33.2	496.6	
Use of income account						
Net disposable income						
Final consumption expenditure	1,768.8	1,304.8			464.0	
Individual consumption expenditure	1,587.0	1,304.8			282.2	
Collective consumption expenditure	181.7				181.7	
Adjustment for the change in net equity of households in pension fund reserves	18.1	0.0	0.2	17.9	0.0	0.1
Net saving/current external account [1]	160.6	188.0	-75.3	15.4	32.6	25.1
Capital account						
Net saving / current external account						
Gross capital formation	522.7	164.9	288.8	14.7	54.3	
Gross fixed capital formation	521.1	165.3	286.9	14.7	54.2	
Changes in inventories and acquisitions less disposals of valuables	1.6	-0.3	1.9	0.0	0.0	
Consumption of fixed capital						
Acquisitions less disposals of non-produced non-financial assets	0.3	-1.8	1.9	0.2	0.0	-0.3
Capital transfers	34.6	9.1	2.1	1.5	21.8	5.1
Capital taxes	5.9	5.7	0.2	0.0		0.0
Other capital transfers	28.7	3.4	1.9	1.5	21.8	5.1
Net lending (+)/net borrowing (-) (from capital account) [1]	-22.4	116.6	-159.0	10.6	9.3	22.4
Statistical discrepancy	0.0	-22.2	22.2	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 2008 Q2	Euro area	Households	Non-financial corporations	Financial corporations	General government	Rest of the world
External account						
Imports of goods and services						507.9
Trade balance						
Generation of income account						
Gross value added (basic prices)	2,076.0	510.4	1,185.2	100.7	279.7	
Taxes less subsidies on products	233.4					
Gross domestic product (market prices)[2)]	2,309.4					
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	586.3	304.0	253.6	30.1	-1.4	
Compensation of employees	1,113.9	1,113.9				2.7
Taxes less subsidies on production	274.8				274.8	-0.8
Property income	1,173.9	332.5	252.0	555.8	33.5	193.7
Interest	545.7	82.7	49.9	405.1	8.0	103.7
Other property income	628.2	249.8	202.1	150.8	25.5	89.9
Net national income						
Secondary distribution of income account						
Net national income	1,947.4	1,690.8	-8.9	32.2	233.3	
Current taxes on income, wealth, etc.	299.9				299.9	0.5
Social contributions	413.3	1.1	16.8	46.0	349.5	1.1
Social benefits other than social transfers in kind	405.2	405.2				3.0
Other current transfers	164.1	87.8	11.6	48.3	16.4	28.6
Net non-life insurance premiums	47.0			47.0		1.2
Non-life insurance claims	46.4	36.8	8.6	0.7	0.3	1.4
Other	70.7	51.0	3.0	0.5	16.1	26.0
Net disposable income						
Use of income account						
Net disposable income	1,929.3	1,474.7	-75.1	33.2	496.6	
Final consumption expenditure						
Individual consumption expenditure						
Collective consumption expenditure						
Adjustment for the change in net equity of households in pension fund reserves	18.1	18.1				0.0
Net saving/current external account						
Capital account						
Net saving / current external account	160.6	188.0	-75.3	15.4	32.6	25.1
Gross capital formation						
Gross fixed capital formation						
Changes in inventories and acquisitions less disposals of valuables						
Consumption of fixed capital	337.0	91.4	191.3	11.0	43.4	
Acquisitions less disposals of non-produced non-financial assets						
Capital transfers	37.5	9.6	17.8	0.6	9.5	2.2
Capital taxes	5.9				5.9	0.0
Other capital transfers	31.6	9.6	17.8	0.6	3.6	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 2008 Q2	Euro area	Households	Non-financial corporations	MFIs	Other financial inter-mediaries	Insurance corporations and pension funds	General govern-ment	Rest of the world
Opening balance sheet, financial assets								
Total financial assets		17,379.8	14,812.5	22,782.7	10,163.0	6,210.5	2,861.4	15,119.2
Monetary gold and special drawing rights (SDRs)				212.8				
Currency and deposits		5,763.1	1,747.0	2,486.8	1,580.2	837.3	559.6	4,174.2
Short-term debt securities		59.3	137.8	136.8	382.8	260.9	27.6	725.3
Long-term debt securities		1,392.3	215.9	3,752.4	1,799.7	1,996.1	221.7	2,628.9
Loans		39.9	2,275.0	12,458.3	1,753.7	354.3	366.3	1,756.2
of which long-term		23.2	1,223.7	9,349.6	1,394.1	287.3	330.2	.
Shares and other equity		4,674.1	7,371.2	1,867.1	4,431.9	2,271.6	1,114.6	5,023.9
Quoted shares		914.8	1,697.1	610.6	2,213.4	663.7	362.2	.
Unquoted shares and other equity		2,229.4	5,310.1	1,006.6	1,532.6	479.0	608.0	.
Mutual fund shares		1,529.9	364.1	249.9	686.0	1,128.8	144.4	.
Insurance technical reserves		5,183.2	137.3	2.0	0.0	147.7	3.3	235.8
Other accounts receivable and financial derivatives		267.9	2,928.2	1,866.6	214.7	342.6	568.3	575.0
Net financial worth								
Financial account, transactions in financial assets								
Total transactions in financial assets		134.7	104.3	384.4	204.8	45.7	60.4	138.6
Monetary gold and special drawing rights (SDRs)				-0.4				0.4
Currency and deposits		110.7	23.5	-99.8	87.7	-9.1	46.1	11.1
Short-term debt securities		-1.3	-26.9	11.9	2.2	19.2	1.9	33.5
Long-term debt securities		26.1	-26.7	141.3	15.7	28.5	7.6	159.5
Loans		0.4	58.8	228.8	58.0	-1.1	2.5	-24.4
of which long-term		0.0	11.1	150.5	35.5	3.5	0.7	.
Shares and other equity		-32.1	117.2	23.2	39.4	4.0	0.8	-44.8
Quoted shares		-18.1	91.4	-7.4	29.8	3.8	0.9	.
Unquoted shares and other equity		17.2	30.6	30.6	40.3	1.4	-0.5	.
Mutual fund shares		-31.2	-4.8	-0.1	-30.8	-1.2	0.5	.
Insurance technical reserves		61.5	0.4	0.0	0.0	2.7	0.0	2.9
Other accounts receivable and financial derivatives		-30.4	-41.9	79.4	1.8	1.6	1.4	0.4
Changes in net financial worth due to transactions								
Other changes account, financial assets								
Total other changes in financial assets		-245.9	-306.2	-51.6	-263.1	-100.0	-4.7	-142.1
Monetary gold and special drawing rights (SDRs)				-0.2				
Currency and deposits		0.8	0.8	-1.9	2.4	2.1	0.1	-3.8
Short-term debt securities		-0.3	6.7	-2.9	-1.3	1.1	0.1	-1.8
Long-term debt securities		-18.3	-0.9	-21.1	-46.2	-26.8	-4.3	-75.2
Loans		-0.3	-5.0	-13.2	-11.5	0.1	0.0	13.2
of which long-term		-0.1	-4.5	-11.0	-4.0	0.4	0.0	.
Shares and other equity		-189.4	-340.8	-34.9	-205.8	-74.2	0.1	-57.0
Quoted shares		-71.0	-180.4	-5.6	-176.7	-54.9	2.8	.
Unquoted shares and other equity		-99.3	-152.9	-24.8	-7.4	-14.5	-2.2	.
Mutual fund shares		-19.1	-7.5	-4.5	-21.6	-4.8	-0.4	.
Insurance technical reserves		-37.4	4.1	0.0	0.0	0.5	0.0	-26.6
Other accounts receivable and financial derivatives		-1.0	29.0	22.5	-0.8	-2.9	-0.8	9.2
Other changes in net financial worth								
Closing balance sheet, financial assets								
Total financial assets		17,268.7	14,610.6	23,115.5	10,104.7	6,156.1	2,917.1	15,115.4
Monetary gold and special drawing rights (SDRs)				212.2				
Currency and deposits		5,874.6	1,771.3	2,385.0	1,670.3	830.3	605.9	4,181.5
Short-term debt securities		57.8	117.6	145.8	383.7	281.2	29.6	757.0
Long-term debt securities		1,400.0	188.3	3,872.7	1,769.3	1,997.8	225.0	2,713.2
Loans		40.1	2,328.7	12,673.8	1,800.2	353.2	368.8	1,745.0
of which long-term		23.2	1,230.4	9,489.0	1,425.7	291.2	330.9	.
Shares and other equity		4,452.6	7,147.6	1,855.4	4,265.5	2,201.4	1,115.6	4,922.1
Quoted shares		825.7	1,608.1	597.5	2,066.5	612.6	365.9	.
Unquoted shares and other equity		2,147.2	5,187.8	1,012.5	1,565.5	466.0	605.2	.
Mutual fund shares		1,479.6	351.8	245.4	633.6	1,122.8	144.5	.
Insurance technical reserves		5,207.3	141.8	2.0	0.0	150.9	3.4	212.1
Other accounts receivable and financial derivatives		236.5	2,915.3	1,968.5	215.7	341.3	568.8	584.7
Net financial worth								

Source: ECB.

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

(EUR billions)

Liabilities 2008 Q2	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		6,151.0	23,451.4	22,711.1	9,926.6	6,389.6	6,896.8	13,589.9
Monetary gold and special drawing rights (SDRs)								
Currency and deposits			25.0	14,049.0	32.6	2.5	238.2	2,800.8
Short-term debt securities			285.1	410.7	104.9	0.3	656.5	273.0
Long-term debt securities			435.4	2,726.9	1,786.6	25.8	4,435.8	2,596.4
Loans		5,450.3	7,605.8		1,662.4	209.6	1,188.6	2,886.9
of which long-term		5,128.9	5,127.5		777.7	66.8	1,024.6	.
Shares and other equity			12,267.3	3,114.0	6,188.1	613.9	5.4	4,565.7
Quoted shares			4,197.8	856.7	252.3	244.3	0.0	.
Unquoted shares and other equity			8,069.5	1,101.0	1,108.2	368.8	5.4	.
Mutual fund shares				1,156.4	4,827.6			.
Insurance technical reserves		33.1	328.7	56.6	0.6	5,289.8	0.5	
Other accounts payable and financial derivatives		667.7	2,504.0	2,353.7	151.5	247.6	371.7	467.2
Net financial worth [1]	-1,316.6	11,228.8	-8,638.9	71.6	236.4	-179.1	-4,035.4	
Financial account, transactions in liabilities								
Total transactions in liabilities		40.3	241.0	359.3	196.8	68.1	51.0	116.2
Monetary gold and special drawing rights (SDRs)								
Currency and deposits			-0.2	267.1	1.0	-0.1	0.8	-98.4
Short-term debt securities			8.3	2.6	5.8	0.0	23.0	0.8
Long-term debt securities			3.1	77.6	124.4	0.6	34.8	111.6
Loans		67.2	164.5		40.8	-2.0	7.5	45.0
of which long-term		57.6	84.9		38.4	2.6	-3.3	.
Shares and other equity			25.6	20.4	23.7	5.0	0.0	32.8
Quoted shares			-4.3	6.2	0.0	1.3	0.0	.
Unquoted shares and other equity			29.9	5.4	22.6	3.7	0.0	.
Mutual fund shares				8.8	1.2			.
Insurance technical reserves		0.0	0.3	1.6	0.0	65.6	0.0	
Other accounts payable and financial derivatives		-26.9	39.4	-9.9	1.2	-1.1	-15.0	24.4
Changes in net financial worth due to transactions [1]	-22.4	94.4	-136.8	25.1	8.0	-22.4	9.3	22.4
Other changes account, liabilities								
Total other changes in liabilities		0.1	-422.1	-174.5	-285.9	-76.2	-119.0	-36.0
Monetary gold and special drawing rights (SDRs)								
Currency and deposits			0.0	-0.6	0.0	0.0	0.0	1.1
Short-term debt securities			0.1	-1.0	0.0	0.0	-0.2	2.8
Long-term debt securities			-8.6	-1.6	-15.1	-0.1	-133.9	-33.4
Loans		-5.4	5.8		-9.4	-0.2	0.1	-7.7
of which long-term		-5.2	7.4		-5.2	0.0	0.1	.
Shares and other equity			-438.0	-215.1	-220.2	-36.6	0.0	7.9
Quoted shares			-223.6	-199.2	-49.8	-29.6	0.0	.
Unquoted shares and other equity			-214.4	-15.5	-46.5	-7.0	0.0	.
Mutual fund shares				-0.4	-123.8			.
Insurance technical reserves		0.0	0.0	0.0	0.0	-59.4	0.0	
Other accounts payable and financial derivatives		5.5	18.7	43.8	-41.2	20.1	15.1	-6.7
Other changes in net financial worth [1]	105.9	-245.9	115.9	122.8	22.7	-23.9	114.2	-106.1
Closing balance sheet, liabilities								
Total liabilities		6,191.5	23,270.4	22,895.9	9,837.6	6,381.5	6,828.9	13,670.1
Monetary gold and special drawing rights (SDRs)								
Currency and deposits			24.8	14,315.5	33.6	2.4	239.0	2,703.5
Short-term debt securities			293.5	412.3	110.7	0.3	679.3	276.6
Long-term debt securities			429.9	2,803.0	1,895.8	26.3	4,336.6	2,674.5
Loans		5,512.1	7,776.1		1,693.8	207.4	1,196.3	2,924.2
of which long-term		5,181.3	5,219.8		810.9	69.4	1,021.3	.
Shares and other equity			11,855.0	2,919.4	5,991.7	582.3	5.4	4,606.4
Quoted shares			3,969.9	663.7	202.5	216.1	0.0	.
Unquoted shares and other equity			7,885.0	1,090.9	1,084.2	365.5	5.4	.
Mutual fund shares				1,164.8	4,704.9			.
Insurance technical reserves		33.1	329.0	58.1	0.6	5,296.1	0.5	
Other accounts payable and financial derivatives		646.3	2,562.0	2,387.6	111.5	266.7	371.7	484.9
Net financial worth [1]	-1,233.1	11,077.2	-8,659.8	219.6	267.1	-225.4	-3,911.8	

Source: ECB.

3.2 Euro area non-financial accounts

(EUR billions; four-quarter cumulated flows)

Uses	2004	2005	2006	2006 Q3-2007 Q2	2006 Q4-2007 Q3	2007 Q1-2007 Q4	2007 Q2-2008 Q1	2007 Q3-2008 Q2
Generation of income account								
Gross value added (basic prices)								
Taxes less subsidies on products								
Gross domestic product (market prices)								
Compensation of employees	3,777.3	3,891.5	4,050.2	4,138.1	4,178.9	4,231.2	4,280.4	4,331.3
Other taxes less subsidies on production	122.9	130.0	128.9	133.5	134.6	136.3	136.4	135.7
Consumption of fixed capital	1,124.0	1,177.7	1,234.9	1,269.7	1,284.7	1,299.6	1,310.8	1,322.5
Net operating surplus and mixed income [1]	1,989.8	2,060.4	2,165.8	2,232.0	2,271.3	2,298.2	2,318.9	2,341.3
Allocation of primary income account								
Net operating surplus and mixed income								
Compensation of employees								
Taxes less subsidies on production								
Property income	2,338.2	2,577.1	2,978.9	3,238.2	3,353.4	3,472.9	3,562.7	3,664.5
Interest	1,250.3	1,342.7	1,634.5	1,808.7	1,898.8	1,993.9	2,072.0	2,142.2
Other property income	1,087.9	1,234.3	1,344.4	1,429.5	1,454.7	1,479.0	1,490.7	1,522.3
Net national income [1]	6,692.6	6,937.5	7,280.5	7,468.5	7,559.8	7,646.3	7,708.5	7,759.5
Secondary distribution of income account								
Net national income								
Current taxes on income, wealth, etc.	883.7	933.3	1,024.6	1,060.6	1,085.2	1,109.0	1,125.0	1,135.3
Social contributions	1,430.0	1,472.4	1,534.7	1,564.0	1,576.4	1,593.6	1,610.3	1,626.7
Social benefits other than social transfers in kind	1,455.4	1,499.2	1,549.5	1,567.8	1,578.6	1,594.4	1,606.0	1,619.6
Other current transfers	684.7	707.2	715.0	727.5	731.8	741.5	750.3	756.4
Net non-life insurance premiums	178.0	178.3	177.4	180.4	181.4	182.7	183.0	184.4
Non-life insurance claims	178.7	179.3	177.5	180.5	181.1	182.1	182.5	184.2
Other	328.0	349.5	360.0	366.7	369.3	376.6	384.7	387.9
Net disposable income [1]	6,616.5	6,850.3	7,189.0	7,378.0	7,468.9	7,553.3	7,610.3	7,660.2
Use of income account								
Net disposable income								
Final consumption expenditure	6,083.3	6,325.9	6,589.3	6,704.5	6,766.5	6,836.7	6,902.3	6,973.6
Individual consumption expenditure	5,437.7	5,665.5	5,911.2	6,015.1	6,070.4	6,133.6	6,193.7	6,256.0
Collective consumption expenditure	645.6	660.3	678.1	689.3	696.2	703.1	708.6	717.7
Adjustment for the change in net equity of households in pension funds reserves	58.0	60.4	59.0	57.5	58.0	59.5	60.5	63.2
Net saving [1]	533.4	524.8	599.9	673.7	702.6	716.8	708.2	686.8
Capital account								
Net saving								
Gross capital formation	1,613.4	1,704.5	1,848.8	1,921.9	1,951.4	1,987.1	2,010.8	2,034.3
Gross fixed capital formation	1,602.0	1,698.1	1,835.9	1,912.0	1,939.0	1,967.0	1,987.4	2,006.3
Changes in inventories and acquisitions less disposals of valuables	11.4	6.3	12.8	10.0	12.4	20.1	23.4	28.1
Consumption of fixed capital								
Acquisitions less disposals of non-produced non-financial assets	-1.1	0.6	0.4	-0.4	-0.6	-0.2	0.1	0.5
Capital transfers	174.5	180.8	173.8	170.2	169.1	163.9	164.6	167.7
Capital taxes	29.9	24.4	22.5	23.3	23.8	23.8	23.4	23.5
Other capital transfers	144.7	156.4	151.2	146.9	145.3	140.1	141.2	144.2
Net lending (+)/net borrowing (-) (from capital account) [1]	61.0	8.2	-4.5	32.4	46.8	39.6	20.1	-12.1

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

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

Resources	2004	2005	2006	2006 Q3-2007 Q2	2006 Q4-2007 Q3	2007 Q1-2007 Q4	2007 Q2-2008 Q1	2007 Q3-2008 Q2
Generation of income account								
Gross value added (basic prices)	7,013.9	7,259.6	7,579.8	7,773.3	7,869.5	7,965.3	8,046.5	8,130.9
Taxes less subsidies on products	797.5	841.2	910.5	937.1	947.2	953.9	955.6	953.3
Gross domestic product (market prices)[2]	7,811.4	8,100.8	8,490.3	8,710.4	8,816.7	8,919.1	9,002.1	9,084.1
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	1,989.8	2,060.4	2,165.8	2,232.0	2,271.3	2,298.2	2,318.9	2,341.3
Compensation of employees	3,784.8	3,897.9	4,057.0	4,144.9	4,185.8	4,238.1	4,287.7	4,338.7
Taxes less subsidies on production	935.0	983.8	1,050.4	1,079.1	1,088.7	1,096.8	1,097.0	1,093.7
Property income	2,321.3	2,572.4	2,986.2	3,250.6	3,367.4	3,486.0	3,567.6	3,650.2
Interest	1,216.9	1,315.6	1,608.8	1,781.9	1,868.0	1,958.5	2,028.4	2,090.5
Other property income	1,104.5	1,256.8	1,377.4	1,468.7	1,499.4	1,527.5	1,539.2	1,559.7
Net national income								
Secondary distribution of income account								
Net national income	6,692.6	6,937.5	7,280.5	7,468.5	7,559.8	7,646.3	7,708.5	7,759.5
Current taxes on income, wealth, etc.	886.8	937.1	1,029.6	1,067.7	1,092.9	1,116.6	1,132.3	1,143.0
Social contributions	1,429.1	1,471.7	1,533.9	1,563.2	1,575.5	1,592.9	1,609.4	1,625.8
Social benefits other than social transfers in kind	1,447.7	1,491.4	1,541.3	1,558.9	1,569.3	1,585.1	1,596.5	1,610.0
Other current transfers	614.1	624.9	627.5	639.6	643.4	650.9	655.0	659.9
Net non-life insurance premiums	178.7	179.3	177.5	180.5	181.1	182.1	182.5	184.2
Non-life insurance claims	175.8	176.8	174.6	177.7	178.6	179.7	180.0	181.4
Other	259.6	268.8	275.4	281.5	283.7	289.1	292.5	294.4
Net disposable income								
Use of income account								
Net disposable income	6,616.5	6,850.3	7,189.0	7,378.0	7,468.9	7,553.3	7,610.3	7,660.2
Final consumption expenditure								
Individual consumption expenditure								
Collective consumption expenditure								
Adjustment for the change in net equity of households in pension funds reserves	58.2	60.7	59.3	57.8	58.2	59.7	60.7	63.4
Net saving								
Capital account								
Net saving	533.4	524.8	599.9	673.7	702.6	716.8	708.2	686.8
Gross capital formation								
Gross fixed capital formation								
Changes in inventories and acquisitions less disposals of valuables								
Consumption of fixed capital	1,124.0	1,177.7	1,234.9	1,269.7	1,284.7	1,299.6	1,310.8	1,322.5
Acquisitions less disposals of non-produced non-financial assets								
Capital transfers	190.5	191.6	183.7	180.7	179.5	174.0	176.5	181.2
Capital taxes	29.9	24.4	22.5	23.3	23.8	23.8	23.4	23.5
Other capital transfers	160.6	167.2	161.1	157.4	155.7	150.2	153.1	157.7
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)

	2004	2005	2006	2006 Q3-2007 Q2	2006 Q4-2007 Q3	2007 Q1-2007 Q4	2007 Q2-2008 Q1	2007 Q3-2008 Q2
Income, saving and changes in net worth								
Compensation of employees (+)	3,784.8	3,897.9	4,057.0	4,144.9	4,185.8	4,238.1	4,287.7	4,338.7
Gross operating surplus and mixed income (+)	1,286.7	1,338.3	1,415.7	1,459.7	1,481.1	1,499.4	1,518.9	1,538.8
Interest receivable (+)	233.2	229.8	266.3	282.7	291.5	301.6	310.4	319.7
Interest payable (-)	126.2	130.5	164.4	187.3	198.1	208.6	215.2	221.7
Other property income receivable (+)	643.7	691.6	727.0	751.1	758.3	764.8	766.2	768.7
Other property income payable (-)	9.2	9.5	9.7	9.7	9.6	9.9	9.8	9.9
Current taxes on income and wealth (-)	707.3	739.8	792.3	814.7	831.5	851.9	866.3	880.4
Net social contributions (-)	1,426.3	1,468.5	1,530.6	1,559.8	1,572.2	1,589.4	1,606.1	1,622.5
Net social benefits (+)	1,442.8	1,486.2	1,535.8	1,553.4	1,563.8	1,579.5	1,590.9	1,604.4
Net current transfers receivable (+)	63.9	66.7	66.8	68.9	68.8	69.4	69.3	72.2
= Gross disposable income	5,186.0	5,362.4	5,571.7	5,689.3	5,737.8	5,793.1	5,846.0	5,907.9
Final consumption expenditure (-)	4,489.3	4,668.9	4,866.5	4,951.0	4,996.2	5,047.0	5,097.2	5,146.8
Changes in net worth in pension funds (+)	57.8	60.3	58.9	57.6	58.2	59.7	60.8	63.4
= Gross saving	754.5	753.8	764.0	795.9	799.8	805.8	809.5	824.5
Consumption of fixed capital (-)	301.5	317.2	334.5	344.3	348.5	352.7	355.8	359.3
Net capital transfers receivable (+)	18.4	22.8	19.9	16.8	15.7	13.3	13.6	14.0
Other changes in net worth [1] (+)	327.0	529.5	532.8	635.8	230.7	-37.7	-801.6	-1,133.1
= Changes in net worth [1]	798.4	989.0	982.3	1,104.2	697.7	428.7	-334.3	-653.9
Investment, financing and changes in net worth								
Net acquisition of non-financial assets (+)	519.9	552.1	605.0	630.5	637.5	640.5	643.0	641.3
Consumption of fixed capital (-)	301.5	317.2	334.5	344.3	348.5	352.7	355.8	359.3
Main items of financial investment (+)								
Short-term assets	214.9	207.5	306.3	382.1	396.8	420.1	441.7	419.7
Currency and deposits	213.0	247.9	283.8	316.9	328.3	348.0	382.1	382.5
Money market fund shares	-6.4	-20.2	0.7	44.6	44.3	43.4	38.4	16.5
Debt securities [2]	8.4	-20.3	21.9	20.6	24.2	28.7	21.3	20.7
Long-term assets	347.3	426.5	345.7	258.3	212.5	202.7	138.9	145.8
Deposits	32.2	-5.0	0.7	-17.0	-24.7	-30.3	-39.6	-36.3
Debt securities	63.9	5.1	78.9	43.5	11.9	36.0	56.6	84.5
Shares and other equity	-1.4	133.5	-19.8	-44.9	-41.3	-55.1	-118.2	-134.4
Quoted, unquoted shares and other equity	-9.9	63.0	-0.1	14.8	28.3	22.5	-15.0	-18.0
Mutual fund shares	8.5	70.5	-19.7	-59.7	-69.6	-77.6	-103.2	-116.5
Life insurance and pension fund reserves	252.7	292.9	285.8	276.7	266.7	252.0	240.2	231.9
Main items of financing (-)								
Loans	307.7	390.4	392.4	369.0	365.8	350.1	309.1	278.4
of which from euro area MFIs	277.8	358.5	348.3	317.4	303.2	283.2	251.5	198.9
Other changes in financial assets (+)								
Shares and other equity	282.8	451.5	484.3	594.5	226.0	-74.6	-727.2	-1,012.3
Life insurance and pension fund reserves	48.6	105.6	54.5	58.1	21.6	2.2	-67.5	-121.5
Remaining net flows (+)	-5.9	-46.5	-86.7	-105.9	-82.3	-59.5	-98.3	-89.3
= Changes in net worth [1]	798.4	989.0	982.3	1,104.2	697.7	428.7	-334.3	-653.9
Financial balance sheet								
Financial assets (+)								
Short-term assets	4,276.1	4,493.4	4,754.4	4,972.5	5,020.1	5,208.4	5,362.1	5,479.8
Currency and deposits	3,926.0	4,176.7	4,456.5	4,613.3	4,653.9	4,844.7	4,935.1	5,051.8
Money market fund shares	313.9	300.5	261.7	304.9	304.1	303.5	356.2	357.2
Debt securities [2]	36.1	16.2	36.2	54.3	62.2	60.2	70.7	70.8
Long-term assets	9,938.2	10,947.0	11,898.0	12,246.1	12,071.6	11,995.3	11,362.6	11,163.8
Deposits	894.2	946.2	946.1	920.4	920.1	880.9	828.0	822.8
Debt securities	1,226.1	1,206.3	1,312.9	1,299.6	1,300.9	1,349.3	1,380.9	1,387.0
Shares and other equity	3,967.8	4,546.0	5,050.0	5,277.9	5,057.4	4,921.9	4,317.8	4,095.4
Quoted, unquoted shares and other equity	2,802.2	3,208.3	3,632.0	3,854.0	3,674.0	3,572.2	3,144.2	2,973.0
Mutual fund shares	1,165.6	1,337.7	1,418.0	1,423.9	1,383.4	1,349.7	1,173.7	1,122.4
Life insurance and pension fund reserves	3,850.1	4,248.6	4,588.9	4,748.2	4,793.1	4,843.2	4,835.8	4,858.6
Remaining net assets (+)	112.1	67.0	18.9	9.8	5.6	-14.1	-45.5	-54.2
Liabilities (-)								
Loans	4,287.4	4,693.7	5,095.1	5,262.1	5,333.7	5,415.8	5,450.3	5,512.1
of which from euro area MFIs	3,812.5	4,210.4	4,559.5	4,708.9	4,769.8	4,827.8	4,863.3	4,889.7
= Net financial wealth	10,038.9	10,813.7	11,576.2	11,966.3	11,763.6	11,773.8	11,228.8	11,077.2

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

3.4 Non-financial corporations

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

	2004	2005	2006	2006 Q3-2007 Q2	2006 Q4-2007 Q3	2007 Q1-2007 Q4	2007 Q2-2008 Q1	2007 Q3-2008 Q2
Income and saving								
Gross value added (basic prices) (+)	3,990.1	4,128.9	4,318.5	4,440.4	4,499.5	4,554.8	4,598.8	4,641.2
Compensation of employees (-)	2,388.1	2,459.7	2,569.3	2,630.5	2,659.3	2,693.3	2,727.9	2,759.7
Other taxes less subsidies on production (-)	65.6	72.8	75.1	79.2	79.9	80.7	80.8	80.0
= Gross operating surplus (+)	1,536.4	1,596.4	1,674.1	1,730.7	1,760.3	1,780.8	1,790.1	1,801.6
Consumption of fixed capital (-)	636.9	667.3	698.0	718.3	726.9	735.6	742.1	748.6
= Net operating surplus (+)	899.5	929.1	976.2	1,012.5	1,033.4	1,045.2	1,048.0	1,053.0
Property income receivable (+)	373.1	436.4	499.1	541.1	557.3	572.2	581.0	587.6
Interest receivable	125.1	136.1	158.3	170.1	177.5	184.6	189.9	195.0
Other property income receivable	248.0	300.4	340.9	371.0	379.8	387.6	391.0	392.5
Interest and rents payable (-)	226.3	236.4	278.5	303.7	317.3	331.4	344.9	357.0
= Net entrepreneurial income (+)	1,046.3	1,129.2	1,196.8	1,249.8	1,273.4	1,286.0	1,284.1	1,283.5
Distributed income (-)	744.0	843.4	904.1	937.2	952.1	963.2	972.5	988.5
Taxes on income and wealth payable (-)	135.4	148.6	187.5	198.1	205.0	208.7	209.6	206.9
Social contributions receivable (+)	73.5	72.7	77.1	72.0	68.9	66.8	65.8	66.2
Social benefits payable (-)	60.4	60.6	62.5	63.4	64.0	64.5	64.5	64.4
Other net transfers (-)	59.9	61.5	64.3	58.8	55.9	54.9	54.8	56.7
= Net saving	120.1	87.8	55.5	64.4	65.2	61.5	48.5	33.1
Investment, financing and saving								
Net acquisition of non-financial assets (+)	218.1	245.0	289.6	310.7	321.0	341.9	352.8	364.5
Gross fixed capital formation (+)	847.9	903.6	971.6	1,016.7	1,034.3	1,055.4	1,069.0	1,081.4
Consumption of fixed capital (-)	636.9	667.3	698.0	718.3	726.9	735.6	742.1	748.6
Net acquisition of other non-financial assets (+)	7.1	8.6	15.9	12.3	13.6	22.1	25.9	31.8
Main items of financial investment (+)								
Short-term assets	103.3	127.6	154.5	200.7	171.8	168.6	157.7	120.1
Currency and deposits	88.9	112.9	144.5	163.4	157.6	148.3	116.3	110.8
Money market fund shares	16.5	8.6	3.7	23.5	-9.2	-18.8	-7.5	-9.0
Debt securities [1]	-2.1	6.1	6.3	13.8	23.4	39.2	48.9	18.3
Long-term assets	197.7	380.1	410.2	434.8	476.1	468.7	475.6	443.9
Deposits	0.8	25.2	26.6	40.3	30.3	26.0	3.2	-19.1
Debt securities	-52.3	-32.6	-22.5	-45.7	-58.8	-74.1	-88.7	-115.9
Shares and other equity	190.1	244.6	231.0	244.8	289.1	323.4	367.7	383.9
Other, mainly intercompany loans	59.1	142.8	175.1	195.4	215.5	193.5	193.3	195.0
Remaining net assets (+)	70.8	88.1	201.8	180.2	199.3	160.1	105.4	30.8
Main items of financing (-)								
Debt	202.2	433.2	701.8	731.4	757.1	766.6	766.6	685.6
of which loans from euro area MFIs	164.8	264.5	449.8	484.2	522.4	559.5	593.3	563.3
of which debt securities	7.7	10.7	37.5	48.5	28.7	34.7	36.1	11.1
Shares and other equity	201.8	260.6	230.2	256.7	271.6	247.8	210.0	173.1
Quoted shares	11.6	101.3	38.6	68.5	82.5	42.3	21.8	-12.6
Unquoted shares and other equity	190.2	159.2	191.6	188.2	189.0	205.5	188.2	185.7
Net capital transfers receivable (-)	65.7	59.3	68.6	71.7	72.0	64.3	67.1	71.0
= Net saving	120.1	87.8	55.5	64.4	65.2	61.5	48.5	33.1
Financial balance sheet								
Financial assets								
Short-term assets	1,376.8	1,506.4	1,654.2	1,740.2	1,754.5	1,823.9	1,838.2	1,851.6
Currency and deposits	1,102.6	1,220.7	1,356.8	1,405.0	1,429.0	1,499.7	1,478.9	1,513.1
Money market fund shares	163.7	176.3	185.9	205.2	185.8	162.3	186.9	185.7
Debt securities [1]	110.5	109.5	111.5	130.0	139.8	161.9	172.3	152.7
Long-term assets	7,563.9	8,586.4	9,842.1	10,570.6	10,464.0	10,564.9	9,908.9	9,701.9
Deposits	154.0	196.6	227.7	284.5	276.2	274.1	268.1	258.1
Debt securities	322.8	279.1	270.6	240.5	197.8	196.0	181.4	153.1
Shares and other equity	5,389.6	6,266.3	7,319.0	7,900.9	7,798.5	7,855.0	7,184.3	6,961.9
Other, mainly intercompany loans	1,697.5	1,844.3	2,024.8	2,144.7	2,191.4	2,239.8	2,275.0	2,328.7
Remaining net assets	298.8	374.3	473.1	543.5	538.1	571.3	586.6	519.9
Liabilities								
Debt	6,547.0	7,030.7	7,732.9	8,170.8	8,298.4	8,488.8	8,655.1	8,828.6
of which loans from euro area MFIs	3,160.8	3,433.0	3,872.5	4,122.6	4,247.9	4,407.4	4,547.6	4,671.0
of which debt securities	651.5	671.3	688.9	725.7	709.8	714.9	720.5	723.4
Shares and other equity	9,580.4	10,924.1	12,720.3	13,810.3	13,626.5	13,640.3	12,267.3	11,855.0
Quoted shares	2,992.7	3,689.3	4,464.6	5,040.7	4,960.8	4,981.0	4,197.8	3,969.9
Unquoted shares and other equity	6,587.7	7,234.8	8,255.7	8,769.5	8,665.8	8,659.3	8,069.5	7,885.0

Sources: ECB and Eurostat.

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

3.5 Insurance corporations and pension funds

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

	2004	2005	2006	2006 Q3-2007 Q2	2006 Q4-2007 Q3	2007 Q1-2007 Q4	2007 Q2-2008 Q1	2007 Q3-2008 Q2
Financial account, financial transactions								
Main items of financial investment (+)								
Short-term assets	40.1	26.1	50.9	54.0	47.1	41.4	61.5	73.4
Currency and deposits	13.2	7.2	12.4	2.4	8.9	7.8	32.5	34.1
Money market fund shares	2.7	0.4	3.7	3.6	0.3	0.0	10.6	8.9
Debt securities [1]	24.2	18.5	34.8	48.0	37.9	33.6	18.4	30.3
Long-term assets	222.1	293.9	326.2	286.0	267.9	241.1	232.4	189.2
Deposits	36.7	16.5	76.6	66.6	66.6	52.8	29.7	16.8
Debt securities	131.9	132.4	132.5	154.1	153.6	131.3	110.2	94.0
Loans	7.4	-4.0	1.5	-16.2	-21.7	-17.5	16.6	16.7
Quoted shares	12.7	32.5	2.4	5.3	3.4	-1.4	2.9	1.1
Unquoted shares and other equity	2.6	30.2	29.3	20.2	23.8	23.6	42.7	38.9
Mutual fund shares	30.8	86.3	83.8	55.9	42.2	52.2	30.3	21.7
Remaining net assets (+)	10.4	11.8	21.2	28.4	31.3	1.7	-3.1	-0.4
Main items of financing (-)								
Debt securities	-1.7	-0.4	5.2	3.9	3.0	1.1	1.0	2.0
Loans	4.6	17.4	40.3	27.8	22.2	7.2	31.7	17.8
Shares and other equity	12.3	13.9	10.7	12.8	9.2	1.5	1.7	4.2
Insurance technical reserves	262.6	334.3	332.4	337.0	324.5	304.7	286.8	272.8
Net equity of households in life insurance and pension fund reserves	231.0	292.1	282.7	280.3	277.2	267.0	255.5	241.1
Prepayments of insurance premiums and reserves for outstanding claims	31.6	42.2	49.7	56.7	47.3	37.6	31.2	31.7
= Changes in net financial worth due to transactions	-5.1	-33.4	9.6	-13.0	-12.7	-30.3	-30.3	-34.6
Other changes account								
Other changes in financial assets (+)								
Shares and other equity	111.0	182.1	177.3	237.9	124.9	-2.8	-186.4	-321.1
Other net assets	142.0	70.8	-34.6	-78.8	-101.2	-50.2	0.2	-5.6
Other changes in liabilities (-)								
Shares and other equity	21.2	118.3	47.2	98.5	14.8	-20.9	-91.9	-153.1
Insurance technical reserves	83.7	137.9	52.7	62.6	24.7	15.2	-58.3	-135.3
Net equity of households in life insurance and pension fund reserves	63.9	147.0	56.0	61.7	25.0	1.3	-70.9	-147.1
Prepayments of insurance premiums and reserves for outstanding claims	19.8	-9.1	-3.3	0.8	-0.3	13.9	12.6	11.9
= Other changes in net financial worth	148.0	-3.2	42.7	-2.0	-15.8	-47.3	-36.0	-38.2
Financial balance sheet								
Financial assets (+)								
Short-term assets	401.7	432.5	484.4	511.5	515.7	521.1	562.8	580.2
Currency and deposits	133.6	142.7	154.6	144.4	154.0	163.2	190.9	179.9
Money market fund shares	72.2	74.3	80.4	84.2	81.0	78.2	88.0	87.4
Debt securities [1]	195.8	215.5	249.4	282.9	280.7	279.8	283.9	312.8
Long-term assets	4,097.8	4,611.7	5,051.3	5,232.0	5,256.8	5,240.5	5,157.5	5,083.8
Deposits	500.6	520.8	598.0	637.2	647.0	647.8	646.4	650.4
Debt securities	1,617.1	1,776.4	1,851.2	1,892.4	1,931.8	1,939.5	1,973.2	1,966.2
Loans	348.2	353.2	350.3	335.0	332.7	327.7	354.3	353.2
Quoted shares	590.3	649.6	729.4	775.5	766.3	735.0	663.7	612.6
Unquoted shares and other equity	350.3	403.3	474.6	493.7	484.3	497.4	479.0	466.0
Mutual fund shares	691.3	908.5	1,047.7	1,098.3	1,094.8	1,093.1	1,040.8	1,035.4
Remaining net assets (+)	138.2	178.5	223.5	211.1	220.8	224.7	240.1	223.1
Liabilities (-)								
Debt securities	22.3	21.3	26.7	26.5	26.1	27.1	26.1	26.6
Loans	118.0	136.2	171.8	190.9	195.1	175.9	209.6	207.4
Shares and other equity	497.7	629.9	687.8	731.3	697.6	668.3	613.9	582.3
Insurance technical reserves	4,106.9	4,579.2	4,964.3	5,158.5	5,216.3	5,284.2	5,289.8	5,296.1
Net equity of households in life insurance and pension fund reserves	3,474.5	3,913.5	4,252.3	4,419.8	4,471.8	4,520.7	4,515.2	4,513.8
Prepayments of insurance premiums and reserves for outstanding claims	632.5	665.6	712.0	738.7	744.5	763.5	774.6	782.2
= Net financial wealth	-107.1	-143.8	-91.5	-152.5	-141.8	-169.2	-179.1	-225.4

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

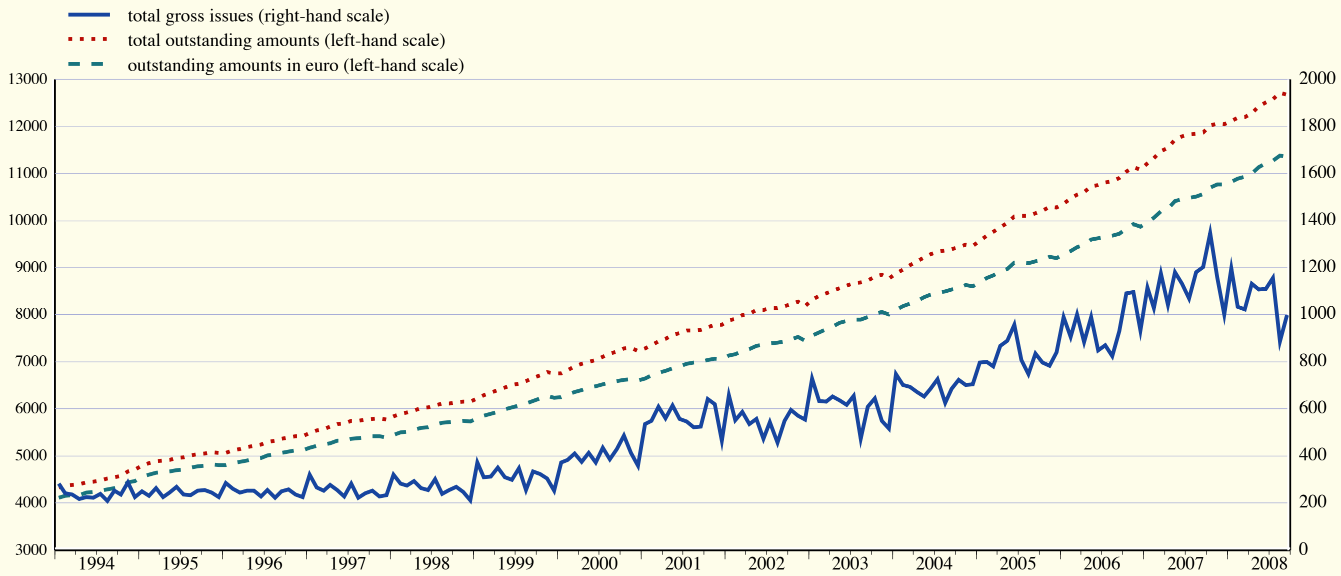
4.1 Securities, other than shares, by original maturity, residency of the issuer and currency

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

	Total in euro [1]			By euro area residents								
				In euro			In all currencies					
	Outstanding amounts	Gross issues	Net issues	Outstanding amounts	Gross issues	Net issues	Outstanding amounts	Gross issues	Net issues	Annual growth rates	Seasonally adjusted [2] Net issues	Seasonally adjusted [2] 6-month growth rates
	1	2	3	4	5	6	7	8	9	10	11	12
						Total						
2007 Sep.	12,653.3	1,243.6	88.5	10,565.6	1,154.1	53.5	11,877.7	1,201.8	43.6	9.0	63.9	8.0
Oct.	12,762.9	1,350.5	108.3	10,696.1	1,279.0	129.4	12,024.0	1,348.2	147.0	9.1	115.1	9.0
Nov.	12,851.8	1,176.4	87.0	10,767.2	1,108.1	69.1	12,068.9	1,160.3	64.0	8.6	52.1	7.5
Dec.	12,877.0	1,039.8	28.3	10,763.7	958.2	-0.5	12,049.6	1,001.4	-17.8	9.0	97.8	8.2
2008 Jan.	12,910.8	1,199.8	37.7	10,818.1	1,130.1	58.4	12,117.8	1,195.9	68.0	8.5	27.7	7.5
Feb.	12,993.0	1,024.8	82.4	10,890.4	966.2	72.5	12,178.7	1,034.3	75.7	8.0	45.0	6.9
Mar.	13,099.1	1,071.3	106.0	10,937.6	966.9	46.9	12,196.2	1,022.4	44.7	7.1	20.2	6.1
Apr.	13,149.7	1,159.0	50.7	11,003.5	1,067.4	66.0	12,274.9	1,132.3	78.0	7.1	58.9	5.1
May	13,326.9	1,123.8	177.2	11,141.3	1,034.0	137.8	12,436.4	1,107.9	152.7	6.7	97.0	5.8
June	13,463.3	1,152.8	134.6	11,216.5	1,037.5	73.7	12,508.0	1,109.8	79.9	6.9	87.3	5.6
July	13,479.0	1,135.0	10.0	11,277.6	1,069.6	54.9	12,585.9	1,156.5	74.2	7.1	96.4	6.8
Aug.	13,600.7	877.8	123.2	11,381.6	813.4	105.6	12,713.3	887.4	112.3	7.8	163.4	8.8
Sep.	13,604.2	1,018.5	0.9	11,350.1	927.2	-33.9	12,675.9	999.7	-40.8	7.1	-12.8	8.2
						Long-term						
2007 Sep.	11,408.8	157.6	21.5	9,487.9	132.2	13.7	10,624.6	146.6	12.3	8.0	20.6	6.1
Oct.	11,485.7	237.0	78.0	9,551.8	200.8	65.2	10,687.0	225.2	72.3	7.7	69.6	6.6
Nov.	11,566.2	175.4	78.9	9,612.1	141.8	58.6	10,729.3	156.7	55.5	7.1	38.3	5.3
Dec.	11,622.3	198.1	56.7	9,659.4	164.1	47.9	10,763.6	175.4	36.8	7.4	72.6	5.7
2008 Jan.	11,621.2	194.5	2.2	9,652.2	166.3	-3.8	10,760.8	190.1	1.5	6.7	15.9	5.1
Feb.	11,668.0	181.7	46.8	9,701.2	162.4	49.0	10,803.0	186.8	51.3	6.1	28.9	4.7
Mar.	11,704.0	179.3	36.1	9,726.8	144.5	25.5	10,801.7	159.6	22.4	5.3	12.8	4.5
Apr.	11,790.8	258.2	86.9	9,789.9	207.0	63.2	10,874.7	224.8	68.5	5.5	64.2	4.4
May	11,943.2	289.5	152.6	9,902.5	233.7	112.8	10,997.6	256.3	122.0	5.2	68.4	5.0
June	12,057.0	281.9	114.0	9,989.7	228.4	87.4	11,083.6	251.5	94.7	5.3	67.8	4.8
July	12,086.0	205.7	24.1	10,024.2	175.7	29.3	11,125.9	194.0	35.0	5.4	59.9	5.7
Aug.	12,172.0	157.6	87.3	10,099.3	131.6	76.4	11,221.9	147.3	78.2	6.2	133.7	7.7
Sep.	12,161.6	181.2	-10.6	10,078.3	143.5	-21.1	11,208.9	157.9	-29.1	5.8	-15.4	7.1

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

(EUR billions)



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

1) Total euro-denominated securities, other than shares, issued by euro area residents and non-euro area residents.

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

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

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

1. Outstanding amounts and gross issues

	Outstanding amounts						Gross issues [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												
2006	11,088	4,573	1,166	626	4,419	304	947	700	36	93	112	7
2007	12,050	5,054	1,474	676	4,531	315	1,136	841	46	122	121	7
2007 Q4	12,050	5,054	1,474	676	4,531	315	1,170	888	65	109	101	7
2008 Q1	12,196	5,095	1,491	681	4,616	313	1,084	786	24	106	159	9
Q2	12,508	5,236	1,597	693	4,666	317	1,117	786	52	119	153	7
Q3	12,676	5,276	1,639	727	4,716	318	1,015	691	28	122	167	7
2008 June	12,508	5,236	1,597	693	4,666	317	1,110	775	69	117	143	7
July	12,586	5,287	1,613	695	4,672	319	1,157	812	32	114	190	9
Aug.	12,713	5,319	1,638	725	4,711	321	887	586	32	136	128	6
Sep.	12,676	5,276	1,639	727	4,716	318	1,000	674	21	115	183	7
Short-term												
2006	1,014	575	16	89	330	4	766	616	5	85	57	3
2007	1,286	787	19	117	357	6	946	754	5	113	69	3
2007 Q4	1,286	787	19	117	357	6	984	809	7	101	64	3
2008 Q1	1,394	817	32	128	411	6	905	700	7	102	93	4
Q2	1,424	833	36	129	418	8	872	665	5	109	89	5
Q3	1,467	824	49	125	462	8	848	614	9	108	114	4
2008 June	1,424	833	36	129	418	8	858	650	7	109	88	4
July	1,460	845	44	131	432	7	963	719	11	109	120	3
Aug.	1,491	859	50	129	445	8	740	521	9	105	102	3
Sep.	1,467	824	49	125	462	8	842	602	5	110	120	4
Long-term [2]												
2006	10,074	3,998	1,150	536	4,089	301	181	84	30	8	54	5
2007	10,764	4,267	1,455	559	4,174	309	190	86	41	8	52	3
2007 Q4	10,764	4,267	1,455	559	4,174	309	186	79	58	9	37	4
2008 Q1	10,802	4,278	1,460	552	4,205	306	179	86	17	4	67	5
Q2	11,084	4,403	1,561	564	4,247	309	244	121	47	10	64	3
Q3	11,209	4,452	1,590	602	4,255	311	166	77	19	14	53	3
2008 June	11,084	4,403	1,561	564	4,247	309	252	125	61	7	55	3
July	11,126	4,442	1,569	564	4,239	311	194	93	20	5	71	6
Aug.	11,222	4,460	1,588	595	4,266	313	147	66	23	31	26	2
Sep.	11,209	4,452	1,590	602	4,255	311	158	72	15	5	63	3
Of which long-term fixed rate												
2006	7,058	2,135	544	410	3,731	237	108	40	12	5	48	3
2007	7,322	2,272	588	423	3,788	250	107	44	10	5	45	3
2007 Q4	7,322	2,272	588	423	3,788	250	93	43	8	6	33	3
2008 Q1	7,302	2,270	582	415	3,789	246	110	43	4	3	56	3
Q2	7,469	2,357	600	427	3,836	248	145	66	11	9	56	2
Q3	7,528	2,383	614	434	3,849	248	101	42	7	3	47	2
2008 June	7,469	2,357	600	427	3,836	248	147	78	13	6	48	2
July	7,479	2,383	598	427	3,822	250	124	52	2	3	64	3
Aug.	7,517	2,386	606	430	3,844	251	66	32	9	2	21	1
Sep.	7,528	2,383	614	434	3,849	248	112	42	10	4	55	2
Of which long-term variable rate												
2006	2,596	1,513	594	113	312	64	60	34	18	3	4	1
2007	2,985	1,617	848	125	338	58	69	31	30	3	4	0
2007 Q4	2,985	1,617	848	125	338	58	80	25	49	2	3	1
2008 Q1	3,028	1,629	856	126	357	60	53	32	11	1	7	2
Q2	3,158	1,676	936	126	360	60	87	46	35	1	4	1
Q3	3,208	1,693	949	158	345	61	51	24	11	11	4	1
2008 June	3,158	1,676	936	126	360	60	92	39	47	2	5	0
July	3,179	1,682	945	128	363	61	52	26	17	2	4	2
Aug.	3,236	1,696	956	156	366	62	72	27	13	29	3	1
Sep.	3,208	1,693	949	158	345	61	29	19	5	2	4	1

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

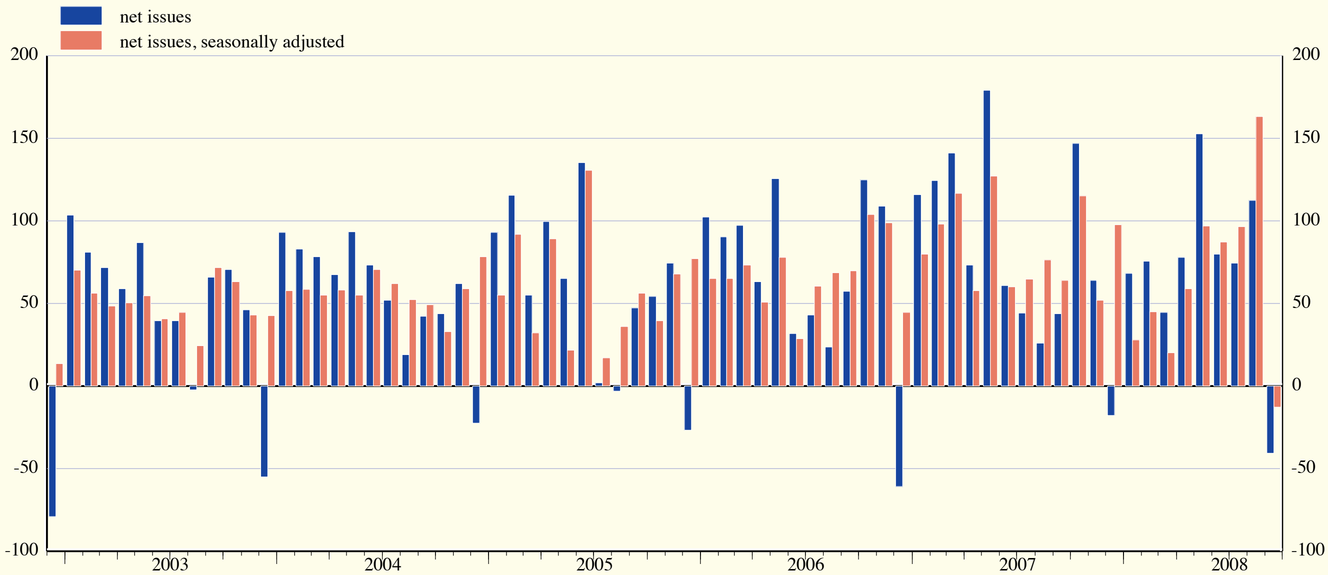
(EUR billions unless otherwise indicated; transactions during the period; nominal values)

2. Net issues

	Non-seasonally adjusted [1]: Total	MFIs (including Eurosystem)	Non-MFI corporations: Financial corporations other than MFIs	Non-MFI corporations: Non-financial corporations	General government: Central government	General government: Other general government	Seasonally adjusted [1]: Total	MFIs (including Eurosystem)	Non-MFI corporations: Financial corporations other than MFIs	Non-MFI corporations: Non-financial corporations	General government: Central government	General government: Other general government
	1	2	3	4	5	6	7	8	9	10	11	12
						Total						
2006	67.3	35.2	20.2	2.4	7.5	1.9	67.3	35.5	19.9	2.4	7.5	1.9
2007	83.5	40.4	27.5	4.6	10.0	0.9	84.1	41.0	27.0	4.8	10.4	0.9
2007 Q4	64.4	31.9	47.9	4.0	-21.0	1.6	88.3	42.5	31.8	6.0	7.1	0.9
2008 Q1	62.8	23.1	8.0	2.8	29.6	-0.6	31.0	3.9	17.4	1.7	8.7	-0.8
Q2	103.5	46.2	35.3	4.3	16.5	1.3	81.1	48.1	31.2	0.1	0.7	1.0
Q3	48.6	12.6	11.0	10.0	14.6	0.4	82.3	20.5	23.9	13.4	22.9	1.6
2008 June	79.9	13.2	52.3	-1.9	16.1	0.2	87.3	48.8	42.6	-2.8	-0.3	-0.9
July	74.2	49.0	15.7	2.0	5.7	1.9	96.4	47.4	17.2	1.8	27.1	2.9
Aug.	112.3	26.0	20.9	28.0	35.3	2.1	163.4	40.1	39.4	33.1	47.1	3.7
Sep.	-40.8	-37.1	-3.4	-0.1	2.8	-2.9	-12.8	-26.0	15.2	5.5	-5.6	-1.9
						Long-term						
2006	63.0	29.0	19.7	2.2	10.1	1.9	62.9	29.1	19.4	2.2	10.2	1.9
2007	61.7	23.8	27.2	2.4	7.7	0.7	61.3	23.9	26.7	2.3	7.7	0.7
2007 Q4	54.9	9.5	44.9	2.4	-3.7	1.6	60.2	17.6	29.1	2.0	10.7	0.8
2008 Q1	25.0	11.5	3.8	-1.0	11.4	-0.7	19.2	2.4	13.1	1.5	2.9	-0.8
Q2	95.1	42.6	33.7	4.0	14.0	0.8	66.8	36.2	29.7	0.4	-0.2	0.7
Q3	28.0	8.8	7.0	11.3	0.6	0.5	59.4	16.6	19.3	12.9	9.0	1.6
2008 June	94.7	35.3	47.9	-0.8	11.7	0.6	67.8	39.1	38.7	-5.9	-3.4	-0.7
July	35.0	32.4	8.1	0.4	-8.2	2.3	59.9	32.9	9.2	0.4	13.7	3.7
Aug.	78.2	9.3	14.6	29.2	23.1	2.0	133.7	27.2	34.1	32.0	36.9	3.5
Sep.	-29.1	-15.4	-1.7	4.2	-13.1	-3.0	-15.4	-10.4	14.7	6.3	-23.6	-2.4

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

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

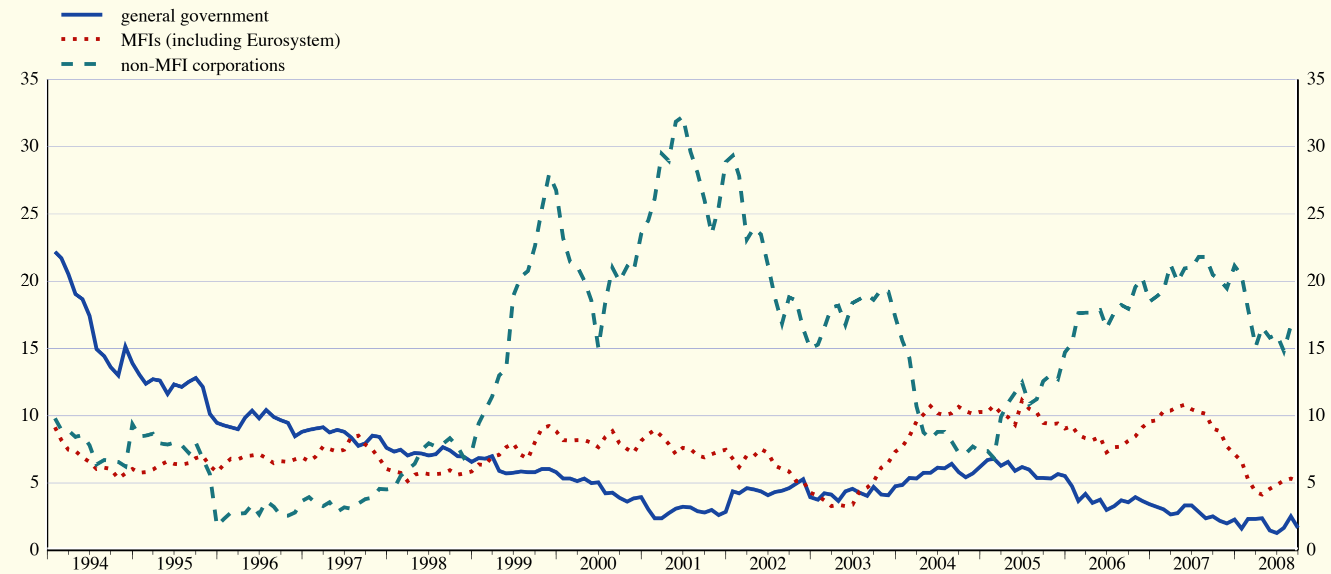


Source: ECB.
1) Monthly averages of/monthly data for the transactions during this period.

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						
2007 Sep.	9.0	10.9	27.0	8.2	3.2	4.2	8.0	9.7	18.6	9.0	3.5	3.2
Oct.	9.1	11.0	26.9	8.9	3.0	5.4	9.0	10.4	25.9	9.1	3.4	4.5
Nov.	8.6	10.4	25.6	9.0	2.7	4.2	7.5	9.3	22.7	8.8	1.6	5.2
Dec.	9.0	10.6	28.4	8.9	2.7	3.6	8.2	10.4	26.6	5.7	1.5	5.5
2008 Jan.	8.5	10.0	27.0	10.7	2.2	3.1	7.5	9.8	24.0	5.9	0.9	4.8
Feb.	8.0	8.7	24.4	10.1	2.9	2.8	6.9	7.5	22.2	8.1	2.1	2.4
Mar.	7.1	7.7	20.8	8.1	2.8	1.7	6.1	5.7	23.0	7.1	2.1	0.2
Apr.	7.1	7.2	23.0	6.7	2.9	1.1	5.1	4.1	20.0	4.2	2.4	-2.2
May	6.7	7.9	21.9	6.4	1.6	3.0	5.8	6.3	20.9	3.7	1.6	0.8
June	6.9	8.2	23.8	3.7	1.4	2.9	5.6	6.2	21.2	1.6	1.2	0.5
July	7.1	8.5	22.6	2.7	2.0	3.9	6.8	7.4	21.2	-0.3	3.1	2.9
Aug.	7.8	8.3	23.2	8.7	2.9	4.4	8.8	9.2	24.0	9.5	3.7	6.2
Sep.	7.1	6.9	23.0	9.5	2.6	2.5	8.2	8.2	23.4	12.2	3.1	5.1
						Long-term						
2007 Sep.	8.0	9.1	27.9	5.8	2.4	3.5	6.1	5.8	19.6	5.4	2.9	1.7
Oct.	7.7	8.9	27.0	5.7	2.0	4.6	6.6	5.6	25.6	4.9	2.7	2.8
Nov.	7.1	7.7	25.8	6.1	1.9	3.1	5.3	4.6	21.9	5.5	1.4	3.2
Dec.	7.4	7.1	28.6	5.3	2.3	2.7	5.7	4.2	25.6	1.9	2.0	4.1
2008 Jan.	6.7	6.6	27.1	6.0	1.6	2.2	5.1	4.1	23.0	3.7	1.0	3.1
Feb.	6.1	5.3	23.3	5.9	2.3	1.9	4.7	2.9	19.1	4.5	2.3	0.9
Mar.	5.3	4.3	19.7	4.6	2.4	0.9	4.5	2.9	19.7	3.8	2.0	0.1
Apr.	5.5	4.2	21.8	4.5	2.5	0.5	4.4	2.7	18.2	4.1	2.3	-1.9
May	5.2	4.5	20.5	4.9	1.4	1.8	5.0	4.5	18.9	4.3	1.4	0.6
June	5.3	4.9	22.1	2.0	1.2	1.9	4.8	5.5	18.9	2.0	0.4	-0.1
July	5.4	5.2	20.2	1.9	1.5	3.1	5.7	6.2	17.6	0.2	2.1	3.0
Aug.	6.2	5.3	20.4	7.8	2.4	3.5	7.7	7.8	21.8	11.3	2.5	6.2
Sep.	5.8	5.1	20.3	9.1	1.6	2.2	7.1	7.5	21.1	14.8	1.3	4.5

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



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

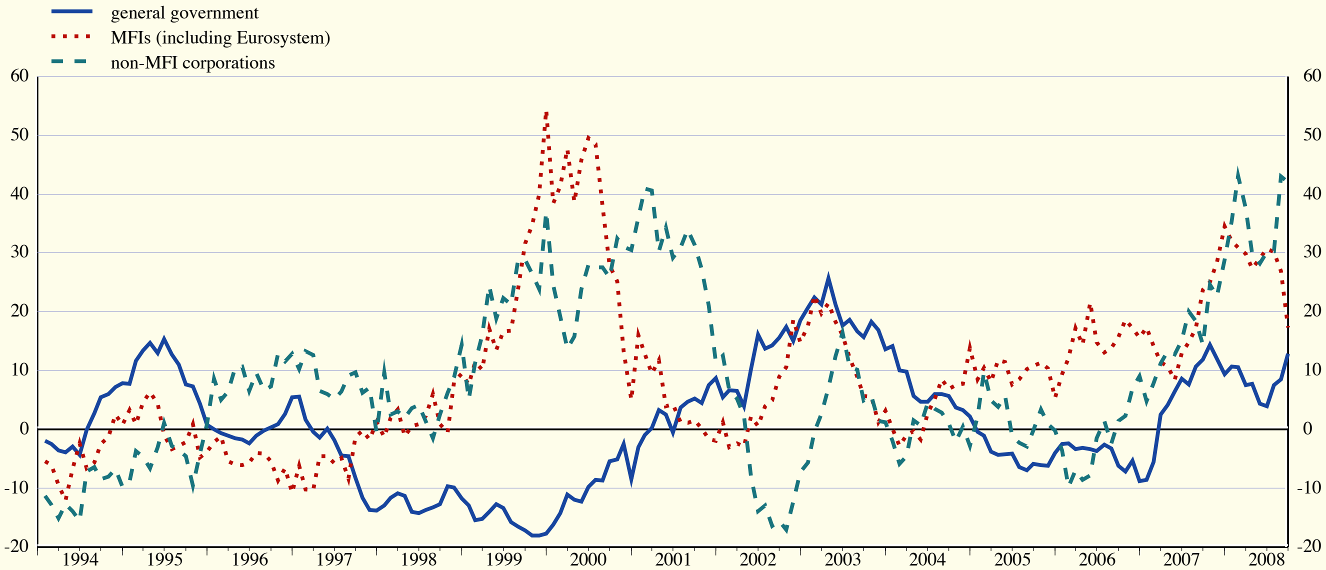
4.3 Growth rates of securities, other than shares, issued by euro area residents [1] (cont'd)

(percentage changes)

	Long-term fixed rate						Long-term variable rate					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			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											
2006	4.5	4.7	14.1	0.3	3.2	13.5	16.1	11.9	40.2	25.6	5.0	4.3
2007	5.1	7.1	17.4	3.8	2.4	6.6	15.7	11.1	37.9	18.0	3.8	-1.8
2007 Q4	4.5	6.7	13.1	4.7	1.8	6.3	15.1	9.1	39.4	14.2	4.8	-6.5
2008 Q1	3.3	5.3	8.4	4.4	1.3	3.3	14.3	6.0	38.6	12.6	11.4	-3.2
Q2	2.7	4.3	5.2	3.7	1.3	1.4	12.2	5.0	33.5	8.5	7.6	0.4
Q3	3.1	5.6	5.1	3.2	1.4	1.9	12.5	5.3	32.0	14.1	6.3	6.0
2008 Apr.	2.7	3.7	5.0	3.8	1.7	0.8	12.4	4.6	35.6	9.7	7.2	-1.0
May	2.6	4.7	4.6	4.7	1.0	1.7	12.3	5.4	32.6	8.4	6.9	2.0
June	2.8	5.3	6.2	2.3	0.9	1.9	12.0	4.9	34.0	2.7	5.4	1.6
July	3.0	5.7	4.8	2.6	1.2	2.1	11.7	5.1	31.3	2.2	5.7	6.6
Aug.	3.4	5.6	4.4	3.4	1.9	2.4	13.7	5.7	32.2	25.7	9.3	7.0
Sep.	3.1	5.6	5.8	4.8	1.1	0.7	12.4	5.1	31.0	26.2	2.6	7.4
	In euro											
2006	3.8	3.1	11.5	-0.4	3.2	13.7	14.9	10.2	36.6	27.9	5.2	3.5
2007	4.5	6.4	14.1	2.0	2.7	6.7	15.0	10.3	35.5	17.7	3.9	-2.4
2007 Q4	4.0	6.2	10.8	3.1	2.1	6.6	14.8	8.7	37.8	12.8	4.9	-7.1
2008 Q1	2.9	4.9	7.1	2.9	1.5	3.5	14.8	5.8	39.0	11.8	11.7	-4.0
Q2	2.4	3.9	4.6	1.7	1.5	1.4	13.4	5.6	34.9	8.2	8.0	-1.2
Q3	3.0	5.5	6.1	0.8	1.6	1.8	14.4	6.7	33.9	15.7	6.7	4.6
2008 Apr.	2.4	3.3	4.0	1.7	1.9	0.8	13.5	5.0	37.2	9.1	7.6	-2.6
May	2.3	4.3	4.1	2.8	1.1	1.8	13.6	6.4	33.9	8.2	7.2	0.5
June	2.5	5.1	6.6	-0.2	1.1	1.9	13.6	6.3	35.1	3.1	5.8	0.1
July	2.8	5.6	5.3	0.2	1.5	2.0	13.5	6.5	33.4	2.8	6.1	5.2
Aug.	3.3	5.5	6.0	0.9	2.2	2.1	15.7	7.1	34.3	28.4	9.8	5.6
Sep.	3.0	5.7	7.5	2.7	1.4	0.4	14.4	6.8	33.2	28.8	2.9	6.3

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

(annual percentage changes)



Source: ECB.

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

4.4 Quoted shares issued by euro area residents [1]

(EUR billions, unless otherwise indicated; market values)

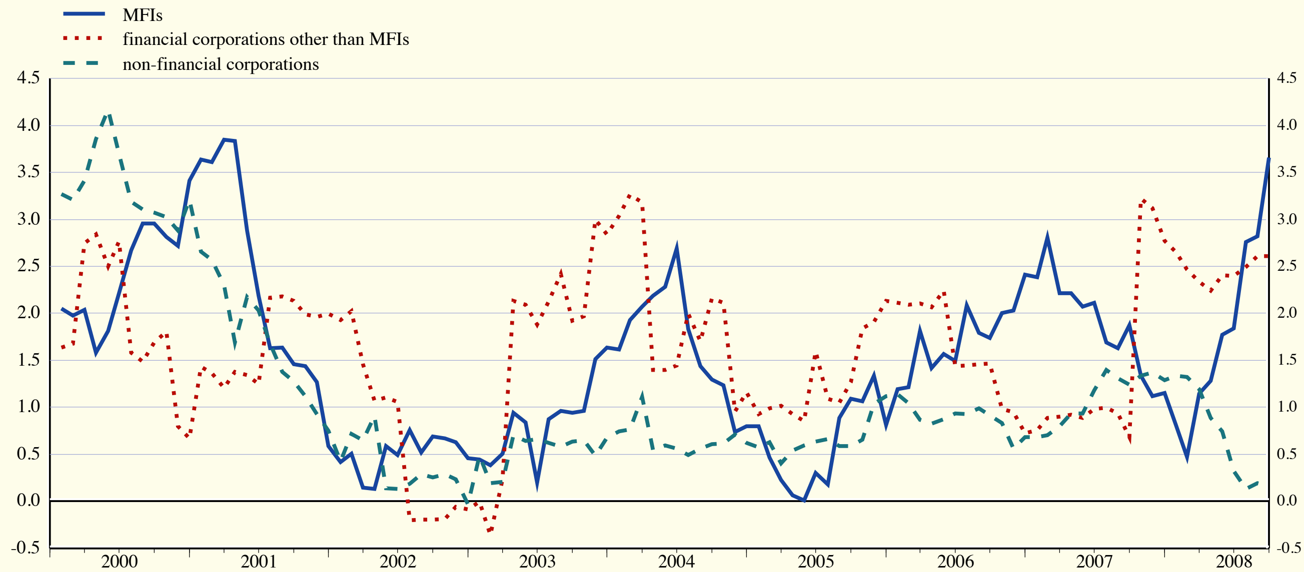
1. Outstanding amounts and annual growth rates

(outstanding amounts as end-of-period)

	Total			MFIs		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
2006 Sep.	5,728.5	103.6	1.1	991.8	1.7	616.7	1.5	4,120.0	0.9
Oct.	5,917.6	103.6	1.1	1,022.4	2.0	623.8	1.0	4,271.4	0.8
Nov.	5,972.2	103.7	0.9	1,031.8	2.0	613.6	0.9	4,326.8	0.6
Dec.	6,190.9	103.9	1.0	1,063.9	2.4	633.2	0.7	4,493.7	0.7
2007 Jan.	6,369.9	104.0	1.0	1,123.5	2.4	646.2	0.8	4,600.2	0.7
Feb.	6,283.9	104.1	1.1	1,092.8	2.8	637.8	0.9	4,553.3	0.7
Mar.	6,510.1	104.1	1.1	1,111.4	2.2	649.3	0.9	4,749.4	0.8
Apr.	6,760.5	104.3	1.2	1,168.6	2.2	675.5	0.9	4,916.3	0.9
May	7,040.4	104.4	1.1	1,174.5	2.1	688.8	0.9	5,177.0	0.9
June	6,961.9	104.7	1.3	1,128.6	2.1	677.1	1.0	5,156.1	1.2
July	6,731.4	104.9	1.4	1,099.8	1.7	608.8	1.0	5,022.7	1.4
Aug.	6,618.1	104.9	1.3	1,060.2	1.6	583.8	0.9	4,974.1	1.3
Sep.	6,682.2	104.9	1.3	1,048.8	1.9	597.2	0.7	5,036.1	1.2
Oct.	6,936.7	105.2	1.5	1,072.8	1.3	629.2	3.2	5,234.7	1.3
Nov.	6,622.4	105.3	1.5	1,032.7	1.1	579.2	3.1	5,010.5	1.4
Dec.	6,578.8	105.4	1.4	1,017.2	1.2	579.0	2.8	4,982.7	1.3
2008 Jan.	5,756.8	105.4	1.4	887.9	0.8	497.3	2.6	4,371.5	1.3
Feb.	5,811.0	105.5	1.3	858.2	0.5	492.4	2.5	4,460.5	1.3
Mar.	5,557.5	105.5	1.3	858.5	1.1	501.3	2.3	4,197.7	1.2
Apr.	5,738.4	105.5	1.1	835.2	1.3	519.4	2.2	4,383.7	0.9
May	5,712.3	105.5	1.0	768.9	1.8	497.1	2.4	4,446.3	0.7
June	5,069.5	105.5	0.7	663.2	1.8	435.8	2.4	3,970.6	0.3
July	4,962.2	105.7	0.7	689.5	2.8	428.2	2.5	3,844.5	0.1
Aug.	5,038.0	105.7	0.8	663.5	2.8	438.4	2.6	3,936.1	0.2
Sep.	4,423.5	105.8	0.8	610.1	3.7	382.2	2.6	3,431.3	0.2

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

(annual percentage changes)



Source: ECB.

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

4.4 Quoted shares issued by euro area residents [1]

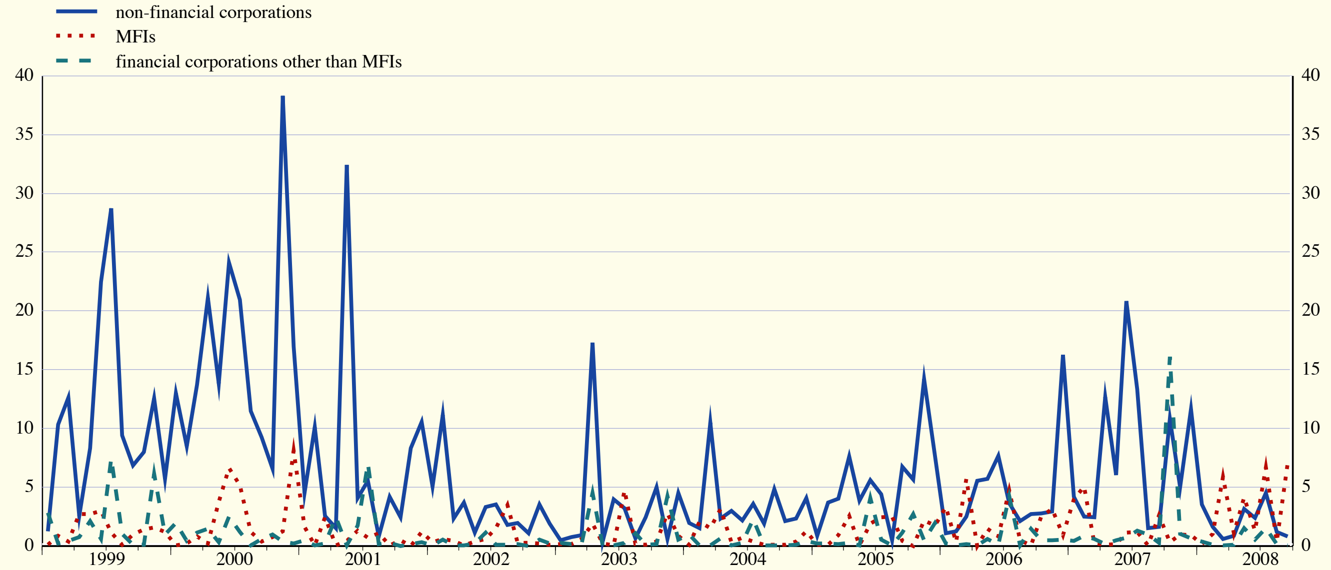
(EUR billions; market values)

2. Transactions during the month

	Total			MFIs			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
2006 Sep.	4.2	0.5	3.7	0.0	0.0	0.0	1.5	0.0	1.4	2.7	0.5	2.2
Oct.	5.7	1.2	4.5	2.5	0.0	2.5	0.5	0.0	0.5	2.7	1.2	1.5
Nov.	6.5	2.0	4.5	3.1	0.0	3.1	0.5	0.2	0.3	2.9	1.8	1.1
Dec.	17.7	5.1	12.6	0.9	0.3	0.6	0.5	0.0	0.5	16.3	4.7	11.6
2007 Jan.	8.5	3.9	4.6	4.0	0.1	3.8	0.4	0.0	0.4	4.1	3.8	0.3
Feb.	8.4	2.0	6.3	5.0	0.0	5.0	0.9	0.0	0.9	2.5	2.0	0.5
Mar.	3.2	1.7	1.5	0.2	0.0	0.2	0.6	0.4	0.2	2.4	1.4	1.0
Apr.	12.9	0.4	12.5	0.1	0.3	-0.2	0.2	0.0	0.1	12.7	0.2	12.5
May	6.6	1.9	4.7	0.1	0.0	0.1	0.5	0.0	0.5	6.0	1.9	4.2
June	22.6	1.6	21.0	1.1	0.0	1.1	0.7	0.0	0.7	20.8	1.6	19.3
July	15.8	1.8	13.9	1.2	0.0	1.2	1.3	0.3	1.0	13.3	1.5	11.8
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.	4.5	2.5	2.0	2.6	0.0	2.6	0.3	0.3	-0.1	1.6	2.1	-0.5
Oct.	27.2	8.0	19.1	0.3	3.2	-2.9	16.1	0.5	15.5	10.8	4.3	6.5
Nov.	7.0	3.3	3.6	0.9	0.0	0.9	1.0	1.3	-0.3	5.0	2.0	3.0
Dec.	13.2	4.6	8.6	0.9	0.0	0.9	0.7	2.2	-1.5	11.6	2.5	9.2
2008 Jan.	4.0	1.4	2.7	0.1	0.0	0.1	0.4	0.7	-0.3	3.5	0.7	2.8
Feb.	2.7	1.9	0.9	1.0	0.0	1.0	0.1	0.3	-0.2	1.6	1.6	0.1
Mar.	6.5	5.8	0.6	5.9	0.0	5.9	0.0	0.5	-0.4	0.6	5.4	-4.8
Apr.	2.1	3.0	-0.9	1.1	0.0	1.1	0.1	0.5	-0.3	0.9	2.5	-1.7
May	8.7	5.9	2.8	4.1	0.1	4.1	1.5	0.3	1.2	3.1	5.6	-2.5
June	4.2	4.8	-0.6	1.3	0.0	1.3	0.5	0.1	0.4	2.4	4.7	-2.3
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.	1.7	1.5	0.1	0.3	0.0	0.3	0.1	0.0	0.1	1.2	1.5	-0.4
Sep.	7.8	2.8	5.0	7.0	0.0	7.0	0.0	0.1	-0.1	0.8	2.8	-1.9

C20 Gross issues of quoted shares by sector of the issuer

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



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

4.5 MFI interest rates on euro-denominated deposits and loans by euro area residents [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
2007 Oct.	1.17	4.11	4.16	3.31	2.53	3.57	1.97	4.07	4.37	4.63	3.93
Nov.	1.18	4.08	4.22	3.20	2.54	3.64	2.01	4.10	4.41	4.04	3.98
Dec.	1.18	4.28	4.14	3.18	2.57	3.68	1.95	4.26	4.40	4.03	3.95
2008 Jan.	1.20	4.19	4.32	3.43	2.57	3.75	2.01	4.13	4.38	4.68	3.95
Feb.	1.21	4.10	4.18	3.22	2.65	3.77	2.01	4.07	4.18	4.36	3.93
Mar.	1.22	4.14	3.97	3.08	2.69	3.78	2.03	4.20	4.23	4.07	3.96
Apr.	1.22	4.28	4.16	3.14	2.72	3.81	2.05	4.27	4.56	4.64	4.00
May	1.23	4.32	4.27	3.17	2.73	3.84	2.07	4.26	4.68	4.48	4.03
June	1.24	4.43	4.62	3.28	2.74	3.88	2.06	4.28	4.72	4.01	4.11
July	1.26	4.61	4.83	3.37	2.81	3.94	2.14	4.46	5.06	4.57	4.26
Aug.	1.29	4.59	4.84	3.45	2.87	3.98	2.17	4.46	5.34	4.55	4.30
Sep.	1.32	4.65	4.85	3.35	2.97	4.01	2.20	4.51	5.19	4.67	4.27

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
2007 Oct.	10.64	8.10	6.88	8.40	8.38	5.29	5.07	5.08	5.11	5.38	5.63	6.05	5.59
Nov.	10.50	8.39	6.90	8.36	8.47	5.28	5.03	5.10	5.11	5.38	5.60	5.95	5.49
Dec.	10.46	8.05	6.93	8.17	8.26	5.32	5.03	5.07	5.18	5.40	5.67	5.83	5.43
2008 Jan.	10.46	8.12	7.00	8.47	8.48	5.32	5.02	5.07	5.14	5.37	5.59	5.93	5.49
Feb.	10.45	8.55	7.24	8.44	8.70	5.26	4.97	5.02	5.11	5.35	5.55	5.87	5.55
Mar.	10.52	8.43	7.05	8.42	8.56	5.20	4.89	4.96	5.11	5.28	5.65	5.79	5.46
Apr.	10.53	8.33	7.02	8.46	8.55	5.23	4.91	4.95	5.12	5.29	5.83	5.80	5.45
May	10.57	8.70	7.02	8.44	8.64	5.34	4.96	4.98	5.13	5.36	5.99	5.87	5.59
June	10.63	8.61	6.94	8.44	8.57	5.48	5.11	5.08	5.20	5.46	6.03	6.12	5.67
July	10.66	8.82	7.15	8.58	8.80	5.67	5.27	5.22	5.34	5.62	6.08	6.21	5.82
Aug.	10.77	8.86	7.22	8.69	8.95	5.77	5.37	5.29	5.26	5.69	6.05	6.28	5.70
Sep.	10.82	8.79	7.20	8.68	8.85	5.80	5.43	5.28	5.37	5.71	6.26	6.35	5.74

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
2007 Oct.	6.53	5.96	6.00	5.26	5.11	5.19	5.31
Nov.	6.50	5.96	5.90	5.29	5.08	5.28	5.36
Dec.	6.62	6.08	5.96	5.30	5.35	5.62	5.48
2008 Jan.	6.62	5.93	5.92	5.27	5.12	5.35	5.23
Feb.	6.56	5.84	5.86	5.24	5.04	5.43	5.14
Mar.	6.56	5.91	5.77	5.23	5.19	5.44	5.34
Apr.	6.54	6.03	5.77	5.20	5.30	5.42	5.39
May	6.57	6.10	5.93	5.25	5.27	5.70	5.38
June	6.67	6.16	6.09	5.43	5.35	5.68	5.52
July	6.74	6.26	6.29	5.53	5.45	5.82	5.55
Aug.	6.77	6.27	6.34	5.49	5.45	5.60	5.56
Sep.	6.91	6.34	6.36	5.67	5.62	5.86	5.58

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

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

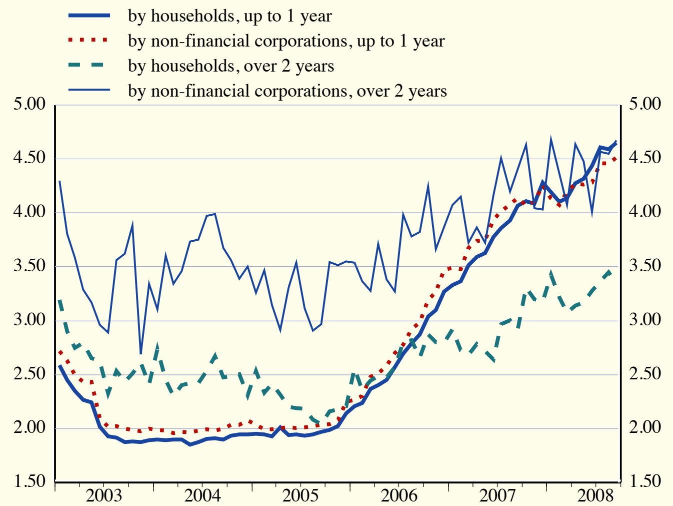
4. Interest rates on deposits (outstanding amounts)

	Deposits from households					Deposits from non-financial corporations			Repos
	Overnight [1]	With agreed maturity		Redeemable at notice [1),2)]		Overnight [1]	With agreed maturity		
		Up to 2 years	Over 2 years	Up to 3 months	Over 3 months		Up to 2 years	Over 2 years	
	1	2	3	4	5	6	7	8	9
2007 Oct.	1.17	3.79	3.04	2.53	3.57	1.97	4.18	4.11	3.93
Nov.	1.18	3.85	3.06	2.54	3.64	2.01	4.21	4.18	3.97
Dec.	1.18	3.95	3.03	2.57	3.68	1.95	4.33	4.17	4.01
2008 Jan.	1.20	3.98	3.06	2.57	3.75	2.01	4.27	4.21	4.01
Feb.	1.21	3.99	3.11	2.65	3.77	2.01	4.23	4.24	3.97
Mar.	1.22	4.01	3.07	2.69	3.78	2.03	4.29	4.24	3.96
Apr.	1.22	4.07	3.07	2.72	3.81	2.05	4.37	4.29	3.91
May	1.23	4.13	3.06	2.73	3.84	2.07	4.43	4.27	4.04
June	1.24	4.20	3.08	2.74	3.88	2.06	4.47	4.31	4.12
July	1.26	4.31	3.07	2.81	3.94	2.14	4.59	4.39	4.24
Aug.	1.29	4.38	3.09	2.87	3.98	2.17	4.65	4.38	4.23
Sep.	1.32	4.45	3.10	2.97	4.01	2.20	4.75	4.44	4.32

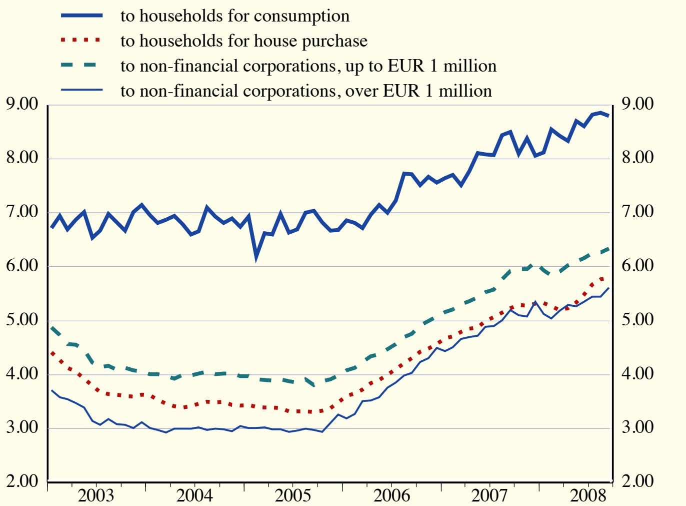
5. Interest rates on loans (outstanding amounts)

	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
2007 Oct.	5.49	4.68	4.98	9.02	7.10	6.16	5.96	5.44	5.22
Nov.	5.48	4.72	4.99	8.86	7.12	6.21	5.96	5.49	5.22
Dec.	5.54	4.75	5.00	8.97	7.13	6.22	6.08	5.57	5.28
2008 Jan.	5.62	4.75	5.01	8.99	7.15	6.24	6.06	5.55	5.27
Feb.	5.60	4.82	5.03	9.05	7.21	6.26	5.99	5.52	5.30
Mar.	5.61	4.80	5.02	9.06	7.19	6.25	5.99	5.51	5.27
Apr.	5.59	4.85	5.03	9.07	7.22	6.28	6.04	5.54	5.29
May	5.61	4.85	5.05	9.08	7.22	6.27	6.09	5.59	5.32
June	5.68	4.89	5.07	9.11	7.29	6.35	6.18	5.68	5.39
July	5.72	4.93	5.11	9.19	7.34	6.37	6.25	5.76	5.44
Aug.	5.78	4.97	5.11	9.26	7.38	6.41	6.28	5.79	5.46
Sep.	5.81	5.03	5.15	9.40	7.45	6.50	6.39	5.90	5.54

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



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

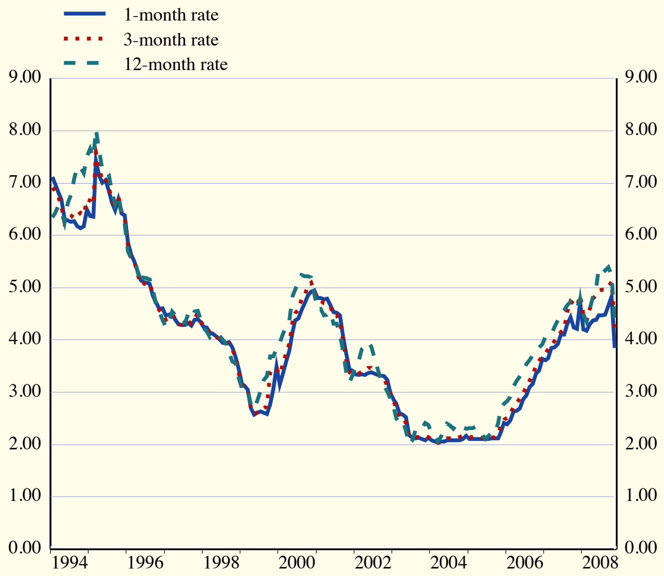


Source: ECB.

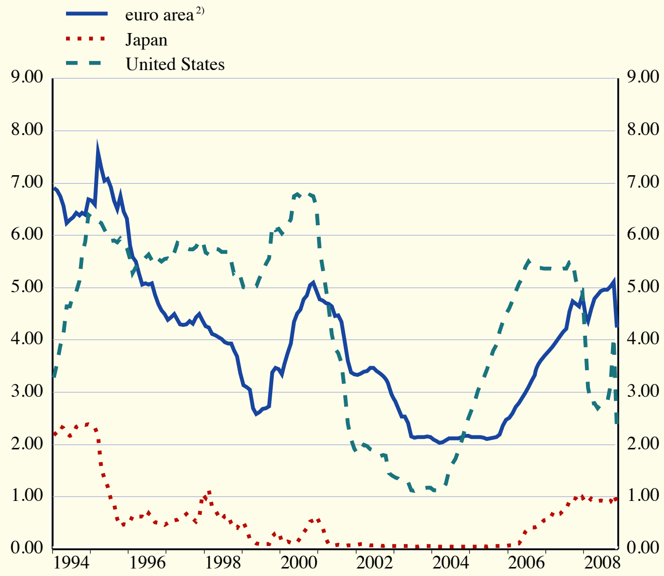
4.6 Money market interest rates
(percentages per annum; period averages)

	Euro area 1),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
2005	2.09	2.14	2.18	2.23	2.33	3.56	0.06
2006	2.83	2.94	3.08	3.23	3.44	5.19	0.30
2007	3.87	4.08	4.28	4.35	4.45	5.30	0.79
2007 Q3	4.05	4.28	4.49	4.56	4.65	5.45	0.89
Q4	3.95	4.37	4.72	4.70	4.68	5.02	0.96
2008 Q1	4.05	4.23	4.48	4.48	4.48	3.26	0.92
Q2	4.00	4.41	4.86	4.93	5.05	2.75	0.92
Q3	4.25	4.54	4.98	5.18	5.37	2.91	0.90
2007 Nov.	4.02	4.22	4.64	4.63	4.61	4.96	0.91
Dec.	3.88	4.71	4.85	4.82	4.79	4.97	0.99
2008 Jan.	4.02	4.20	4.48	4.50	4.50	3.92	0.89
Feb.	4.03	4.18	4.36	4.36	4.35	3.09	0.90
Mar.	4.09	4.30	4.60	4.59	4.59	2.78	0.97
Apr.	3.99	4.37	4.78	4.80	4.82	2.79	0.92
May	4.01	4.39	4.86	4.90	4.99	2.69	0.92
June	4.01	4.47	4.94	5.09	5.36	2.77	0.92
July	4.19	4.47	4.96	5.15	5.39	2.79	0.92
Aug.	4.30	4.49	4.97	5.16	5.32	2.81	0.89
Sep.	4.27	4.66	5.02	5.22	5.38	3.12	0.91
Oct.	3.82	4.83	5.11	5.18	5.25	4.06	1.04
Nov.	3.15	3.84	4.24	4.29	4.35	2.28	0.91

C23 Euro area money market rates 2)
(monthly; percentages per annum)



C24 3-month money market rates
(monthly; percentages per annum)



Source: ECB.
1) Before January 1999 synthetic euro area rates were calculated on the basis of national rates weighted by GDP. For further information, see the General notes.
2) Data refer to the changing composition of the euro area. For further information, see the General notes.

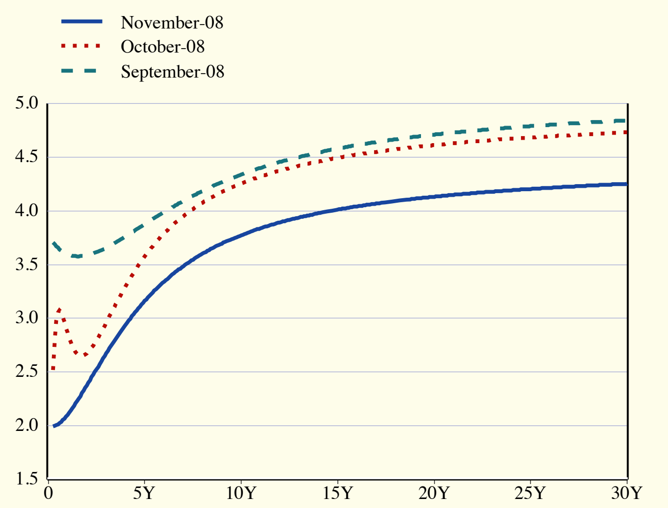
4.7 Euro area yield curves [1]

(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 Dec.	3.44	3.76	3.82	3.83	3.86	3.91	0.47	0.09	3.92	3.85	3.88	4.08
2007 Jan.	3.54	3.84	3.92	3.96	4.00	4.06	0.53	0.15	4.01	3.97	4.05	4.25
Feb.	3.63	3.79	3.80	3.81	3.85	3.92	0.29	0.12	3.85	3.77	3.90	4.13
Mar.	3.70	3.92	3.95	3.93	3.96	4.02	0.33	0.08	4.03	3.93	3.97	4.25
Apr.	3.81	4.01	4.06	4.06	4.08	4.13	0.32	0.07	4.14	4.08	4.08	4.33
May	3.86	4.21	4.31	4.32	4.33	4.37	0.51	0.06	4.44	4.37	4.33	4.51
June	3.90	4.26	4.38	4.43	4.46	4.51	0.61	0.13	4.51	4.48	4.49	4.68
July	3.98	4.23	4.28	4.28	4.30	4.36	0.38	0.08	4.36	4.28	4.32	4.53
Aug.	3.86	3.98	4.03	4.12	4.20	4.32	0.47	0.29	4.07	4.09	4.32	4.67
Sep.	3.80	3.96	4.03	4.15	4.25	4.38	0.57	0.35	4.08	4.13	4.39	4.75
Oct.	3.87	4.01	4.06	4.10	4.17	4.29	0.42	0.23	4.11	4.08	4.25	4.63
Nov.	3.86	3.84	3.82	3.91	4.03	4.21	0.35	0.39	3.81	3.80	4.19	4.76
Dec.	3.85	4.00	4.01	4.11	4.23	4.38	0.52	0.36	4.06	4.02	4.40	4.78
2008 Jan.	3.81	3.55	3.42	3.59	3.79	4.05	0.24	0.62	3.32	3.34	4.08	4.80
Feb.	3.83	3.42	3.20	3.43	3.72	4.06	0.23	0.86	3.04	3.03	4.16	4.99
Mar.	3.87	3.70	3.60	3.70	3.87	4.13	0.26	0.54	3.53	3.49	4.10	4.91
Apr.	3.90	3.89	3.86	3.95	4.10	4.32	0.42	0.46	3.86	3.81	4.29	4.95
May	3.88	4.20	4.28	4.27	4.35	4.52	0.64	0.24	4.41	4.29	4.40	5.03
June	4.21	4.49	4.62	4.63	4.65	4.73	0.52	0.11	4.73	4.72	4.64	5.00
July	4.20	4.31	4.31	4.31	4.39	4.53	0.33	0.21	4.36	4.27	4.46	4.93
Aug.	4.24	4.20	4.13	4.11	4.19	4.34	0.10	0.21	4.13	4.02	4.26	4.82
Sep.	3.71	3.60	3.59	3.88	4.09	4.34	0.63	0.75	3.52	3.67	4.45	5.00
Oct.	2.52	2.86	2.68	3.58	3.95	4.25	1.74	1.58	2.27	2.99	4.80	4.97
Nov.	2.00	2.10	2.38	3.16	3.49	3.77	1.78	1.40	2.33	2.97	4.16	4.48

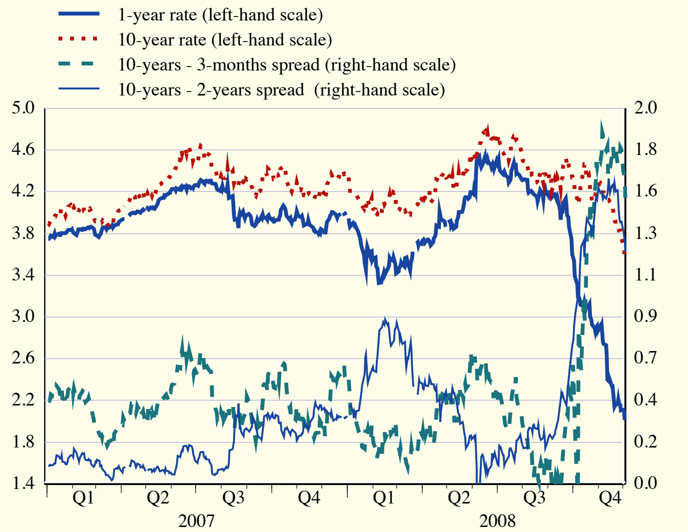
C25 Euro area spot yield curves

(percentages per annum; end-of-period)



C26 Euro area spot rates and spreads

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



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.

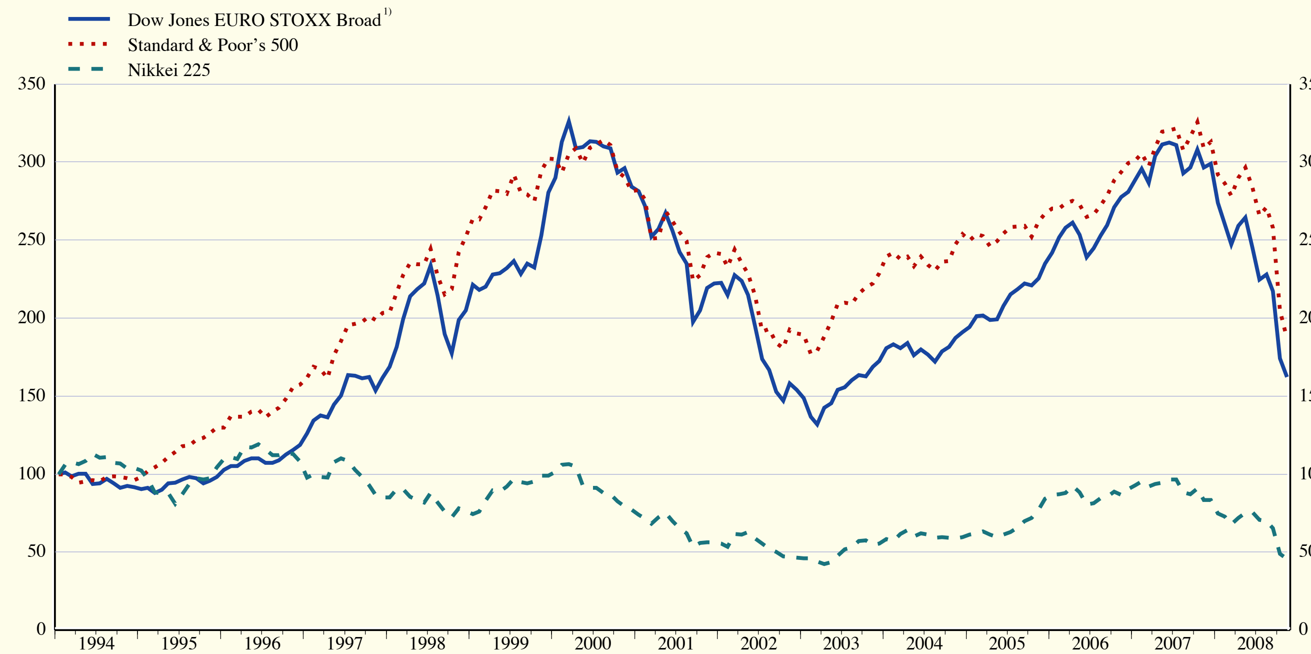
4.8 Stock market indices

(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
2005	293.8	3,208.6	307.0	181.3	245.1	378.6	287.7	307.3	297.2	334.1	433.1	457.0	1,207.4	12,421.3
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
2007 Q3	416.4	4,317.6	568.3	233.5	373.3	465.6	399.8	494.4	400.9	556.3	476.7	503.8	1,489.8	16,907.5
Q4	417.8	4,377.9	567.3	228.3	383.8	455.7	381.2	484.1	406.3	620.0	544.8	509.2	1,494.6	16,002.5
2008 Q1	361.8	3,809.4	520.9	194.0	327.1	412.0	318.1	413.3	339.2	573.3	490.1	454.4	1,351.7	13,372.7
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
2007 Nov.	411.4	4,314.9	549.1	225.3	380.2	450.3	369.1	477.1	400.8	624.1	555.0	501.9	1,461.3	15,514.0
Dec.	414.5	4,386.0	564.0	224.1	375.8	452.5	374.0	481.8	397.8	634.9	552.6	518.6	1,480.0	15,520.1
2008 Jan.	380.2	4,042.1	529.7	202.3	338.7	431.4	339.7	426.3	351.2	602.9	528.4	492.9	1,380.3	13,953.4
Feb.	360.6	3,776.6	520.7	194.0	323.8	407.6	311.9	417.7	356.2	573.9	493.2	452.6	1,354.6	13,522.6
Mar.	342.9	3,587.3	511.4	184.7	317.6	395.2	300.8	394.7	308.9	540.2	444.9	414.1	1,317.5	12,586.6
Apr.	359.6	3,768.1	553.9	189.3	324.6	423.2	326.5	406.2	312.8	550.2	449.3	429.6	1,370.5	13,382.1
May	367.1	3,812.8	588.9	189.2	328.2	462.5	325.8	424.3	313.2	567.2	447.5	436.3	1,402.0	14,000.2
June	340.2	3,527.8	586.2	176.1	299.6	442.6	287.6	393.5	292.8	553.8	415.3	414.7	1,341.3	14,084.6
July	311.9	3,298.7	529.0	158.2	272.7	401.5	260.0	348.6	281.7	513.7	412.7	418.1	1,257.6	13,153.0
Aug.	316.1	3,346.0	513.7	167.1	287.0	388.1	266.0	356.6	304.4	504.4	411.2	403.0	1,281.5	12,989.4
Sep.	301.3	3,193.7	474.6	161.8	287.4	358.2	255.8	332.2	271.8	465.8	413.2	400.6	1,220.0	12,126.2
Oct.	241.5	2,627.3	342.1	135.6	249.1	287.9	195.0	245.1	212.8	392.4	378.2	363.7	968.8	9,080.5
Nov.	225.0	2,452.9	315.2	136.2	237.6	294.8	159.0	229.5	197.7	393.6	386.0	361.7	883.3	8,502.7

C27 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.

5

PRICES, OUTPUT, DEMAND AND LABOUR MARKETS

5.1 HICP, other prices and costs

(annual percentage changes, unless otherwise indicated)

1. Harmonised Index of Consumer Prices [1]

	Total					Total (s.a., percentage change on previous period)						Memo item: Administered prices [2]	
	Index 2005 = 100	Total	Total excl. unprocessed food and energy	Goods	Services	Total	Processed food	Unprocessed food	Non-energy industrial goods	Energy (n.s.a.)	Services	Total HICP excluding administered prices	Administered prices
% of total [3]	100.0	100.0	82.6	59.1	40.9	100.0	11.9	7.6	29.8	9.8	40.9	88.8	11.2
	1	2	3	4	5	6	7	8	9	10	11	12	13
2004	97.9	2.1	2.1	1.8	2.6	-	-	-	-	-	-	1.9	3.6
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
2007 Q4	105.7	2.9	2.3	3.2	2.5	1.0	2.6	1.2	0.3	2.9	0.6	3.0	1.9
2008 Q1	106.4	3.4	2.5	3.9	2.6	1.0	2.0	0.5	0.2	3.4	0.7	3.5	2.5
Q2	108.1	3.6	2.5	4.5	2.4	1.1	1.1	1.1	0.2	6.0	0.6	3.7	2.7
Q3	108.4	3.8	2.5	4.7	2.6	0.7	0.9	1.0	0.1	2.1	0.7	3.9	3.3
Q4	.	.	.	.	.	.	.	.	.	.	.	.	.
2008 June	108.6	4.0	2.5	5.0	2.5	0.5	0.3	0.4	0.1	2.6	0.2	4.1	2.9
July	108.5	4.0	2.5	5.1	2.6	0.3	0.3	0.7	-0.2	1.3	0.2	4.2	3.2
Aug.	108.3	3.8	2.6	4.6	2.7	-0.1	0.3	-0.4	0.3	-3.0	0.3	3.9	3.3
Sep.	108.5	3.6	2.5	4.4	2.6	0.1	0.1	0.2	0.2	-0.4	0.0	3.7	3.4
Oct.	108.6	3.2	2.4	3.5	2.6	-0.1	0.1	0.5	0.2	-2.9	0.2	3.1	3.4
Nov. [4]	.	2.1	.	.	.	.	.	.	.	.	.	.	.

	Goods						Services					
	Food (incl. alcoholic beverages and tobacco)			Industrial goods			Housing		Transport	Communication	Recreation and personal	Miscellaneous
	Total	Processed food	Unprocessed food	Total	Non-energy industrial goods	Energy		Rents				
% of total [3]	19.5	11.9	7.6	39.6	29.8	9.8	10.1	6.0	6.1	3.3	14.7	6.8
	14	15	16	17	18	19	20	21	22	23	24	25
2004	2.3	3.4	0.6	1.6	0.8	4.5	2.4	1.9	2.8	-2.0	2.4	5.1
2005	1.6	2.0	0.8	2.4	0.3	10.1	2.6	2.0	2.7	-2.2	2.3	3.1
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
2007 Q4	3.9	4.5	3.1	2.8	1.0	8.1	2.7	2.0	2.6	-2.1	3.0	3.2
2008 Q1	5.2	6.4	3.5	3.2	0.8	10.7	2.5	1.9	3.1	-2.5	3.2	3.2
Q2	5.7	6.9	3.7	3.9	0.8	13.6	2.3	1.9	3.6	-1.8	3.0	2.2
Q3	5.6	6.7	3.9	4.2	0.7	15.1	2.3	1.9	4.4	-2.4	3.4	2.3
Q4	.	.	.	.	.	.	.	.	.	.	.	.
2008 May	5.8	6.9	3.9	3.9	0.7	13.7	2.3	1.9	3.8	-1.7	3.1	2.2
June	5.8	7.0	4.0	4.5	0.8	16.1	2.3	1.9	4.0	-1.9	3.2	2.2
July	6.1	7.2	4.4	4.6	0.5	17.1	2.3	1.9	4.1	-2.2	3.4	2.2
Aug.	5.6	6.8	3.7	4.2	0.7	14.6	2.2	1.9	4.8	-2.5	3.5	2.3
Sep.	5.2	6.2	3.6	4.0	0.9	13.5	2.3	1.9	4.5	-2.6	3.3	2.3
Oct.	4.4	5.1	3.4	3.1	1.0	9.6	2.3	1.9	4.6	-2.1	3.3	2.3

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 2008.
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

	Industrial producer prices excluding construction										Construct-ion [1]	Residential property prices [2]
	Total (index 2000 = 100)	Total		Industry excluding construction and energy						Energy		
			Manu-facturing	Total	Intermediate goods	Capital goods	Consumer goods					
							Total	Durable	Non-durable			
% of total [3]	100.0	100.0	89.5	82.4	31.6	21.2	29.6	4.0	25.6	17.6		
	1	2	3	4	5	6	7	8	9	10	11	12
2004	105.8	2.3	2.6	2.0	3.5	0.7	1.3	0.7	1.4	4.0	4.1	7.2
2005	110.1	4.1	3.2	1.9	2.9	1.4	1.1	1.3	1.1	13.6	2.8	7.6
2006	115.8	5.1	3.4	2.8	4.8	1.4	1.6	1.6	1.7	13.3	4.1	6.4
2007	119.1	2.8	3.1	3.2	4.8	1.8	2.3	1.9	2.4	1.7	4.0	4.2
2007 Q3	119.3	2.1	2.7	3.0	4.3	1.6	2.4	1.8	2.5	-0.7	3.7	-
Q4	121.2	4.0	4.5	3.2	3.7	1.5	3.6	1.9	3.9	7.0	3.3	3.7 [4]
2008 Q1	123.6	5.4	5.4	3.6	4.2	1.5	4.4	2.3	4.8	11.7	3.1	-
Q2	127.0	7.1	6.3	3.8	4.5	1.8	4.4	2.3	4.8	18.0	4.0	.
Q3	129.5	8.5	6.5	4.3	5.9	2.2	3.8	2.5	4.0	22.7	.	-
2008 May	127.1	7.1	6.4	3.8	4.3	1.8	4.4	2.3	4.8	18.2	-	-
June	128.3	8.0	6.9	4.0	4.9	2.0	4.5	2.3	4.8	21.5	-	-
July	130.0	9.2	7.3	4.4	5.8	2.1	4.2	2.5	4.5	25.0	-	-
Aug.	129.4	8.6	6.6	4.3	6.0	2.2	3.8	2.4	4.1	22.8	-	-
Sep.	129.1	7.9	5.6	4.1	5.8	2.3	3.3	2.5	3.4	20.4	-	-
Oct.	128.1	6.3	3.5	3.2	4.4	2.2	2.7	2.7	2.7	15.8	-	-

3. Commodity prices and gross domestic product deflators

	Oil prices [5] (EUR per barrel)	Non-energy commodity prices						GDP deflators								
		Import-weighted [6]			Use-weighted [7]			Total (s.a. index 2000 = 100)	Total	Domestic demand				Exports [8]	Imports [8]
		Total	Food	Non-food	Total	Food	Non-food			Total	Private consump-tion	Government consump-tion	Gross fixed capital formation		
% of total [3]		100.0	35.2	64.8	100.0	44.3	55.7								
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2004	30.5	11.6	2.3	17.5	10.3	2.1	17.8	109.4	1.9	2.1	2.1	2.0	2.5	1.0	1.5
2005	44.6	11.5	0.8	17.4	9.3	2.6	14.8	111.6	2.0	2.3	2.1	2.4	2.5	2.4	3.3
2006	52.9	27.4	5.6	37.7	24.4	5.6	37.9	113.7	1.9	2.4	2.2	2.0	2.9	2.7	3.9
2007	52.8	7.6	14.3	5.1	5.1	9.4	2.8	116.3	2.3	2.2	2.2	1.6	2.7	1.5	1.3
2007 Q3	54.2	3.4	26.4	-4.0	4.1	20.9	-4.4	116.7	2.3	2.2	2.1	1.5	2.5	1.3	1.0
Q4	61.0	-2.2	22.9	-10.9	-2.9	17.8	-13.6	117.1	2.3	2.9	2.8	2.3	2.6	1.4	2.8
2008 Q1	64.2	7.8	35.6	-1.9	6.9	31.0	-5.4	117.9	2.1	2.9	3.0	2.0	2.3	2.2	4.1
Q2	78.5	2.3	33.4	-8.2	-0.2	20.8	-10.8	118.8	2.3	3.2	3.3	3.2	2.5	2.4	4.7
Q3	77.6	6.7	16.9	2.3	1.0	4.6	-1.3	119.3	2.3	3.3	3.6	2.1	2.6	2.9	5.4
2008 June	85.9	3.4	29.8	-6.4	-0.1	17.5	-9.7	-	-	-	-	-	-	-	-
July	85.3	6.9	25.3	-0.4	1.7	12.1	-4.4	-	-	-	-	-	-	-	-
Aug.	77.0	8.0	19.0	3.3	2.7	7.9	-0.6	-	-	-	-	-	-	-	-
Sep.	70.0	5.2	7.0	4.3	-1.4	-5.3	1.3	-	-	-	-	-	-	-	-
Oct.	55.2	-6.2	-3.7	-7.3	-10.8	-11.9	-10.1	-	-	-	-	-	-	-	-
Nov.	43.1	-7.5	-4.3	-9.0	-10.2	-7.4	-12.1	-	-	-	-	-	-	-	-

Sources: Eurostat, ECB calculations based on Eurostat data (column 6 in Table 2 in Section 5.1 and columns 8-15 in Table 3 in Section 5.1), ECB calculations based on Thomson Financial Datastream data (column 1 in Table 3 in Section 5.1) and ECB calculations (column 12 in Table 2 in Section 5.1 and columns 2-7 in Table 3 in Section 5.1).

1) Input prices for residential buildings.
2) Experimental data based on non-harmonised national sources (see the ECB website for further details).
3) In 2000.
4) 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.
5) Brent Blend (for one-month forward delivery).
6) Refers to prices expressed in euro. Weighted according to the structure of euro area imports in the period 2004-06.
7) Refers to prices expressed in euro. Weighted according to euro area domestic demand (domestic production plus imports minus exports) in the period 2004-06. Experimental data (see the ECB website for details).
8) Deflators for exports and imports refer to goods and services and include cross-border trade within the euro area.

5.1 HICP, other prices and costs

(annual percentage changes, unless otherwise indicated)

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

(seasonally adjusted)

	Total (index 2000 = 100)	Total	By economic activity					
			Agriculture, hunting, forestry and fishing	Mining, manufacturing and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business services	Public administration, education, health and other services
	1	2	3	4	5	6	7	8
	Unit labour costs [1]							
2004	107.6	0.8	-11.3	-1.2	3.0	-0.1	2.4	2.0
2005	108.8	1.2	8.3	-1.0	3.0	1.3	2.0	2.0
2006	109.9	1.0	3.2	-0.4	3.3	0.0	2.6	2.1
2007	111.7	1.7	0.4	-0.4	3.6	1.5	2.5	2.1
2007 Q2	111.6	1.5	0.9	0.2	4.3	1.0	2.7	1.2
Q3	111.8	1.6	0.5	-1.0	4.6	2.0	2.3	2.1
Q4	112.9	2.6	0.4	0.3	3.9	2.8	3.0	2.9
2008 Q1	113.5	2.6	0.9	1.3	1.8	2.4	3.8	2.9
Q2	115.1	3.2	-0.3	2.2	2.2	3.6	2.6	4.5
	Compensation per employee							
2004	110.0	2.1	1.6	2.9	2.9	1.4	1.7	2.3
2005	112.1	1.9	2.2	1.8	2.0	2.1	2.4	1.8
2006	114.6	2.2	3.1	3.6	3.4	1.5	2.3	1.5
2007	117.5	2.5	2.4	2.8	3.0	2.2	2.1	2.6
2007 Q2	117.2	2.3	3.0	3.2	2.5	2.3	1.9	1.9
Q3	117.6	2.3	2.2	2.4	2.9	2.4	1.8	2.4
Q4	118.9	2.9	2.5	3.2	3.3	2.3	2.4	3.4
2008 Q1	120.0	3.1	3.7	3.5	4.1	2.4	2.8	3.1
Q2	121.2	3.5	3.9	3.2	4.9	2.8	2.3	4.4
	Labour productivity [2]							
2004	102.3	1.3	14.6	4.2	-0.2	1.5	-0.7	0.3
2005	103.0	0.7	-5.6	2.8	-0.9	0.7	0.4	-0.1
2006	104.3	1.2	-0.1	3.9	0.1	1.5	-0.2	-0.6
2007	105.2	0.8	2.0	3.2	-0.6	0.8	-0.4	0.4
2007 Q2	105.0	0.9	2.1	3.0	-1.7	1.3	-0.8	0.7
Q3	105.2	0.7	1.7	3.4	-1.6	0.4	-0.5	0.3
Q4	105.3	0.4	2.1	2.9	-0.6	-0.5	-0.6	0.5
2008 Q1	105.7	0.6	2.9	2.2	2.3	0.0	-1.0	0.2
Q2	105.3	0.3	4.2	0.9	2.6	-0.8	-0.3	-0.2

5. Hourly labour costs [3]

	Total (s.a. index 2000 = 100)	Total	By component		By selected economic activity			Memo: indicator of negotiated wages [4]
			Wages and salaries	Employers' social contributions	Mining, manufacturing and energy	Construction	Services	
% of total [5]	100.0	100.0	73.1	26.9	34.6	9.1	56.3	
	1	2	3	4	5	6	7	8
2004	113.7	2.6	2.4	3.2	2.9	2.7	2.3	2.1
2005	116.4	2.4	2.5	2.2	2.4	2.0	2.5	2.1
2006	119.2	2.5	2.6	2.1	3.4	1.6	2.0	2.3
2007	122.3	2.6	2.8	2.2	2.6	3.1	2.6	2.2
2007 Q3	122.7	2.5	2.6	2.3	2.1	3.5	2.6	2.2
Q4	123.7	2.9	3.2	2.0	2.9	3.8	2.7	2.1
2008 Q1	124.7	3.5	3.7	2.7	4.3	4.1	2.9	2.9
Q2	125.4	2.7	2.8	2.2	3.0	3.8	2.3	2.8
Q3	.	.	.	.	.	.	.	3.4

Sources: Eurostat, ECB calculations based on Eurostat data (Table 4 in Section 5.1 and column 7 in Table 5 in Section 5.1) and ECB calculations (column 8 in Table 5 in Section 5.1).
1) Compensation (at current prices) per employee divided by value added (volumes) per person employed.
2) Value added (volumes) per person employed.
3) Hourly labour costs for the whole economy, excluding agriculture, public administration, education, health and services not elsewhere classified. Owing to differences in coverage, the estimates for the components may not be consistent with the total.
4) Experimental data (see the ECB website for further details).
5) In 2000.

5.2 Output and demand

1. GDP and expenditure components

	GDP								
	Total	Domestic demand					External balance [1]		
		Total	Private consumption	Government consumption	Gross fixed capital formation	Changes in inventories [2]	Total	Exports [1]	Imports [1]
	1	2	3	4	5	6	7	8	9
	Current prices (EUR billions, seasonally adjusted)								
2004	7,808.0	7,651.3	4,470.3	1,594.5	1,578.3	8.2	156.7	2,863.5	2,706.8
2005	8,104.6	7,982.0	4,644.6	1,657.6	1,673.5	6.3	122.6	3,083.7	2,961.2
2006	8,508.4	8,403.9	4,843.6	1,723.6	1,823.0	13.7	104.5	3,435.5	3,331.0
2007	8,931.0	8,793.4	5,030.4	1,790.8	1,951.0	21.2	137.6	3,692.9	3,555.2
2007 Q3	2,246.4	2,213.3	1,264.9	449.5	489.7	9.2	33.1	934.9	901.9
Q4	2,262.4	2,231.4	1,278.7	454.1	498.0	0.5	31.1	942.3	911.2
2008 Q1	2,292.3	2,262.2	1,288.3	457.3	508.7	7.8	30.1	968.0	937.9
Q2	2,306.2	2,279.3	1,297.7	468.1	508.4	5.1	26.9	973.8	946.9
Q3	2,312.0	2,301.4	1,309.7	469.2	506.7	15.7	10.6	985.3	974.6
	percentage of GDP								
2007	100.0	98.5	56.3	20.1	21.8	0.2	1.5	-	-
	Chain-linked volumes (prices of the previous year, seasonally adjusted [3])								
	quarter-on-quarter percentage changes								
2007 Q3	0.6	0.7	0.4	0.5	1.0	-	-	1.8	2.2
Q4	0.3	0.0	0.2	0.3	1.0	-	-	0.4	-0.3
2008 Q1	0.7	0.6	0.0	0.3	1.4	-	-	1.7	1.6
Q2	-0.2	-0.3	-0.2	0.8	-0.9	-	-	-0.1	-0.4
Q3	-0.2	0.3	0.0	0.8	-0.6	-	-	0.4	1.7
	annual percentage changes								
2004	2.1	1.9	1.6	1.6	2.3	-	-	7.4	7.0
2005	1.7	1.9	1.7	1.5	3.2	-	-	5.0	5.6
2006	2.9	2.7	2.0	1.9	5.5	-	-	8.3	8.2
2007	2.6	2.4	1.6	2.3	4.3	-	-	5.9	5.4
2007 Q3	2.6	2.2	1.8	2.4	3.6	-	-	7.2	6.3
Q4	2.1	2.1	1.2	2.1	3.2	-	-	3.9	3.8
2008 Q1	2.1	1.6	1.2	1.4	3.7	-	-	5.3	4.3
Q2	1.4	1.0	0.4	2.0	2.6	-	-	3.9	3.0
Q3	0.6	0.6	0.0	2.3	0.9	-	-	2.4	2.5
	contributions to quarter-on-quarter percentage changes of GDP in percentage points								
2007 Q3	0.6	0.7	0.2	0.1	0.2	0.2	-0.1	-	-
Q4	0.3	0.0	0.1	0.1	0.2	-0.3	0.3	-	-
2008 Q1	0.7	0.6	0.0	0.1	0.3	0.2	0.1	-	-
Q2	-0.2	-0.3	-0.1	0.2	-0.2	-0.1	0.1	-	-
Q3	-0.2	0.3	0.0	0.2	-0.1	0.3	-0.5	-	-
	contributions to annual percentage changes of GDP in percentage points								
2004	2.1	1.9	0.9	0.3	0.5	0.2	0.3	-	-
2005	1.7	1.8	1.0	0.3	0.7	-0.1	-0.1	-	-
2006	2.9	2.7	1.1	0.4	1.1	0.0	0.2	-	-
2007	2.6	2.3	0.9	0.5	0.9	0.1	0.3	-	-
2007 Q3	2.6	2.2	1.0	0.5	0.8	-0.1	0.4	-	-
Q4	2.1	2.0	0.7	0.4	0.7	0.2	0.1	-	-
2008 Q1	2.1	1.6	0.7	0.3	0.8	-0.2	0.5	-	-
Q2	1.4	1.0	0.2	0.4	0.6	-0.1	0.4	-	-
Q3	0.6	0.6	0.0	0.5	0.2	0.0	0.0	-	-

Sources: Eurostat and ECB calculations.

1) Exports and imports cover goods and services and include cross-border intra-euro area trade. They are not fully consistent with Tables 7.1.2 and 7.3.1.

2) Including acquisitions less disposals of valuables.

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

5.2 Output and demand

2. Value added by economic activity

	Gross value added (basic prices)							Taxes less subsidies on products
	Total	Agriculture, hunting, forestry and fishing activities	Mining, manufacturing and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business activities	Public administration, education, health and other services	
	1	2	3	4	5	6	7	8
	Current prices (EUR billions, seasonally adjusted)							
2004	7,011.1	154.4	1,434.7	412.5	1,491.9	1,916.7	1,600.8	796.9
2005	7,263.9	142.7	1,472.0	439.6	1,530.7	2,015.6	1,663.4	840.7
2006	7,598.3	139.6	1,540.0	476.2	1,593.1	2,130.9	1,718.5	910.1
2007	7,978.1	149.6	1,616.4	516.0	1,655.5	2,252.2	1,788.4	953.0
2007 Q3	2,007.9	38.0	407.4	129.4	416.9	567.3	448.8	238.5
Q4	2,025.9	38.7	409.2	132.3	418.7	573.0	454.0	236.5
2008 Q1	2,051.7	39.9	416.1	136.3	423.8	579.1	456.4	240.6
Q2	2,069.3	39.5	417.0	136.3	424.6	587.2	464.6	236.9
Q3	2,075.2	39.1	411.9	136.7	428.9	594.1	464.6	236.8
	percentage of value added							
2007	100.0	1.9	20.3	6.5	20.8	28.2	22.4	-
	Chain-linked volumes (prices of the previous year, seasonally adjusted 1))							
	quarter-on-quarter percentage changes							
2007 Q3	0.6	-1.0	1.0	-0.1	0.5	0.8	0.4	0.7
Q4	0.5	1.3	0.5	0.9	0.2	0.6	0.3	-0.7
2008 Q1	0.6	1.5	0.3	2.6	0.6	0.6	0.1	1.7
Q2	0.0	0.1	-0.6	-1.8	-0.4	0.7	0.4	-1.2
Q3	-0.2	-0.5	-1.4	-1.4	-0.2	0.2	0.6	0.0
	annual percentage changes							
2004	2.3	11.9	2.8	1.1	2.8	1.6	1.5	0.8
2005	1.7	-6.5	1.7	1.8	1.4	2.8	1.4	1.7
2006	2.8	-2.0	3.5	2.7	3.1	3.7	1.3	3.3
2007	2.9	0.8	3.4	3.3	2.6	3.7	1.7	0.6
2007 Q3	2.8	0.3	3.6	2.2	2.6	3.5	1.7	1.2
Q4	2.5	0.6	3.2	1.7	1.7	3.4	1.8	-0.8
2008 Q1	2.3	1.2	2.7	2.8	2.3	2.8	1.2	0.5
Q2	1.6	2.0	1.2	1.6	0.9	2.6	1.2	0.4
Q3	0.7	2.5	-1.2	0.2	0.2	2.0	1.4	-0.3
	contributions to quarter-on-quarter percentage changes of value added in percentage points							
2007 Q3	0.6	0.0	0.2	0.0	0.1	0.2	0.1	-
Q4	0.5	0.0	0.1	0.1	0.0	0.2	0.1	-
2008 Q1	0.6	0.0	0.1	0.2	0.1	0.2	0.0	-
Q2	0.0	0.0	-0.1	-0.1	-0.1	0.2	0.1	-
Q3	-0.2	0.0	-0.3	-0.1	0.0	0.1	0.1	-
	contributions to annual percentage changes of value added in percentage points							
2004	2.3	0.3	0.6	0.1	0.6	0.4	0.4	-
2005	1.7	-0.1	0.4	0.1	0.3	0.8	0.3	-
2006	2.8	0.0	0.7	0.2	0.7	1.0	0.3	-
2007	2.9	0.0	0.7	0.2	0.6	1.0	0.4	-
2007 Q3	2.8	0.0	0.7	0.1	0.6	1.0	0.4	-
Q4	2.5	0.0	0.6	0.1	0.4	1.0	0.4	-
2008 Q1	2.3	0.0	0.5	0.2	0.5	0.8	0.3	-
Q2	1.6	0.0	0.2	0.1	0.2	0.7	0.3	-
Q3	0.7	0.0	-0.2	0.0	0.0	0.6	0.3	-

Sources: Eurostat and ECB calculations.
1) Annual data are not adjusted for the variations in the number of working days.

5.2 Output and demand
(annual percentage changes, unless otherwise indicated)

3. Industrial production

	Total	Industry excluding construction										Construction
		Total (s.a. index 2000 = 100)	Total		Industry excluding construction and energy						Energy	
				Manu-facturing	Total	Intermediate goods	Capital goods	Consumer goods				
								Total	Durable	Non-durable		
% of total [1]	100.0	82.8	82.8	74.8	73.7	29.9	22.2	21.6	3.6	18.0	9.0	17.2
	1	2	3	4	5	6	7	8	9	10	11	12
2005	1.4	104.0	1.4	1.4	1.2	0.9	3.0	0.5	-0.7	0.7	1.4	0.7
2006	4.0	108.2	4.0	4.4	4.4	4.9	5.9	2.5	4.4	2.2	0.7	3.9
2007	3.5	111.9	3.4	4.0	3.7	3.9	6.0	2.3	1.1	2.5	-0.6	3.2
2007 Q4	2.6	113.0	3.0	2.6	2.0	1.9	5.3	0.6	-2.7	1.2	5.5	-0.5
2008 Q1	2.4	113.1	2.5	1.9	1.8	1.5	5.1	0.3	-1.5	0.6	4.4	1.3
Q2	0.7	112.4	1.1	1.3	1.0	0.5	3.9	-1.2	-2.7	-1.0	1.6	-2.2
Q3	-1.9	111.3	-1.6	-1.7	-2.1	-2.0	-0.3	-2.7	-6.4	-2.1	0.1	-3.2
2008 Apr.	3.4	113.9	4.3	4.7	4.7	3.0	7.8	0.9	1.4	0.8	6.4	-1.8
May	-0.5	111.7	-0.3	-0.3	-0.9	-0.4	2.6	-3.3	-5.1	-3.0	-0.6	-1.8
June	-0.8	111.6	-0.4	-0.4	-0.7	-0.9	1.6	-1.3	-4.1	-0.8	-0.9	-2.8
July	-1.5	111.3	-1.1	-1.2	-1.3	-1.7	-0.2	-1.5	-5.4	-0.9	0.4	-3.3
Aug.	-0.9	112.3	-0.7	-0.9	-1.5	0.0	0.8	-3.6	-6.4	-3.3	0.4	-1.9
Sep.	-3.0	110.3	-2.7	-2.7	-3.3	-3.9	-1.2	-3.0	-7.4	-2.3	-0.5	-4.1
	month-on-month percentage changes (s.a.)											
2008 Apr.	0.8	-	1.1	0.5	2.1	0.6	2.3	0.5	2.1	0.3	-1.0	-0.5
May	-1.8	-	-2.0	-1.6	-2.5	-1.6	-2.3	-1.8	-3.4	-1.5	-2.2	-0.3
June	-0.2	-	-0.1	-0.1	0.0	-0.2	-0.3	0.7	0.5	0.7	0.4	-0.8
July	-0.1	-	-0.2	-0.2	-0.3	-0.3	-0.4	-0.3	-1.0	-0.1	0.9	0.0
Aug.	0.7	-	0.9	0.8	0.9	1.4	1.4	-0.2	0.9	-0.3	1.1	0.3
Sep.	-1.7	-	-1.7	-1.8	-2.2	-2.9	-1.9	-0.8	-2.7	-0.5	-1.0	-1.4

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

	Industrial new orders		Industrial turnover		Retail sales							New passenger car registrations	
	Manufacturing [2] (current prices)		Manufacturing (current prices)		Current prices	Constant prices							
	Total (s.a. index 2000 = 100)	Total	Total (s.a. index 2000 = 100)	Total	Total	Total (s.a. index 2000 = 100)	Total	Food, beverages, tobacco	Non-food			Total (s.a., thousands) [3]	Total
										Textiles, clothing, footwear	Household equipment		
% of total [1]	100.0	100.0	100.0	100.0	100.0	100.0	100.0	43.7	56.3	10.6	14.8		
	1	2	3	4	5	6	7	8	9	10	11	12	13
2005	109.2	3.9	110.8	3.6	2.3	106.8	1.4	0.8	1.8	2.6	1.4	939	0.9
2006	119.3	9.3	118.9	7.3	2.9	108.5	1.6	0.3	2.5	2.7	4.4	968	3.0
2007	128.9	8.3	126.2	6.3	2.4	109.5	0.9	-0.3	1.8	3.3	2.0	964	-0.4
2007 Q4	131.6	8.3	127.2	5.3	2.1	109.2	-0.3	-0.8	0.1	0.3	-1.3	980	0.4
2008 Q1	130.6	3.7	131.1	4.3	3.1	108.9	-0.2	-1.5	0.6	0.1	-1.3	945	-0.6
Q2	128.7	0.1	132.0	6.2	1.9	108.0	-1.5	-2.4	-0.9	-2.4	-2.2	904	-5.0
Q3	125.9	-1.4	130.7	3.9	2.1	108.0	-1.5	-2.2	-1.0	-1.0	-3.5	891	-9.0
2008 May	126.8	-4.5	130.8	0.8	3.8	108.5	0.3	-0.8	0.7	5.4	-0.8	891	-9.9
June	126.6	-6.8	132.5	4.0	0.9	107.6	-3.2	-4.2	-2.4	-3.2	-4.7	885	-6.6
July	129.1	3.2	131.7	6.3	2.1	107.9	-1.5	-2.2	-0.8	0.0	-3.0	886	-8.6
Aug.	127.0	-6.7	132.1	-2.4	2.1	108.0	-1.7	-2.1	-1.5	-2.9	-4.0	901	-8.6
Sep.	121.7	-1.8	128.3	6.8	2.0	108.1	-1.4	-2.2	-0.7	-0.5	-3.5	886	-9.7
Oct.	.	.	.	.	1.1	107.2	-2.1	-2.1	-2.2	.	.	854	-14.2
	month-on-month percentage changes (s.a.)												
2008 May	-	-4.3	-	-1.3	0.8	-	0.6	0.1	1.0	6.1	0.1	-	-4.9
June	-	-0.1	-	1.3	-0.6	-	-0.8	-0.7	-0.8	-2.8	-1.7	-	-0.7
July	-	1.9	-	-0.6	0.6	-	0.3	-0.2	0.6	2.4	1.1	-	0.1
Aug.	-	-1.6	-	0.4	0.2	-	0.1	0.4	-0.1	-1.7	-0.3	-	1.7
Sep.	-	-4.1	-	-2.9	0.2	-	0.0	0.1	0.0	2.6	-0.8	-	-1.6
Oct.	-	.	-	.	-0.5	-	-0.8	-0.5	-0.9	.	.	-	-3.7

Sources: Eurostat, except columns 12 and 13 in Table 4 in Section 5.2 (ECB calculations based on data from the ACEA, European Automobile Manufacturers' Association).
1) In 2000.
2) Includes manufacturing industries working mainly on the basis of orders, representing 62.6% of total manufacturing in 2000.
3) Annual and quarterly figures are averages of monthly figures in the period concerned.

5.2 Output and demand

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

5. Business and Consumer Surveys

	Economic sentiment indicator [2] (long-term average = 100)	Manufacturing industry					Consumer confidence indicator				
		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
2004	98.7	-5	-15	8	10	81.4	-14	-4	-14	30	-9
2005	97.4	-7	-17	11	6	81.2	-14	-4	-15	28	-9
2006	106.3	2	0	6	13	83.2	-9	-3	-9	15	-9
2007	108.4	4	5	5	13	84.2	-5	-2	-4	5	-8
2007 Q3	108.7	4	5	6	13	84.0	-4	-2	-3	3	-7
Q4	104.3	2	1	7	11	84.0	-8	-4	-10	7	-10
2008 Q1	100.5	0	-1	7	10	83.9	-12	-7	-17	11	-12
Q2	96.5	-3	-6	9	7	83.3	-15	-10	-22	13	-14
Q3	88.5	-10	-15	12	-2	82.2	-19	-12	-28	23	-15
2008 June	94.8	-5	-9	10	5	-	-17	-12	-25	14	-16
July	89.5	-8	-13	11	1	82.8	-20	-13	-30	20	-16
Aug.	88.5	-9	-13	12	-3	-	-19	-12	-28	23	-14
Sep.	87.5	-12	-20	13	-4	-	-19	-11	-26	24	-15
Oct.	80.0	-18	-26	15	-13	81.6	-24	-12	-33	34	-15
Nov.	74.9	-25	-35	17	-22	-	-25	-11	-32	44	-15

	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
2004	-12	-19	-4	-8	-12	14	2	11	6	8	18
2005	-7	-11	-2	-7	-12	13	4	11	5	10	18
2006	1	-4	5	1	3	14	13	18	13	18	24
2007	-1	-8	7	1	4	15	12	19	16	19	23
2007 Q3	0	-8	7	1	7	14	11	20	16	20	24
Q4	-3	-11	4	0	4	16	13	15	11	14	20
2008 Q1	-7	-14	-1	-1	2	16	12	10	4	12	15
Q2	-11	-17	-4	-3	-1	16	7	8	3	9	13
Q3	-14	-21	-7	-9	-10	17	-1	1	-7	3	6
2008 June	-11	-19	-4	-4	-3	17	7	9	4	10	14
July	-14	-23	-6	-9	-10	17	1	1	-8	4	7
Aug.	-13	-20	-6	-10	-8	19	-4	1	-7	4	5
Sep.	-16	-22	-10	-8	-11	14	0	0	-7	2	6
Oct.	-20	-27	-14	-13	-14	17	-9	-7	-13	-4	-3
Nov.	-24	-31	-16	-13	-11	16	-12	-12	-20	-8	-7

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

1) Difference between the percentages of respondents giving positive and negative replies.

2) The economic sentiment indicator is composed of the industrial, services, consumer, construction and retail trade confidence indicators; the industrial confidence indicator has a weight of 40%, the services confidence indicator a weight of 30%, the consumer confidence indicator a weight of 20% and the two other indicators a weight of 5% each. Values of the economic sentiment indicator above (below) 100 indicate above-average (below-average) economic sentiment, calculated for the period 1990 to 2007.

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	85.0	15.0	3.9	17.1	7.8	25.4	15.8	30.0
	1	2	3	4	5	6	7	8	9	10
2004	138.410	0.8	0.7	1.2	-2.3	-1.4	1.3	1.3	2.3	1.3
2005	139.733	1.0	1.1	0.3	-1.0	-1.1	2.7	0.7	2.4	1.5
2006	141.992	1.6	1.8	0.7	-1.9	-0.4	2.6	1.6	3.9	1.9
2007	144.502	1.8	1.9	0.8	-1.2	0.3	3.9	1.8	4.1	1.3
2007 Q2	144.298	1.7	1.9	0.7	-1.5	0.4	4.6	1.5	4.4	0.9
Q3	144.879	1.9	1.9	1.5	-1.4	0.2	3.6	2.3	3.9	1.4
Q4	145.269	1.7	2.0	0.5	-1.7	0.2	2.3	2.3	3.9	1.3
2008 Q1	145.715	1.5	1.7	0.7	-1.5	0.5	0.8	2.3	3.7	1.0
Q2	145.985	1.2	1.4	0.1	-2.0	0.3	-1.2	1.7	2.9	1.4
	quarter-on-quarter percentage changes (s.a.)									
2007 Q2	0.737	0.5	0.5	0.5	-0.4	0.1	0.5	0.9	1.3	0.1
Q3	0.580	0.4	0.4	0.3	-1.2	0.0	0.0	0.7	0.8	0.5
Q4	0.391	0.3	0.5	-0.8	-0.5	0.1	0.0	0.1	0.7	0.4
2008 Q1	0.446	0.3	0.3	0.5	0.5	0.2	0.1	0.4	0.9	0.0
Q2	0.270	0.2	0.2	0.0	-1.0	0.0	-1.1	0.4	0.4	0.5

2. Unemployment
(seasonally adjusted)

	Total		By age [3]				By gender [4]			
	Millions	% of labour force	Adult		Youth		Male		Female	
			Millions	% of labour force	Millions	% of labour force	Millions	% of labour force	Millions	% of labour force
% of total [2]	100.0		78.2		21.8		49.6		50.4	
	1	2	3	4	5	6	7	8	9	10
2004	13.100	8.8	10.160	7.7	2.941	17.1	6.555	7.9	6.546	10.0
2005	13.283	8.8	10.339	7.8	2.944	17.2	6.698	8.0	6.585	9.9
2006	12.512	8.2	9.774	7.3	2.738	16.2	6.213	7.4	6.299	9.3
2007	11.361	7.4	8.884	6.5	2.477	14.8	5.587	6.6	5.774	8.4
2007 Q3	11.308	7.4	8.836	6.5	2.472	14.7	5.579	6.6	5.728	8.3
Q4	11.135	7.2	8.697	6.3	2.438	14.6	5.493	6.5	5.642	8.2
2008 Q1	11.147	7.2	8.702	6.3	2.446	14.5	5.506	6.5	5.641	8.1
Q2	11.380	7.4	8.859	6.4	2.521	15.0	5.700	6.7	5.680	8.2
Q3	11.684	7.5	9.109	6.6	2.575	15.3	5.909	6.9	5.775	8.3
2008 May	11.399	7.4	8.871	6.4	2.529	15.1	5.711	6.7	5.688	8.2
June	11.465	7.4	8.928	6.5	2.536	15.1	5.767	6.8	5.698	8.2
July	11.577	7.5	9.032	6.5	2.545	15.1	5.829	6.8	5.748	8.2
Aug.	11.698	7.5	9.136	6.6	2.562	15.2	5.894	6.9	5.804	8.3
Sep.	11.778	7.6	9.160	6.6	2.618	15.5	6.005	7.0	5.773	8.3
Oct.	12.003	7.7	9.303	6.7	2.700	15.9	6.162	7.2	5.841	8.3

Source: Eurostat.
1) Data for employment refer to persons and are based on the ESA 95. Data for unemployment refer to persons and follow ILO recommendations.
2) In 2006.
3) Adult: 25 years of age and over; youth: below 25 years of age; rates are expressed as a percentage of the labour force for the relevant age group.
4) Rates are expressed as a percentage of the labour force for the relevant gender.

GOVERNMENT FINANCE

6.1 Revenue, expenditure and deficit/surplus [1]

(as a percentage of GDP)

1. Euro area – revenue

	Total	Current revenue										Capital revenue		Memo: fiscal burden [2]
			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
1999	47.0	46.7	12.5	9.3	2.9	14.1	0.6	16.1	8.3	4.9	2.3	0.3	0.3	43.0
2000	46.5	46.2	12.7	9.4	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	12.3	9.2	2.7	13.6	0.5	15.6	8.1	4.7	2.2	0.2	0.3	41.7
2002	45.2	44.9	11.8	9.1	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	8.8	2.3	13.5	0.4	15.8	8.2	4.6	2.1	0.6	0.5	41.2
2004	44.6	44.1	11.3	8.5	2.5	13.5	0.3	15.6	8.1	4.5	2.1	0.5	0.4	40.8
2005	44.9	44.4	11.6	8.6	2.7	13.7	0.3	15.4	8.1	4.5	2.2	0.5	0.3	41.0
2006	45.5	45.1	12.1	8.8	3.0	13.9	0.3	15.3	8.1	4.5	2.1	0.3	0.3	41.6
2007	45.6	45.3	12.5	9.0	3.2	13.8	0.3	15.2	8.0	4.4	2.1	0.3	0.3	41.8

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
1999	48.4	44.5	10.6	4.8	4.1	25.1	22.1	2.1	0.5	3.9	2.5	1.4	0.1	44.3
2000	46.5	43.8	10.4	4.8	3.9	24.7	21.7	2.0	0.5	2.8	2.5	1.3	0.0	42.6
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	47.8	44.0	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	44.2	10.5	4.9	3.3	25.4	22.6	1.9	0.5	4.0	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	47.4	43.5	10.4	5.0	3.0	25.1	22.3	1.7	0.5	3.9	2.5	1.4	0.1	44.4
2006	46.8	42.9	10.2	5.0	2.9	24.8	22.1	1.7	0.5	3.8	2.5	1.4	0.0	43.8
2007	46.2	42.4	10.0	5.0	3.0	24.4	21.7	1.6	0.4	3.9	2.5	1.3	0.0	43.3

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
1999	-1.4	-1.7	-0.1	0.1	0.4	2.6	19.9	10.6	4.8	4.9	1.8	2.3	8.3	11.6
2000	0.0	-0.4	-0.1	0.1	0.5	3.9	19.7	10.4	4.8	4.9	1.8	2.2	8.2	11.6
2001	-1.9	-1.7	-0.4	-0.1	0.3	2.0	19.8	10.3	4.8	5.0	1.8	2.2	8.1	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	8.2	12.0
2003	-3.1	-2.4	-0.5	-0.2	0.0	0.2	20.5	10.5	4.9	5.2	1.8	2.1	8.3	12.2
2004	-3.0	-2.5	-0.4	-0.3	0.2	0.2	20.4	10.4	5.0	5.1	1.9	2.1	8.3	12.1
2005	-2.6	-2.2	-0.3	-0.2	0.2	0.4	20.4	10.4	5.0	5.2	1.9	2.2	8.1	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	12.3
2007	-0.6	-1.2	0.0	0.0	0.5	2.3	20.1	10.0	5.0	5.2	1.9	2.1	7.9	12.2

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

	BE	DE	IE	GR	ES	FR	IT	CY	LU	MT	NL	AT	PT	SI	FI
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2004	-0.2	-3.8	1.4	-7.5	-0.3	-3.6	-3.5	-4.1	-1.2	-4.7	-1.7	-4.4	-3.4	-2.2	2.4
2005	-2.6	-3.3	1.7	-5.1	1.0	-2.9	-4.3	-2.4	-0.1	-2.8	-0.3	-1.5	-6.1	-1.4	2.9
2006	0.3	-1.5	3.0	-2.8	2.0	-2.4	-3.4	-1.2	1.3	-2.3	0.6	-1.5	-3.9	-1.2	4.1
2007	-0.3	-0.2	0.2	-3.5	2.2	-2.7	-1.6	3.5	3.2	-1.8	0.3	-0.4	-2.6	0.5	5.3

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

1) The data refer to the Euro 15. 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
1998	72.9	2.8	15.2	5.3	49.6	52.5	26.5	14.5	11.4	20.4
1999	72.0	2.9	14.4	4.3	50.5	48.8	25.4	13.8	9.7	23.2
2000	69.3	2.7	13.1	3.7	49.7	44.2	22.0	12.4	9.7	25.1
2001	68.2	2.8	12.4	4.0	49.1	42.0	20.6	11.1	10.3	26.2
2002	68.1	2.7	11.8	4.5	49.0	40.1	19.4	10.7	10.1	27.9
2003	69.2	2.1	12.4	5.0	49.7	39.4	19.5	11.2	8.7	29.8
2004	69.6	2.2	12.0	5.0	50.5	37.5	18.4	10.8	8.2	32.1
2005	70.2	2.4	11.8	4.7	51.3	35.4	17.2	11.2	7.0	34.8
2006	68.5	2.5	11.4	4.1	50.4	33.8	17.6	9.4	6.8	34.7
2007	66.3	2.2	10.8	4.3	49.0	32.6	17.0	8.7	6.9	33.7

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
1998	72.9	61.2	6.1	5.2	0.3	8.2	64.7	8.0	15.5	26.3	31.0	71.1	1.8
1999	72.0	60.5	6.0	5.1	0.4	7.3	64.7	7.0	13.6	27.8	30.7	70.0	2.0
2000	69.3	58.1	5.9	4.9	0.4	6.5	62.8	6.3	13.4	27.8	28.1	67.5	1.8
2001	68.2	57.1	6.1	4.7	0.4	7.0	61.2	5.3	13.7	26.6	27.9	66.7	1.5
2002	68.1	56.7	6.3	4.7	0.4	7.6	60.4	5.2	15.5	25.3	27.2	66.8	1.3
2003	69.2	57.0	6.5	5.0	0.6	7.8	61.4	5.1	14.9	26.0	28.3	68.3	0.9
2004	69.6	57.4	6.6	5.1	0.4	7.8	61.7	4.8	14.9	26.2	28.5	68.7	0.9
2005	70.2	57.7	6.7	5.2	0.5	7.9	62.3	4.7	14.9	25.6	29.7	69.2	1.0
2006	68.5	56.0	6.5	5.4	0.5	7.5	61.0	4.5	14.5	24.1	29.9	67.8	0.7
2007	66.3	54.2	6.3	5.3	0.6	7.5	58.8	4.2	14.2	22.6	29.5	65.8	0.5

3. Euro area countries

	BE	DE	IE	GR	ES	FR	IT	CY	LU	MT	NL	AT	PT	SI	FI
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2004	94.3	65.6	29.4	98.6	46.2	64.9	103.8	70.2	6.3	72.1	52.4	64.8	58.3	27.2	44.1
2005	92.1	67.8	27.3	98.8	43.0	66.4	105.9	69.1	6.1	69.9	51.8	63.7	63.6	27.0	41.3
2006	87.8	67.6	24.7	95.9	39.6	63.6	106.9	64.6	6.6	63.8	47.4	62.0	64.7	26.7	39.2
2007	83.9	65.1	24.8	94.8	36.2	63.9	104.1	59.5	7.0	62.2	45.7	59.5	63.6	23.4	35.1

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

1) The data refer to the Euro 15. Gross general government debt at nominal value and consolidated between sub-sectors of government. Holdings by non-resident governments are not consolidated. Data are partially estimated.
2) Holders resident in the country whose government has issued the debt.
3) Includes residents of euro area countries other than the country whose government has issued the debt.
4) Excludes debt held by general government in the country whose government has issued it.
5) Before 1999, this comprises debt in ECU, in domestic currency and in the currencies of other Member States which have adopted the euro.

6.3 Change in debt [1)]

(as a percentage of GDP)

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

	Total	Source of change				Financial instruments				Holders			
		Borrowing requirement [2)]	Valuation effects [3)]	Other changes in volume [4)]	Aggregation effect [5)]	Currency and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors [6)]	MFIs	Other financial corporations	Other creditors [7)]
	1	2	3	4	5	6	7	8	9	10	11	12	13
1999	2.0	1.6	0.4	0.0	-0.1	0.2	-0.2	-0.9	2.8	-1.6	-0.2	-0.2	3.6
2000	1.0	1.1	0.0	-0.1	0.0	0.0	-0.5	-0.3	1.9	-2.1	-2.0	-0.6	3.1
2001	1.8	1.9	-0.1	0.1	0.0	0.2	-0.2	0.4	1.4	-0.3	-0.5	-0.8	2.2
2002	2.1	2.7	-0.5	0.0	0.0	0.0	-0.2	0.7	1.6	-0.5	-0.5	-0.1	2.6
2003	3.1	3.3	-0.2	0.0	0.0	-0.6	0.9	0.6	2.1	0.4	0.7	0.8	2.7
2004	3.1	3.2	-0.1	0.0	0.0	0.2	0.1	0.1	2.7	-0.3	-0.3	0.1	3.4
2005	3.1	3.1	0.0	0.0	0.0	0.3	0.3	-0.1	2.6	-0.8	-0.6	0.8	3.9
2006	1.5	1.4	0.1	0.0	0.0	0.2	0.2	-0.4	1.5	0.1	1.2	-1.3	1.5
2007	1.1	1.1	0.0	0.0	0.0	-0.1	-0.1	0.4	0.9	0.4	0.3	-0.2	0.7

2. Euro area − deficit-debt adjustment

	Change in debt	Deficit (-) / surplus (+) [8)]	Deficit-debt adjustment [9)]											
			Total	Transactions in main financial assets held by general government							Valuation effects		Other changes in volume	Other [10)]
				Total	Currency and deposits	Loans	Securities [11)]	Shares and other equity				Exchange rate effects		
									Privatisations	Equity injections				
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
1999	2.0	-1.4	0.6	0.0	0.5	0.1	0.0	-0.5	-0.8	0.0	0.4	0.3	0.0	0.2
2000	1.0	0.0	1.0	1.0	0.7	0.2	0.2	0.0	-0.4	0.2	0.0	0.1	-0.1	0.1
2001	1.8	-1.9	0.0	-0.5	-0.6	0.1	0.1	-0.1	-0.3	0.1	-0.1	0.0	0.1	0.6
2002	2.1	-2.6	-0.5	0.1	0.1	0.0	0.0	0.0	-0.3	0.1	-0.5	-0.1	0.0	0.0
2003	3.1	-3.1	0.0	0.1	0.1	0.0	0.0	0.1	-0.2	0.1	-0.2	-0.1	0.0	0.1
2004	3.1	-3.0	0.1	0.2	0.2	0.0	0.1	0.0	-0.5	0.2	-0.1	0.0	0.0	0.0
2005	3.1	-2.6	0.5	0.7	0.4	0.1	0.2	0.1	-0.3	0.2	0.0	0.0	0.0	-0.2
2006	1.5	-1.3	0.2	0.3	0.3	-0.2	0.3	-0.1	-0.3	0.1	0.1	0.0	0.0	-0.2
2007	1.1	-0.6	0.5	0.6	0.2	0.0	0.2	0.1	-0.2	0.2	0.0	0.0	0.0	-0.1

Source: ECB.

1) The data refer to the Euro 15 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) The difference between the changes in the aggregated debt, resulting from the aggregation of countries' debt, and the aggregation of countries' change in debt is due to variations in the exchange rates used for aggregation before 2001.
6) Holders resident in the country whose government has issued the debt.
7) Includes residents of euro area countries other than the country whose government has issued the debt.
8) Including proceeds from sales of UMTS licences.
9) The difference between the annual change in gross nominal consolidated debt and the deficit as a percentage of GDP.
10) Mainly composed of transactions in other assets and liabilities (trade credits, other receivables/payables and financial derivatives).
11) Excluding financial derivatives.

6.4 Quarterly revenue, expenditure and deficit/surplus [1]
(as a percentage of GDP)

1. Euro area – quarterly revenue

	Total	Current revenue						Capital revenue		Memo: fiscal burden [2]
			Direct taxes	Indirect taxes	Social contributions	Sales	Property income		Capital taxes	
	1	2	3	4	5	6	7	8	9	10
2002 Q2	45.5	45.0	12.4	12.7	15.4	1.9	1.7	0.5	0.3	40.9
Q3	43.5	43.1	11.2	12.8	15.5	1.9	0.7	0.4	0.3	39.7
Q4	49.0	48.4	13.4	14.1	16.2	2.9	0.9	0.6	0.3	44.0
2003 Q1	41.9	41.4	9.8	12.8	15.5	1.7	0.7	0.5	0.2	38.4
Q2	46.0	44.6	12.0	12.9	15.7	2.0	1.4	1.4	1.2	41.7
Q3	42.6	42.1	10.8	12.5	15.5	1.9	0.6	0.5	0.2	39.1
Q4	49.2	48.2	13.1	14.2	16.2	2.9	0.8	1.0	0.3	43.8
2004 Q1	41.3	40.9	9.6	12.8	15.3	1.7	0.6	0.4	0.3	38.0
Q2	45.0	44.2	12.1	13.0	15.3	2.0	1.0	0.8	0.6	41.0
Q3	42.7	42.2	10.6	12.7	15.4	1.9	0.6	0.5	0.3	39.0
Q4	49.1	48.1	12.9	14.3	16.2	2.9	0.7	1.0	0.4	43.9
2005 Q1	42.0	41.5	9.9	13.0	15.3	1.7	0.6	0.5	0.3	38.4
Q2	44.6	44.0	11.8	13.2	15.1	2.0	1.1	0.6	0.3	40.4
Q3	43.3	42.6	11.0	12.9	15.2	2.0	0.7	0.7	0.3	39.4
Q4	49.2	48.4	13.4	14.3	16.1	2.9	0.8	0.8	0.3	44.0
2006 Q1	42.4	42.0	10.2	13.3	15.1	1.7	0.8	0.5	0.3	38.9
Q2	45.7	45.3	12.5	13.6	15.1	2.0	1.3	0.5	0.3	41.4
Q3	43.6	43.2	11.5	12.9	15.2	1.9	0.8	0.5	0.3	39.9
Q4	49.5	48.9	14.1	14.3	15.9	2.9	0.8	0.6	0.3	44.6
2007 Q1	42.2	41.8	10.3	13.4	14.8	1.7	0.8	0.4	0.3	38.8
Q2	46.2	45.8	13.0	13.6	15.1	2.0	1.4	0.4	0.3	41.9
Q3	43.7	43.3	12.1	12.8	15.0	1.9	0.8	0.4	0.3	40.1
Q4	49.7	49.2	14.5	14.2	15.8	2.9	0.9	0.6	0.3	44.8
2008 Q1	42.3	41.9	10.6	13.0	14.9	1.7	0.9	0.4	0.2	38.8
Q2	45.5	45.1	12.9	12.9	15.1	1.9	1.4	0.4	0.3	41.2

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
2002 Q2	46.4	43.0	10.3	4.8	3.5	24.3	21.1	1.3	3.4	2.3	1.1	-0.9	2.7
Q3	46.9	43.2	10.1	4.7	3.5	24.9	21.4	1.4	3.7	2.5	1.2	-3.4	0.1
Q4	50.8	46.4	11.1	5.6	3.3	26.4	22.7	1.6	4.4	2.8	1.6	-1.8	1.6
2003 Q1	46.8	43.3	10.3	4.6	3.5	25.0	21.4	1.3	3.5	1.9	1.6	-5.0	-1.5
Q2	47.1	43.6	10.4	4.7	3.4	25.1	21.7	1.3	3.5	2.3	1.2	-1.1	2.3
Q3	47.1	43.4	10.3	4.8	3.3	25.1	21.6	1.3	3.7	2.5	1.2	-4.5	-1.2
Q4	51.2	46.3	11.0	5.6	3.1	26.5	22.9	1.5	4.8	3.3	1.6	-1.9	1.2
2004 Q1	46.4	43.0	10.3	4.6	3.2	25.0	21.4	1.2	3.4	1.9	1.5	-5.1	-1.9
Q2	46.6	43.2	10.4	4.8	3.3	24.8	21.4	1.3	3.4	2.3	1.1	-1.6	1.6
Q3	46.1	42.7	10.0	4.7	3.1	24.9	21.5	1.3	3.4	2.4	1.0	-3.4	-0.3
Q4	50.9	45.7	11.0	5.7	2.9	26.1	22.6	1.4	5.2	3.1	2.1	-1.8	1.1
2005 Q1	46.9	43.1	10.2	4.6	3.1	25.2	21.4	1.2	3.7	1.9	1.8	-4.9	-1.8
Q2	46.1	42.8	10.2	4.9	3.2	24.5	21.3	1.1	3.4	2.3	1.1	-1.5	1.6
Q3	45.8	42.4	9.9	4.8	3.0	24.7	21.3	1.2	3.4	2.5	1.0	-2.6	0.4
Q4	50.6	45.8	11.1	5.8	2.8	26.1	22.5	1.3	4.8	3.1	1.6	-1.4	1.4
2006 Q1	45.3	42.2	10.0	4.6	2.9	24.7	21.1	1.1	3.1	1.9	1.2	-2.9	0.1
Q2	45.5	42.3	10.2	4.9	3.1	24.1	21.1	1.1	3.2	2.3	0.9	0.2	3.3
Q3	45.4	42.0	9.8	4.7	2.9	24.5	21.1	1.2	3.4	2.5	1.0	-1.7	1.2
Q4	50.4	45.1	10.7	5.8	2.7	25.9	22.3	1.3	5.3	3.2	2.2	-0.9	1.8
2007 Q1	44.4	41.3	9.8	4.6	3.0	24.0	20.5	1.1	3.2	2.0	1.2	-2.2	0.7
Q2	44.7	41.6	9.9	4.8	3.2	23.7	20.7	1.1	3.2	2.3	0.8	1.5	4.6
Q3	44.8	41.4	9.7	4.7	3.0	24.0	20.7	1.2	3.4	2.5	0.9	-1.0	2.0
Q4	50.5	45.1	10.7	5.8	2.8	25.9	22.1	1.4	5.4	3.3	2.1	-0.8	2.0
2008 Q1	44.6	41.4	9.8	4.6	3.0	24.1	20.4	1.2	3.2	2.0	1.2	-2.2	0.7
Q2	45.1	41.8	10.1	4.8	3.2	23.7	20.6	1.1	3.3	2.3	0.9	0.4	3.6

Source: ECB calculations based on Eurostat and national data.

1) The data refer to the Euro 15. 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)

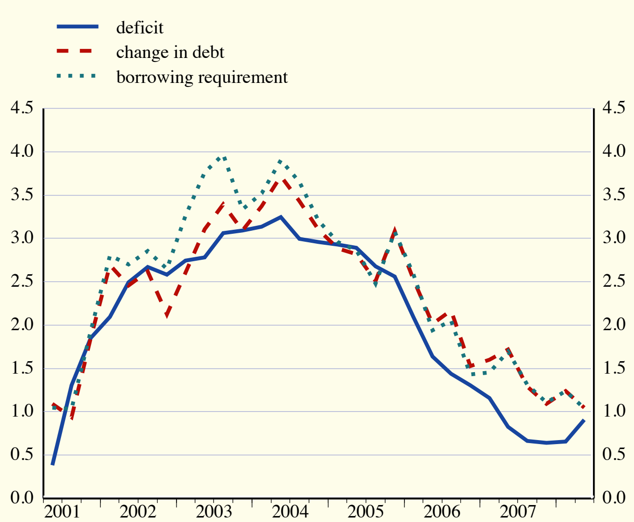
1. Euro area – Maastricht debt by financial instrument [2]

	Total	Financial instruments			
		Currency and deposits	Loans	Short-term securities	Long-term securities
	1	2	3	4	5
2005 Q3	71.0	2.4	11.8	5.2	51.8
Q4	70.2	2.4	11.8	4.7	51.3
2006 Q1	70.5	2.5	11.7	4.9	51.3
Q2	70.6	2.5	11.6	4.9	51.6
Q3	70.1	2.5	11.6	4.7	51.2
Q4	68.5	2.5	11.4	4.1	50.4
2007 Q1	68.8	2.4	11.5	4.8	50.1
Q2	68.9	2.2	11.2	5.1	50.4
Q3	68.0	2.1	11.1	5.2	49.6
Q4	66.3	2.2	10.8	4.3	49.0
2008 Q1	67.1	2.2	10.9	5.0	49.0
Q2	67.1	2.1	10.9	5.0	49.1

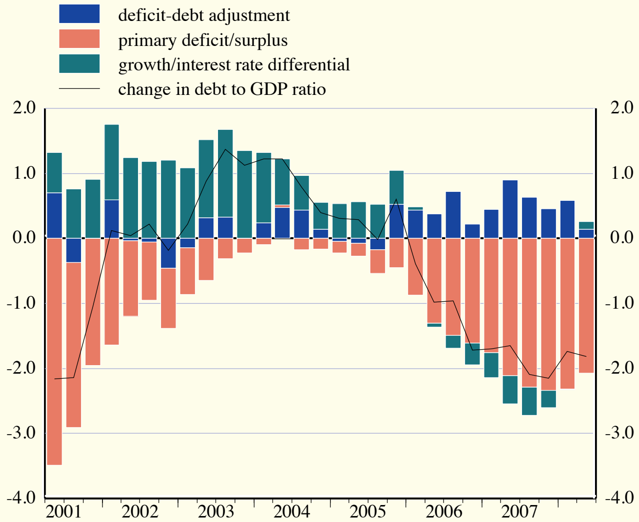
2. Euro area – deficit-debt adjustment

	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
2005 Q3	0.6	-2.6	-2.0	-2.4	-2.3	0.0	0.3	-0.4	0.0	0.4	0.5
Q4	-0.5	-1.4	-2.0	-0.4	0.0	0.0	-0.3	-0.1	0.0	-1.5	-0.5
2006 Q1	4.8	-2.9	1.9	1.2	1.0	0.1	0.6	-0.5	-0.4	1.0	5.2
Q2	3.3	0.2	3.5	3.2	2.5	0.0	0.4	0.2	0.6	-0.3	2.6
Q3	1.2	-1.7	-0.5	-0.8	-0.7	-0.1	0.2	-0.1	0.2	0.1	1.0
Q4	-2.9	-0.9	-3.8	-2.2	-1.4	-0.6	-0.2	-0.2	-0.1	-1.4	-2.7
2007 Q1	4.9	-2.2	2.7	2.1	1.0	0.1	0.6	0.3	-0.1	0.7	5.0
Q2	3.6	1.5	5.1	4.8	4.1	0.0	0.5	0.2	0.1	0.2	3.5
Q3	-0.4	-1.0	-1.5	-1.6	-2.1	0.2	0.4	0.0	0.0	0.1	-0.5
Q4	-3.4	-0.8	-4.2	-2.9	-2.2	-0.1	-0.6	0.0	-0.1	-1.3	-3.4
2008 Q1	5.4	-2.2	3.1	2.2	1.9	0.0	0.1	0.3	-0.1	1.0	5.4
Q2	2.8	0.4	3.2	2.4	2.0	0.2	0.1	0.0	0.1	0.7	2.7

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



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



Source: ECB calculations based on Eurostat and national data.
1) The data refer to the Euro 15.
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

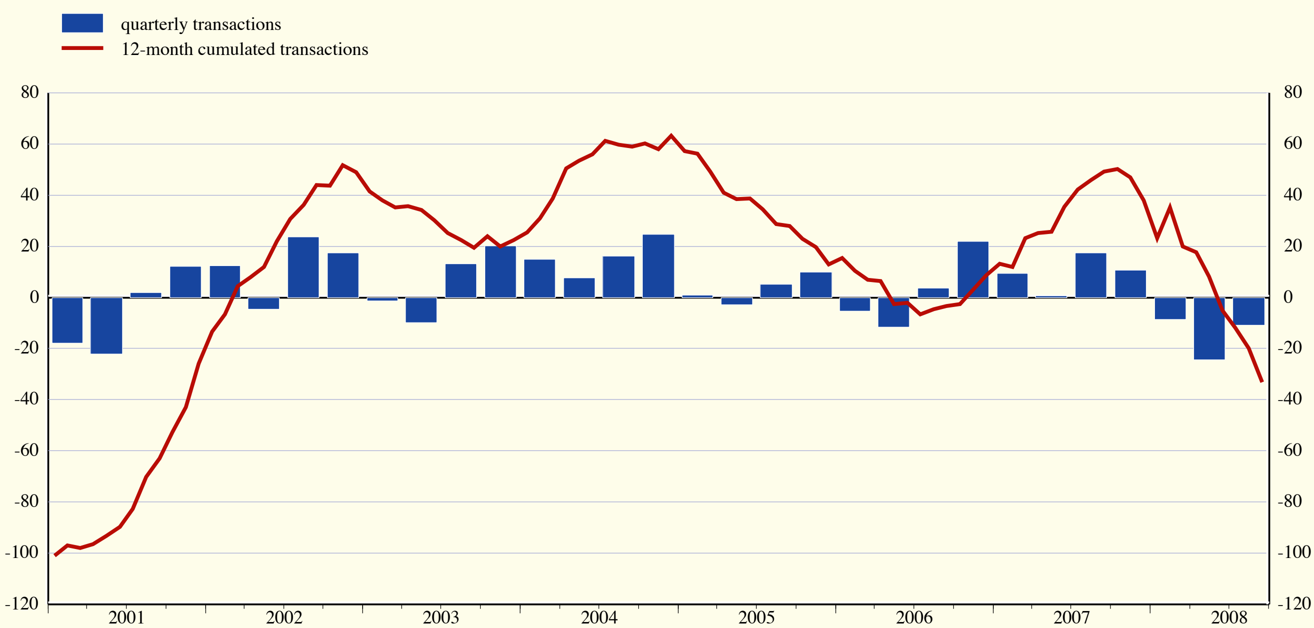
7.1 Summary balance of payments [1]

(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
2005	13.0	47.0	38.2	1.4	-73.5	11.4	24.4	10.8	-207.4	129.2	-17.3	88.6	17.7	-35.2
2006	8.5	19.8	44.1	23.8	-79.2	9.3	17.9	137.8	-156.7	290.4	3.0	1.9	-0.9	-155.6
2007	37.8	57.5	53.2	11.1	-84.0	14.0	51.8	29.4	-90.4	137.7	-53.9	41.1	-5.1	-81.3
2007 Q3	17.3	17.7	17.8	7.6	-25.9	1.7	19.0	104.8	-34.1	46.7	-15.3	111.9	-4.4	-123.8
Q4	10.6	10.3	11.2	9.4	-20.3	5.2	15.8	-73.2	25.0	-73.2	-19.1	-10.6	4.7	57.4
2008 Q1	-8.6	-1.5	11.9	8.0	-26.9	6.1	-2.4	-4.4	-107.1	73.8	-21.0	55.0	-5.1	6.8
Q2	-24.4	6.2	15.7	-29.2	-17.1	3.0	-21.4	87.2	-49.2	34.3	-9.1	111.1	0.0	-65.7
Q3	-10.8	-6.9	15.2	3.5	-22.7	2.0	-8.9	-24.8	-40.5	30.0	1.6	-18.1	2.2	33.7
2007 Sep.	7.4	6.0	7.3	3.6	-9.5	0.5	7.8	-2.4	-33.3	42.5	-3.0	-6.3	-2.3	-5.4
Oct.	4.4	7.3	4.4	2.8	-10.2	1.2	5.6	-46.8	31.6	-48.2	-2.7	-27.6	0.0	41.2
Nov.	2.6	5.1	3.4	0.7	-6.6	0.9	3.5	-0.8	4.5	0.9	-11.2	4.8	0.2	-2.7
Dec.	3.7	-2.1	3.4	5.8	-3.5	3.0	6.7	-25.6	-11.1	-25.9	-5.3	12.2	4.5	18.9
2008 Jan.	-15.0	-8.1	3.5	0.0	-10.4	2.5	-12.4	5.5	-64.2	58.7	-26.9	44.2	-6.4	7.0
Feb.	9.8	4.8	4.5	4.8	-4.4	2.4	12.2	-25.3	-21.4	0.3	2.5	-11.3	4.5	13.1
Mar.	-3.3	1.8	3.8	3.1	-12.1	1.2	-2.2	15.4	-21.6	14.8	3.4	22.1	-3.2	-13.3
Apr.	-4.9	5.4	4.4	-6.9	-7.8	0.7	-4.3	29.8	-22.6	-16.9	-2.8	75.2	-3.3	-25.5
May	-21.8	-1.8	4.9	-19.7	-5.1	1.8	-20.0	43.6	-7.0	10.2	-9.9	47.5	2.7	-23.7
June	2.2	2.6	6.5	-2.6	-4.2	0.5	2.8	13.8	-19.6	41.0	3.5	-11.6	0.5	-16.6
July	1.1	2.3	6.4	-0.1	-7.5	0.9	2.0	-5.7	-12.3	-8.8	2.0	15.1	-1.7	3.7
Aug.	-6.0	-5.2	4.6	1.9	-7.3	0.5	-5.5	-29.6	-9.8	-18.2	-5.9	1.8	2.4	35.1
Sep.	-6.0	-3.9	4.2	1.7	-7.9	0.5	-5.4	10.5	-18.5	57.1	5.4	-35.0	1.4	-5.1
	12-month cumulated transactions													
2008 Sep.	-33.2	8.1	54.0	-8.4	-86.9	16.3	-16.9	-15.2	-171.8	65.0	-47.6	137.4	1.8	32.1

C30 B.o.p. current account balance

(EUR billions)



Source: ECB.

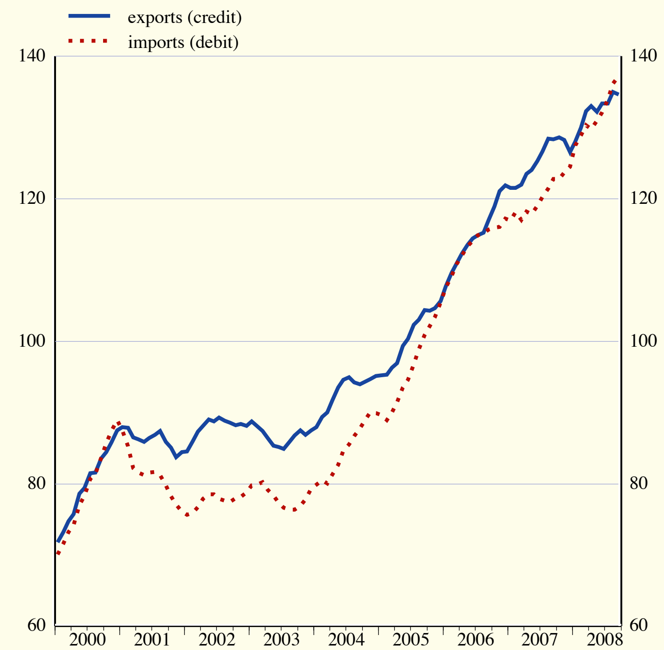
1) The sign convention is explained in the general notes.

7.2 Current and capital accounts
(EUR billions; transactions)

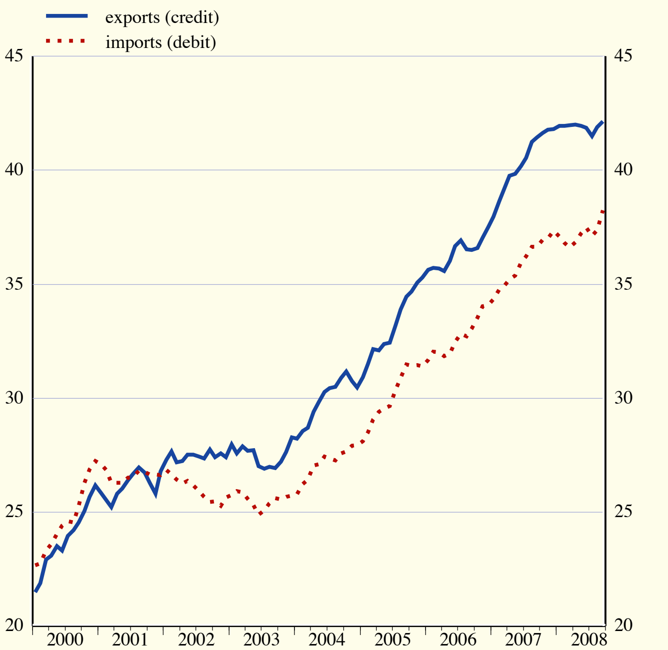
1. Summary current and capital accounts

	Current account													Capital account	
	Total			Goods		Services		Income		Current transfers					
	Credit	Debit	Net	Credit	Debit	Credit	Debit	Credit	Debit	Credit		Debit		Credit	Debit
											Workers remit-tances		Workers remit-tances		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2005	2,098.1	2,085.0	13.0	1,221.9	1,174.9	403.8	365.6	387.1	385.7	85.2	5.0	158.7	14.5	24.4	13.0
2006	2,422.9	2,414.4	8.5	1,391.5	1,371.7	438.8	394.7	504.0	480.2	88.7	5.3	167.8	17.2	23.9	14.5
2007	2,685.8	2,648.0	37.8	1,506.7	1,449.2	488.3	435.1	601.8	590.7	89.0	6.3	173.0	20.2	25.9	11.9
2007 Q3	675.6	658.3	17.3	377.0	359.3	133.7	115.8	148.9	141.3	16.0	1.7	41.9	5.2	4.5	2.9
Q4	702.8	692.2	10.6	394.0	383.7	126.2	115.0	156.0	146.6	26.6	1.6	46.9	5.5	8.7	3.5
2008 Q1	684.7	693.2	-8.6	389.0	390.5	115.7	103.9	153.6	145.6	26.4	1.5	53.3	5.0	9.0	2.9
Q2	710.3	734.8	-24.4	403.6	397.4	125.7	109.9	159.4	188.7	21.7	1.5	38.8	5.2	7.3	4.2
Q3	695.2	706.0	-10.8	398.9	405.8	136.4	121.1	145.5	142.0	14.4	-	37.1	-	4.7	2.7
2008 July	240.6	239.4	1.1	141.0	138.8	46.5	40.1	48.4	48.5	4.6	.	12.1	.	1.8	0.9
Aug.	215.8	221.8	-6.0	119.8	125.0	44.8	40.2	46.8	44.9	4.4	.	11.7	.	1.5	0.9
Sep.	238.8	244.7	-6.0	138.1	142.0	45.0	40.8	50.3	48.6	5.4	.	13.3	.	1.4	0.9
	Seasonally adjusted														
2007 Q3	684.6	674.3	10.2	385.1	368.2	124.3	109.9	155.8	153.4	19.4	.	42.8	.	.	.
Q4	680.5	684.0	-3.5	379.5	373.5	125.4	112.0	154.5	154.4	21.1	.	44.1	.	.	.
2008 Q1	700.7	707.3	-6.6	396.9	390.8	125.9	109.9	155.6	158.4	22.2	.	48.2	.	.	.
Q2	703.4	710.2	-6.8	400.0	396.3	125.6	112.4	153.2	156.1	24.6	.	45.4	.	.	.
Q3	698.9	717.8	-18.9	403.8	411.7	126.4	114.8	151.1	153.5	17.6	.	37.9	.	.	.
2008 Apr.	237.3	235.0	2.3	135.2	130.0	42.1	37.2	50.7	51.5	9.3	.	16.3	.	.	.
May	234.6	238.3	-3.7	132.0	132.2	41.8	37.5	53.4	54.6	7.3	.	14.0	.	.	.
June	231.5	236.9	-5.4	132.8	134.1	41.6	37.7	49.1	49.9	8.0	.	15.1	.	.	.
July	232.5	235.5	-3.0	135.1	135.5	41.0	36.2	50.5	51.1	5.9	.	12.7	.	.	.
Aug.	235.7	241.1	-5.3	137.1	138.9	43.0	38.3	50.7	52.0	5.0	.	11.8	.	.	.
Sep.	230.6	241.2	-10.6	131.6	137.2	42.4	40.3	49.9	50.3	6.8	.	13.4	.	.	.

C31 B.o.p. goods
(EUR billions, seasonally adjusted; three-month moving average)



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



Source: ECB.

(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
2005	16.2	9.5	370.9	376.2	147.3	40.2	106.2	-13.3	16.0	16.8	31.5	70.2	82.3	80.9	93.8	102.1
2006	16.8	10.0	487.1	470.2	186.2	44.2	108.2	34.5	20.5	20.0	39.6	99.6	103.5	91.0	137.4	151.4
2007	17.6	10.5	584.3	580.2	210.4	81.2	127.5	34.7	25.9	23.4	45.5	116.5	118.7	114.4	183.8	198.3
2007 Q2	4.3	2.6	153.1	173.6	57.7	13.9	37.4	6.8	6.6	6.2	15.3	53.5	28.7	28.0	44.8	48.5
Q3	4.3	3.2	144.6	138.1	49.5	24.0	28.9	14.5	6.2	5.5	11.0	24.1	30.1	28.5	47.8	51.1
Q4	4.6	2.7	151.4	143.9	52.9	16.5	30.8	5.4	7.3	6.3	9.2	20.7	32.0	32.4	50.0	53.6
2008 Q1	4.6	2.0	149.0	143.6	53.6	25.9	30.2	14.3	6.6	6.0	9.6	20.9	31.4	33.3	47.9	53.2
Q2	4.3	2.7	155.1	186.0	55.1	16.9	35.6	8.4	7.5	6.5	14.3	58.2	31.5	32.7	46.7	53.1

3. Geographical breakdown

(cumulated transactions)

2007 Q3 to 2008 Q2	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	2,773.5	1,036.5	59.2	86.6	540.4	289.4	60.9	37.5	37.9	84.7	32.3	56.4	95.0	183.1	409.8	800.2
Goods	1,563.6	561.3	35.7	55.9	240.8	228.9	0.0	19.9	18.5	64.4	24.2	33.5	73.4	88.6	194.2	485.6
Services	501.3	179.3	12.4	13.6	118.4	29.4	5.5	6.2	6.8	15.6	6.2	10.8	12.7	49.0	80.1	134.6
Income	617.9	228.9	10.4	15.6	167.8	28.2	6.8	11.2	12.0	4.4	1.8	11.7	8.7	39.4	128.9	170.9
Investment income	600.0	222.4	10.3	15.5	165.6	28.0	3.0	11.2	11.9	4.4	1.8	11.6	8.6	32.7	127.4	168.0
Current transfers	90.7	67.0	0.7	1.4	13.4	2.9	48.5	0.2	0.7	0.3	0.1	0.4	0.2	6.1	6.7	9.0
Capital account	29.5	26.0	0.0	0.1	0.9	0.1	24.9	0.0	0.0	0.0	0.0	0.0	0.0	0.4	1.7	1.3
	Debits															
Current account	2,778.6	934.1	47.2	84.7	470.0	226.7	105.6	-	29.9	-	-	102.1	-	176.3	367.7	-
Goods	1,530.9	441.9	29.0	52.2	179.4	181.4	0.0	26.5	13.2	168.6	19.6	55.9	101.2	76.6	138.5	489.0
Services	444.7	139.2	9.1	10.8	88.6	30.6	0.2	4.8	7.0	11.0	4.3	8.0	9.1	38.0	89.4	133.8
Income	622.1	238.2	8.5	20.3	190.7	10.5	8.2	-	7.8	-	-	37.8	-	55.9	133.6	-
Investment income	611.5	231.9	8.4	20.2	189.2	5.8	8.2	-	7.7	-	-	37.7	-	55.3	132.6	-
Current transfers	180.8	114.8	0.7	1.4	11.3	4.2	97.1	1.5	1.8	2.5	0.6	0.4	0.6	5.8	6.2	46.6
Capital account	13.5	2.6	0.0	0.1	1.4	0.3	0.7	0.2	1.1	0.1	0.2	0.1	0.1	0.6	1.4	7.3
	Net															
Current account	-5.1	102.4	12.0	1.9	70.5	62.7	-44.7	-	8.1	-	-	-45.7	-	6.8	42.1	-
Goods	32.7	119.4	6.8	3.7	61.4	47.5	0.0	-6.5	5.3	-104.2	4.6	-22.4	-27.8	11.9	55.6	-3.4
Services	56.6	40.1	3.3	2.8	29.8	-1.2	5.4	1.4	-0.2	4.6	1.9	2.8	3.6	10.9	-9.3	0.8
Income	-4.2	-9.3	2.0	-4.7	-22.8	17.7	-1.5	-	4.1	-	-	-26.1	-	-16.4	-4.7	-
Investment income	-11.5	-9.4	1.9	-4.7	-23.6	22.2	-5.3	-	4.2	-	-	-26.1	-	-22.7	-5.2	-
Current transfers	-90.1	-47.8	0.0	0.0	2.1	-1.3	-48.6	-1.3	-1.1	-2.2	-0.6	-0.1	-0.3	0.3	0.5	-37.5
Capital account	16.0	23.4	0.0	-0.1	-0.5	-0.2	24.2	-0.1	-1.0	0.0	-0.2	-0.1	0.0	-0.2	0.3	-6.0

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)] Assets	Total [1)] Liabilities	Total [1)] Net	Total as a % of GDP Assets	Total as a % of GDP Liabilities	Total as a % of GDP Net	Direct investment Assets	Direct investment Liabilities	Portfolio investment Assets	Portfolio investment Liabilities	Net financial derivatives	Other investment Assets	Other investment Liabilities	Reserve assets
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Outstanding amounts (international investment position)													
2004	8,609.6	9,507.7	-898.1	110.1	121.6	-11.5	2,276.0	2,229.8	3,043.1	4,078.8	-37.3	3,046.9	3,199.1	281.0
2005	10,795.0	11,593.7	-798.7	133.1	143.0	-9.8	2,800.9	2,438.7	3,883.8	5,107.9	-21.4	3,809.2	4,047.1	322.5
2006	12,272.5	13,292.9	-1,020.4	144.3	156.3	-12.0	3,143.7	2,721.3	4,370.2	5,864.9	-20.9	4,451.8	4,706.8	327.7
2007	13,773.8	14,904.4	-1,130.7	154.3	166.9	-12.7	3,542.2	3,084.5	4,653.3	6,339.5	-10.3	5,241.2	5,480.5	347.4
2008 Q1	13,732.4	14,836.7	-1,104.3	152.4	164.7	-12.3	3,613.0	3,074.5	4,352.1	6,078.9	8.1	5,402.8	5,683.3	356.3
Q2	13,773.0	14,820.6	-1,047.6	151.3	162.8	-11.5	3,644.5	3,048.8	4,484.8	6,072.1	4.5	5,285.4	5,699.6	353.9
	Changes to outstanding amounts													
2004	748.0	878.1	-130.2	9.6	11.2	-1.7	106.5	145.6	387.4	492.7	-17.3	297.1	239.8	-25.7
2005	2,185.4	2,086.0	99.4	26.9	25.7	1.2	524.9	208.9	840.7	1,029.0	15.9	762.3	848.0	41.5
2006	1,477.5	1,699.2	-221.7	17.4	20.0	-2.6	342.8	282.5	486.4	757.0	0.5	642.6	659.7	5.2
2007	1,501.3	1,611.5	-110.2	16.8	18.1	-1.2	398.5	363.2	283.1	474.6	10.7	789.4	773.7	19.7
2008 Q1	-41.4	-67.8	26.4	-1.8	-3.0	1.2	70.8	-10.0	-301.2	-260.6	18.4	161.7	202.8	9.0
Q2	40.7	-16.1	56.7	1.8	-0.7	2.4	31.5	-25.7	132.7	-6.7	-3.6	-117.5	16.3	-2.5
	Transactions													
2004	821.2	794.2	27.0	10.5	10.2	0.3	169.6	88.6	346.2	417.7	8.5	309.4	287.9	-12.5
2005	1,330.7	1,341.4	-10.8	16.4	16.5	-0.1	359.8	152.3	414.4	543.6	17.3	556.8	645.5	-17.7
2006	1,686.4	1,824.1	-137.8	19.8	21.4	-1.6	415.6	258.9	533.9	824.2	-3.0	739.1	741.0	0.9
2007	1,873.1	1,902.5	-29.4	21.0	21.3	-0.3	455.3	364.9	440.6	578.3	53.9	918.3	959.3	5.1
2008 Q1	537.8	533.4	4.4	23.9	23.7	0.2	151.6	44.4	69.4	143.2	21.0	290.8	345.8	5.1
Q2	59.5	146.7	-87.2	2.6	6.3	-3.8	24.9	-24.2	137.6	172.0	9.1	-112.1	-1.0	0.0
Q3	94.2	69.3	24.8	4.1	3.1	1.1	71.7	31.3	-49.6	-19.6	-1.6	75.8	57.7	-2.2
2008 May	62.5	106.1	-43.6	.	.	.	11.8	4.9	70.3	80.5	9.9	-26.8	20.7	-2.7
June	-85.4	-71.6	-13.8	.	.	.	30.4	10.8	20.7	61.7	-3.5	-132.4	-144.1	-0.5
July	55.3	49.6	5.7	.	.	.	25.6	13.3	19.2	10.4	-2.0	10.9	25.9	1.7
Aug.	25.2	-4.4	29.6	.	.	.	11.0	1.2	17.9	-0.3	5.9	-7.2	-5.3	-2.4
Sep.	13.7	24.2	-10.5	.	.	.	35.2	16.7	-86.7	-29.7	-5.4	72.1	37.1	-1.4
	Other changes													
2004	-73.3	83.9	-157.2	-0.9	1.1	-2.0	-63.1	57.0	41.3	75.0	-25.8	-12.4	-48.1	-13.3
2005	854.7	744.6	110.1	10.5	9.2	1.4	165.1	56.6	426.3	485.4	-1.4	205.5	202.5	59.2
2006	-208.9	-125.0	-84.0	-2.5	-1.5	-1.0	-72.8	23.6	-47.5	-67.2	3.5	-96.5	-81.4	4.3
2007	-371.8	-291.0	-80.8	-4.2	-3.3	-0.9	-56.8	-1.7	-157.5	-103.7	-43.2	-128.9	-185.6	14.6
	Other changes due to exchange rate changes													
2004	-174.7	-97.2	-77.5	-2.2	-1.2	-1.0	-37.3	8.9	-66.7	-52.8	.	-61.4	-53.3	-9.3
2005	389.8	210.0	179.8	4.8	2.6	2.2	90.2	-22.2	153.4	118.2	.	127.5	114.0	18.7
2006	-346.4	-203.8	-142.6	-4.1	-2.4	-1.7	-73.2	14.2	-152.8	-116.8	.	-105.2	-101.1	-15.2
2007	-534.8	-238.8	-296.0	-6.0	-2.7	-3.3	-114.3	33.6	-222.3	-125.8	.	-183.3	-146.5	-14.9
	Other changes due to price changes													
2004	113.1	222.1	-109.0	1.4	2.8	-1.4	34.4	26.4	107.5	195.7	-25.8	.	.	-3.1
2005	304.8	333.8	-29.0	3.8	4.1	-0.4	67.0	51.4	197.1	282.4	-1.4	.	.	42.1
2006	319.1	296.3	22.8	3.8	3.5	0.3	67.7	41.7	231.7	254.6	3.5	.	.	16.2
2007	179.4	-63.3	242.8	2.0	-0.7	2.7	32.3	13.0	158.7	-76.3	-43.2	.	.	31.7
	Other changes due to other adjustments													
2004	-11.6	-40.9	29.3	-0.1	-0.5	0.4	-60.3	21.7	0.4	-67.8	.	49.1	5.2	-0.8
2005	159.4	200.8	-41.4	2.0	2.5	-0.5	8.0	27.4	75.7	84.8	.	77.9	88.5	-2.2
2006	-181.3	-217.5	36.3	-2.1	-2.6	0.4	-67.3	-32.3	-126.3	-205.0	.	8.6	19.8	3.7
2007	-16.1	11.1	-27.2	-0.2	0.1	-0.3	25.2	-48.3	-93.8	98.5	.	54.4	-39.1	-1.9
	Growth rates of outstanding amounts													
2004	10.3	9.1	-	.	.	.	7.8	4.2	12.8	11.5	.	11.2	9.7	-4.1
2005	14.9	13.7	-	.	.	.	15.2	6.8	13.1	12.8	.	17.7	19.6	-5.8
2006	15.8	15.9	-	.	.	.	14.9	10.6	14.0	16.3	.	19.5	18.4	0.2
2007	15.3	14.2	-	.	.	.	14.5	13.4	10.1	9.8	.	20.7	20.4	1.6
2008 Q1	13.7	12.8	-	.	.	.	15.5	11.3	8.0	7.6	.	17.2	20.4	2.6
Q2	9.8	9.8	-	.	.	.	11.6	7.8	7.8	7.0	.	9.8	14.7	1.4
Q3	7.5	6.8	.	.	.	.	10.2	6.0	5.7	5.2	.	6.8	9.1	-0.6

Source: ECB.

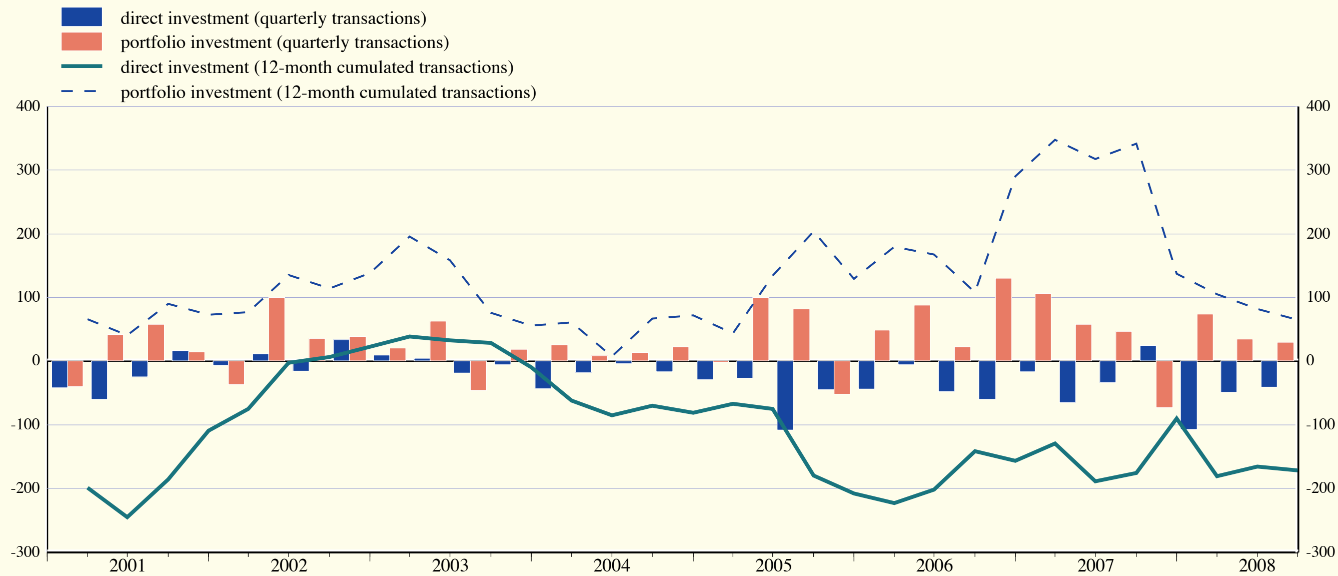
1) Net financial derivatives are included in assets.

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	3,143.7	2,551.1	219.1	2,332.0	592.6	2.3	590.4	2,721.3	2,085.7	65.1	2,020.6	635.5	9.7	625.9
2007	3,542.2	2,858.8	248.4	2,610.3	683.4	6.4	677.1	3,084.5	2,338.4	68.4	2,270.0	746.1	14.9	731.1
2008 Q1	3,613.0	2,900.5	250.3	2,650.2	712.5	8.4	704.1	3,074.5	2,322.1	65.6	2,256.5	752.4	14.6	737.8
Q2	3,644.5	2,905.3	259.4	2,645.9	739.2	6.6	732.6	3,048.8	2,288.2	64.0	2,224.2	760.7	15.2	745.5
	Transactions													
2006	415.6	325.7	40.2	285.5	89.9	0.0	89.9	258.9	224.0	5.7	218.3	34.9	0.0	34.9
2007	455.3	354.4	28.4	326.1	100.9	-0.6	101.5	364.9	250.7	4.4	246.4	114.2	1.4	112.7
2008 Q1	151.6	113.8	10.0	103.8	37.8	2.3	35.4	44.4	37.9	0.0	37.9	6.6	0.1	6.4
Q2	24.9	1.8	8.9	-7.1	23.1	-1.8	25.0	-24.2	-27.6	-2.2	-25.4	3.4	1.0	2.3
Q3	71.7	62.9	-7.4	70.3	8.8	-0.2	9.0	31.3	21.5	1.3	20.2	9.7	1.2	8.6
2008 May	11.8	11.4	2.4	9.1	0.4	-1.8	2.2	4.9	5.7	-2.2	7.9	-0.9	0.3	-1.2
June	30.4	14.6	2.0	12.7	15.8	0.0	15.8	10.8	-1.2	-0.9	-0.3	12.0	0.5	11.5
July	25.6	22.4	-14.2	36.6	3.2	1.6	1.6	13.3	7.3	0.7	6.7	6.0	0.9	5.1
Aug.	11.0	18.8	2.4	16.4	-7.8	-1.2	-6.6	1.2	4.6	0.3	4.3	-3.4	0.0	-3.4
Sep.	35.2	21.7	4.4	17.4	13.4	-0.6	14.0	16.7	9.6	0.3	9.2	7.2	0.3	6.9
	Growth rates													
2006	14.9	14.4	22.1	13.7	17.3	-2.9	17.4	10.6	12.2	9.5	12.3	5.8	-1.0	5.9
2007	14.5	13.9	12.7	14.0	17.0	-88.7	17.3	13.4	12.0	7.0	12.2	18.0	8.7	18.1
2008 Q1	15.5	15.0	13.9	15.1	17.2	106.6	16.8	11.3	10.7	5.6	10.9	13.2	17.2	13.1
Q2	11.6	10.4	13.9	10.1	16.8	6.1	16.9	7.8	6.1	1.4	6.2	13.2	16.9	13.1
Q3	10.2	9.4	2.9	10.0	13.8	12.0	13.8	6.0	4.6	1.3	4.7	10.8	23.0	10.5

C33 B.o.p. net direct and portfolio investment
(EUR billions)



Source: ECB.

7.3 Financial account

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

3. Portfolio investment assets

	Total	Equity					Debt instruments									
							Bonds and notes					Money market instruments				
		Total	MFIs		Non-MFIs		Total	MFIs		Non-MFIs		Total	MFIs		Non-MFIs	
				Euro-system		General government			Euro-system		General government			Euro-system		General government
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
	Outstanding amounts (international investment position)															
2006	4,370.2	1,936.0	127.7	2.8	1,808.2	37.0	2,056.7	875.1	11.2	1,181.6	14.1	377.5	309.9	9.2	67.7	0.2
2007	4,653.3	1,984.2	145.1	2.4	1,839.1	44.6	2,232.5	937.9	13.9	1,294.6	17.0	436.6	349.5	32.6	87.1	0.5
2008 Q1	4,352.1	1,668.4	123.2	2.7	1,545.2	38.8	2,207.3	960.0	26.2	1,247.4	17.0	476.3	383.9	28.3	92.4	0.8
Q2	4,484.8	1,712.7	121.9	2.7	1,590.7	40.1	2,279.2	996.2	33.8	1,283.0	18.4	492.9	403.8	47.7	89.2	0.8
	Transactions															
2006	533.9	153.2	18.2	0.0	135.0	6.1	313.1	172.8	2.4	140.4	1.1	67.5	56.5	8.0	11.1	-0.1
2007	440.6	81.1	36.2	-0.4	44.8	5.4	283.3	154.0	3.5	129.3	2.2	76.2	67.3	23.7	8.8	0.3
2008 Q1	69.4	-44.4	-40.9	0.1	-3.5	-0.6	39.2	29.8	3.4	9.4	0.5	74.6	59.2	7.1	15.3	0.1
Q2	137.6	30.8	-5.1	0.1	36.0	0.8	96.0	37.0	8.3	59.0	1.6	10.8	18.3	20.9	-7.5	0.1
Q3	-49.6	-27.8	-11.7	0.1	-16.1	-	7.3	-3.0	0.0	10.2	-	-29.1	-26.7	0.1	-2.4	-
2008 May	70.3	16.0	3.5	0.1	12.5	.	46.0	12.0	3.2	34.0	.	8.3	10.3	7.0	-2.1	.
June	20.7	8.1	-9.3	0.0	17.4	.	15.7	11.1	2.3	4.6	.	-3.1	-3.0	6.9	-0.1	.
July	19.2	6.0	3.7	0.1	2.3	.	1.3	-5.6	0.2	6.9	.	11.9	15.2	0.1	-3.4	.
Aug.	17.9	-7.1	-4.0	0.0	-3.1	.	12.6	8.6	0.3	4.0	.	12.4	11.4	-0.1	1.0	.
Sep.	-86.7	-26.7	-11.5	0.0	-15.2	.	-6.7	-6.0	-0.5	-0.6	.	-53.4	-53.3	0.1	-0.1	.
	Growth rates															
2006	14.0	9.0	17.5	0.9	8.4	22.1	17.4	24.3	26.1	12.9	9.4	21.6	22.5	1,019.8	20.4	-27.3
2007	10.1	4.1	29.2	-13.1	2.4	14.0	13.8	17.9	32.5	10.8	15.9	20.5	22.2	251.2	12.8	173.4
2008 Q1	8.0	0.6	-18.0	-4.8	1.8	9.8	11.1	14.6	48.5	8.6	12.5	27.7	32.8	173.5	7.5	-90.0
Q2	7.8	1.4	-27.0	0.6	3.7	8.0	10.7	11.4	83.6	10.1	20.7	21.8	29.8	236.0	-7.8	-93.6
Q3	5.7	-1.1	-29.3	6.2	1.2	-	9.4	10.3	73.2	8.9	-	17.5	24.9	163.9	-10.1	-

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	5,864.9	2,910.7	657.5	2,253.2	2,655.3	955.2	1,702.4	1,015.4	298.9	125.8	173.3	138.0
2007	6,339.5	3,103.1	754.7	2,348.4	2,916.8	1,129.5	1,787.2	1,109.3	319.6	153.3	166.2	142.5
2008 Q1	6,078.9	2,776.1	733.2	2,042.9	2,937.6	1,115.7	1,821.8	1,153.6	365.2	178.2	187.0	164.2
Q2	6,072.1	2,690.7	737.2	1,953.5	3,003.8	1,136.2	1,867.6	1,153.0	377.6	173.6	204.0	172.5
	Transactions											
2006	824.2	299.9	94.5	205.4	521.6	212.7	308.8	137.3	2.7	21.4	-18.7	-19.6
2007	578.3	96.0	76.1	19.6	446.4	232.6	213.8	152.0	35.9	37.6	-1.8	3.2
2008 Q1	143.2	46.1	73.1	-27.0	78.3	23.1	55.2	65.2	18.8	4.4	14.4	27.6
Q2	172.0	-20.7	17.1	-37.8	171.8	66.9	104.9	46.4	20.8	-0.1	21.0	11.1
Q3	-19.6	-90.0	-36.1	-53.9	65.2	22.4	42.8	-	5.1	-38.3	43.4	-
2008 May	80.5	13.7	.	.	80.9	.	.	.	-14.1	.	.	.
June	61.7	-6.0	.	.	48.4	.	.	.	19.3	.	.	.
July	10.4	5.2	.	.	1.1	.	.	.	4.1	.	.	.
Aug.	-0.3	-8.9	.	.	30.3	.	.	.	-21.8	.	.	.
Sep.	-29.7	-86.3	.	.	33.8	.	.	.	22.8	.	.	.
	Growth rates											
2006	16.3	12.2	17.3	10.8	23.1	25.9	21.4	15.1	0.9	18.7	-9.6	-12.1
2007	9.8	3.3	11.3	0.9	16.9	24.6	12.6	15.0	11.8	30.5	0.3	3.8
2008 Q1	7.6	2.2	11.9	-1.0	12.9	16.7	10.8	17.4	13.5	31.5	2.8	8.8
Q2	7.0	0.0	11.4	-3.6	14.1	16.0	13.0	16.5	7.8	19.8	1.7	3.2
Q3	5.2	-3.6	2.4	-5.6	14.0	13.4	14.3	-	6.8	-6.9	19.0	-

Source: ECB.

7.3 Financial account

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

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	4,451.8	13.4	12.6	0.7	2,941.2	2,878.3	62.8	119.6	14.2	57.8	15.4	1,377.7	187.6	1,062.7	395.8
2007	5,241.2	38.2	37.6	0.7	3,350.5	3,279.1	71.4	106.7	12.7	47.7	13.5	1,745.7	190.8	1,388.4	441.9
2008 Q1	5,402.8	46.4	46.1	0.3	3,463.3	3,393.8	69.6	99.3	12.5	41.5	11.2	1,793.8	192.5	1,417.8	453.7
Q2	5,285.4	36.7	36.4	0.3	3,363.4	3,287.2	76.2	105.6	12.4	47.4	17.0	1,779.7	200.3	1,388.3	407.8
	Transactions														
2006	739.1	-8.7	-8.7	0.0	521.9	516.1	5.8	-7.2	-5.2	-2.7	3.1	233.1	6.3	211.5	30.9
2007	918.3	21.9	22.0	0.0	555.0	547.6	7.4	-7.6	-1.4	-7.1	-2.0	348.9	13.5	293.5	37.5
2008 Q1	290.8	9.3	9.3	0.0	218.5	214.4	4.1	-4.9	-0.3	-4.9	-1.3	67.9	6.4	34.5	12.8
Q2	-112.1	-9.4	-9.4	0.0	-105.2	-106.1	0.9	6.2	-0.4	5.9	5.6	-3.7	11.0	-22.0	-47.8
Q3	75.8	-1.9	-	-	82.2	-	-	-8.5	-	-	-8.5	4.0	-	-	-2.6
2008 May	-26.8	-2.1	.	.	-32.9	.	.	3.6	.	.	3.5	4.6	.	.	-9.5
June	-132.4	-2.5	.	.	-124.1	.	.	1.0	.	.	0.8	-6.8	.	.	-19.9
July	10.9	-0.6	.	.	7.1	.	.	-8.9	.	.	-9.3	13.3	.	.	4.9
Aug.	-7.2	-1.2	.	.	1.6	.	.	-1.2	.	.	-0.2	-6.4	.	.	-3.1
Sep.	72.1	-0.1	.	.	73.4	.	.	1.6	.	.	1.0	-2.9	.	.	-4.4
	Growth rates														
2006	19.5	-39.4	-40.8	3.1	21.1	21.3	10.5	-5.6	-26.1	-4.6	24.4	20.0	3.4	24.5	8.6
2007	20.7	165.6	174.8	-3.4	19.0	19.1	11.7	-6.4	-9.8	-12.4	-13.1	25.2	7.3	27.4	9.5
2008 Q1	17.2	113.1	116.8	-4.8	15.6	15.5	18.3	-4.5	-10.3	-9.7	17.7	20.8	7.8	21.8	2.0
Q2	9.8	29.0	30.0	-4.1	7.5	7.5	6.2	-12.1	-10.0	-23.1	-34.1	16.2	12.5	16.1	-9.3
Q3	6.8	4.5	-	-	7.6	-	-	-5.7	-	-	-33.2	6.2	-	-	-11.4

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	4,706.8	115.9	115.6	0.2	3,483.9	3,429.5	54.4	50.7	0.0	46.6	4.1	1,056.2	146.1	818.3	91.8
2007	5,480.5	201.2	201.0	0.2	3,938.2	3,871.1	67.1	50.9	0.0	45.7	5.2	1,290.2	157.6	1,023.2	109.4
2008 Q1	5,683.3	217.3	216.9	0.4	4,101.6	4,032.5	69.0	49.8	0.0	46.5	3.2	1,314.6	157.4	1,043.9	113.3
Q2	5,699.6	258.9	258.6	0.3	4,082.1	4,010.3	71.9	48.6	0.0	45.6	3.1	1,310.0	166.3	1,035.4	108.3
	Transactions														
2006	741.0	20.4	20.4	0.0	497.0	490.6	6.4	1.9	0.0	2.1	-0.1	221.7	12.7	197.2	11.8
2007	959.3	91.4	91.4	0.0	635.8	631.0	4.8	-1.2	0.0	-2.0	0.8	233.4	9.7	227.5	-3.9
2008 Q1	345.8	21.3	21.2	0.2	283.7	281.1	2.7	-1.0	0.0	0.9	-1.9	41.7	3.3	34.9	3.6
Q2	-1.0	41.3	41.5	-0.1	-25.3	-23.2	-2.1	-0.6	0.0	-1.4	0.7	-16.4	6.3	-15.8	-6.9
Q3	57.7	106.2	-	-	-29.9	-	-	2.9	-	-	-	-21.5	-	-	-
2008 May	20.7	18.9	.	.	1.6	.	.	-1.3	.	.	.	1.5	.	.	.
June	-144.1	6.2	.	.	-145.4	.	.	0.3	.	.	.	-5.2	.	.	.
July	25.9	-1.2	.	.	15.1	.	.	2.6	.	.	.	9.4	.	.	.
Aug.	-5.3	2.0	.	.	1.8	.	.	-1.7	.	.	.	-7.4	.	.	.
Sep.	37.1	105.5	.	.	-46.9	.	.	2.0	.	.	.	-23.5	.	.	.
	Growth rates														
2006	18.4	22.7	22.7	5.7	16.2	16.2	13.3	4.0	-24.1	4.7	-3.2	26.9	9.5	31.6	17.5
2007	20.4	79.6	79.8	-6.9	18.4	18.5	8.8	-2.3	29.4	-4.2	16.4	21.6	6.7	27.9	-2.3
2008 Q1	20.4	70.9	71.1	15.6	17.8	17.9	10.8	-6.3	21.2	-5.7	-15.3	24.2	10.3	31.0	-4.8
Q2	14.7	72.6	72.7	-6.3	11.8	11.9	3.1	-8.7	26.7	-7.0	-24.5	18.1	10.4	23.1	-8.8
Q3	9.1	126.6	-	-	7.1	-	-	-8.6	-	-	-	0.8	-	-	-

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	
															Assets	Liabilities
	Total	Monetary gold		Special drawing rights	Reserve position in the IMF	Foreign exchange								Other claims	Claims on euro area residents in foreign currency	Predetermined short-term net drains in foreign currency
		In EUR billions	In fine troy ounces (millions)			Total	Currency and deposits		Securities				Financial derivatives			
							With monetary authorities and the BIS	With banks	Total	Equity	Bonds and notes	Money market instruments				
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
	Outstanding amounts (international investment position)															
2004	281.0	125.4	389.998	3.9	18.6	133.0	12.5	25.5	94.7	0.5	56.6	37.6	0.4	0.0	19.1	-12.8
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 Q4	347.4	201.0	353.688	4.6	3.6	138.2	7.2	22.0	108.5	0.4	87.8	20.3	0.5	0.0	44.1	-38.5
2008 Q1	356.3	208.4	353.060	4.3	3.4	140.1	6.6	26.8	105.9	0.5	89.8	15.6	0.9	0.1	36.7	-37.3
Q2	353.9	207.9	352.314	4.3	4.0	137.7	7.4	24.1	105.6	0.5	89.9	15.2	0.6	0.0	59.4	-59.2
2008 Aug.	350.7	198.4	350.916	4.5	3.9	143.9	6.7	25.8	112.2	-	-	-	-0.8	0.0	62.0	-61.9
Sep.	370.9	216.8	350.634	4.6	4.0	145.4	11.6	18.1	117.8	-	-	-	-2.1	0.0	188.9	-185.3
Oct.	368.0	200.5	350.021	5.0	4.3	158.3	9.9	18.3	137.5	-	-	-	-7.4	0.0	253.7	-250.1
	Transactions															
2005	-17.7	-3.9	-	0.2	-8.6	-5.4	-0.2	-6.8	1.6	0.0	4.8	-3.2	0.0	0.0	-	-
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 Q1	5.1	-0.6	-	-0.3	0.0	5.9	-0.7	5.7	0.9	0.1	6.1	-5.3	0.1	0.1	-	-
Q2	0.0	-0.4	-	0.0	0.7	-0.2	0.7	-2.9	2.0	0.0	1.7	0.3	-0.1	-0.1	-	-
Q3	-2.2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	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 Q1	2.6	-1.8	-	0.4	-3.3	8.5	33.2	9.3	7.3	406.6	18.3	-33.3	-43.6	-	-	-
Q2	1.4	-1.4	-	-2.4	2.7	5.3	27.2	-3.6	6.4	165.8	17.3	-33.7	-45.0	-	-	-
Q3	-0.6	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

Source: ECB.

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

8. Geographical breakdown

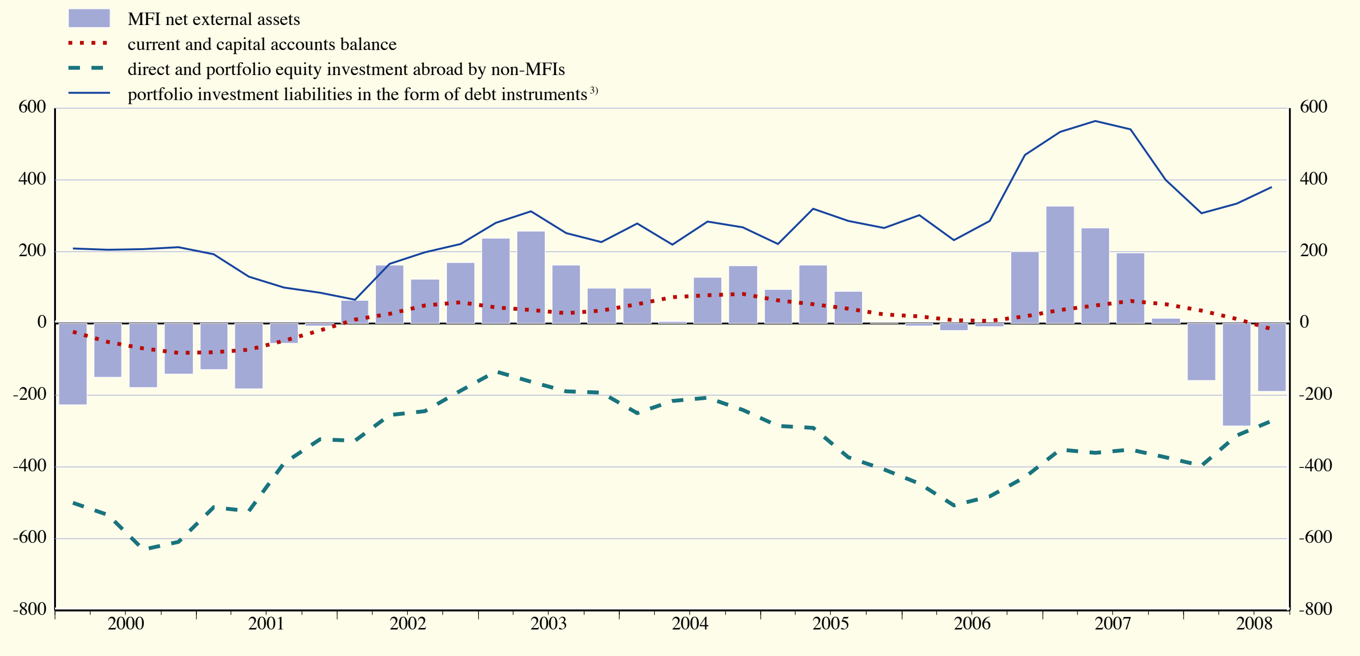
	Total	European Union 27 (outside the euro area)						Canada	China	Japan	Switzer-land	United States	Offshore financial centres	Internat. organisa-tions	Other countries
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions								
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2007	Outstanding amounts (international investment position)														
Direct investment	457.7	-77.0	-3.7	-32.7	-277.5	237.2	-0.3	23.7	27.1	-10.8	113.1	-66.7	-37.3	-0.2	485.7
Abroad	3,542.2	1,302.0	37.1	82.5	916.1	266.2	0.0	91.6	30.7	69.1	350.1	684.4	391.6	0.0	622.6
Equity/reinvested earnings	2,858.8	1,027.4	32.3	55.2	709.9	230.0	0.0	67.8	24.1	57.8	292.5	525.9	366.1	0.0	497.3
Other capital	683.4	274.7	4.9	27.3	206.2	36.3	0.0	23.8	6.6	11.4	57.6	158.6	25.5	0.0	125.3
In the euro area	3,084.5	1,379.0	40.8	115.2	1,193.6	29.0	0.3	67.9	3.7	79.9	236.9	751.1	428.8	0.2	136.9
Equity/reinvested earnings	2,338.4	1,124.2	33.4	93.6	987.8	9.2	0.2	56.6	0.9	65.7	181.3	552.1	267.6	0.0	90.0
Other capital	746.1	254.8	7.4	21.6	205.8	19.9	0.1	11.3	2.7	14.3	55.6	199.0	161.2	0.2	46.9
Portfolio investment assets	4,653.3	1,374.6	68.2	139.3	995.2	101.4	70.5	82.5	42.0	241.9	132.3	1,489.3	630.2	26.8	633.8
Equity	1,984.2	415.2	11.4	45.9	335.3	22.0	0.5	20.2	39.5	141.6	115.7	634.9	285.3	0.9	330.9
Debt instruments	2,669.0	959.4	56.8	93.4	659.9	79.4	70.0	62.3	2.5	100.2	16.6	854.4	344.9	25.9	302.8
Bonds and notes	2,232.5	784.2	52.7	78.2	505.4	78.5	69.4	58.6	2.2	63.5	12.9	710.7	303.1	24.8	272.5
Money market instruments	436.6	175.2	4.0	15.1	154.5	0.8	0.7	3.6	0.3	36.7	3.8	143.8	41.8	1.1	30.4
Other investment	-239.3	-152.6	-155.4	-8.7	121.7	54.4	-164.6	-66.0	-45.2	-31.5	-54.7	-73.1	-91.2	-23.3	298.3
Assets	5,241.2	2,581.4	104.4	72.2	2,241.7	152.3	10.8	23.5	35.0	81.3	266.1	838.0	516.8	57.5	841.7
General government	106.7	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	40.4
MFIs	3,388.7	1,924.7	86.7	52.1	1,663.2	121.9	0.8	15.0	15.3	45.0	157.5	409.6	353.5	18.7	449.4
Other sectors	1,745.7	635.2	16.9	20.0	568.2	29.2	0.9	8.5	17.9	36.1	108.5	425.3	161.9	0.5	351.9
Liabilities	5,480.5	2,734.0	259.8	80.9	2,120.0	97.9	175.5	89.5	80.2	112.8	320.7	911.0	608.0	80.8	543.4
General government	50.9	28.4	0.0	0.3	2.4	0.0	25.6	0.0	0.0	0.5	0.8	6.3	0.3	11.5	3.1
MFIs	4,139.4	2,142.0	249.6	58.3	1,659.9	72.4	101.8	81.5	62.2	89.0	247.6	525.1	523.7	66.7	401.7
Other sectors	1,290.2	563.6	10.2	22.3	457.7	25.5	48.0	8.0	18.0	23.3	72.3	379.7	84.0	2.6	138.6
2007 Q3 to 2008 Q2	Cumulated transactions														
Direct investment	165.4	25.6	2.8	-3.1	7.2	18.7	0.0	-7.2	5.0	6.4	34.3	-18.3	54.9	0.0	64.8
Abroad	389.6	61.2	3.0	-2.2	34.3	26.1	0.0	-3.4	4.6	13.4	43.7	70.3	100.8	0.0	99.1
Equity/reinvested earnings	282.5	33.2	1.9	-2.9	18.3	15.9	0.0	-4.4	2.6	5.1	25.6	61.5	92.2	0.0	66.7
Other capital	107.2	28.0	1.2	0.6	16.0	10.2	0.0	1.0	1.9	8.4	18.1	8.8	8.6	0.0	32.4
In the euro area	224.2	35.6	0.2	0.8	27.2	7.3	0.0	3.9	-0.4	7.1	9.4	88.6	45.9	0.0	34.3
Equity/reinvested earnings	135.9	32.9	-0.8	-1.6	34.6	0.7	0.0	1.4	0.1	9.3	4.7	46.1	28.4	0.0	13.0
Other capital	88.3	2.7	1.0	2.5	-7.4	6.6	0.0	2.5	-0.5	-2.2	4.7	42.5	17.4	0.0	21.3
Portfolio investment assets	345.1	116.1	-0.6	1.7	102.4	8.8	3.7	11.8	-0.4	21.2	-18.8	86.6	17.2	1.1	110.3
Equity	24.5	-3.4	-1.2	-3.9	0.3	1.1	0.1	4.0	-1.4	-23.3	-18.9	7.6	32.6	-0.2	27.4
Debt instruments	320.6	119.5	0.6	5.6	102.1	7.7	3.6	7.8	0.9	44.5	0.1	79.0	-15.4	1.3	82.9
Bonds and notes	227.9	69.8	0.8	1.0	58.5	7.1	2.4	8.5	0.4	6.8	1.3	59.2	-5.9	1.3	86.5
Money market instruments	92.7	49.8	-0.2	4.6	43.6	0.6	1.2	-0.7	0.5	37.7	-1.2	19.8	-9.5	0.0	-3.6
Other investment	-267.4	-252.0	55.1	3.9	-358.2	50.7	-3.4	0.5	20.3	0.4	-62.8	-165.0	60.6	30.4	100.1
Assets	491.9	24.7	26.4	4.7	-78.6	66.0	6.2	5.0	5.2	14.8	-42.8	189.2	132.9	9.7	153.2
General government	-15.7	-12.0	-1.4	0.1	-11.4	-0.5	1.1	-0.2	0.0	0.0	0.0	0.1	0.0	0.8	-4.4
MFIs	256.6	4.5	27.1	4.9	-95.0	62.6	4.9	4.6	1.3	17.0	-45.8	50.5	102.1	8.9	113.4
Other sectors	251.1	32.1	0.6	-0.3	27.8	3.8	0.1	0.6	3.9	-2.2	3.0	138.6	30.8	0.0	44.1
Liabilities	759.3	276.6	-28.7	0.8	279.6	15.3	9.6	4.5	-15.1	14.4	20.0	354.2	72.2	-20.7	53.2
General government	-4.7	-2.7	0.0	0.0	-1.9	0.0	-0.7	0.0	0.0	0.0	0.1	-0.6	0.1	-1.1	-0.5
MFIs	558.9	259.9	-29.4	-1.6	274.9	9.9	6.1	5.1	-15.8	16.1	9.8	213.9	58.2	-19.6	31.4
Other sectors	205.0	19.4	0.7	2.4	6.7	5.4	4.3	-0.5	0.8	-1.7	10.2	140.8	14.0	0.0	22.2

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
2005	24.7	-344.2	153.6	-266.4	212.6	265.4	-155.8	151.0	-17.3	-30.4	-6.7	-0.1
2006	19.8	-381.6	264.2	-286.6	239.7	469.7	-225.9	223.7	3.2	-150.5	175.6	200.3
2007	53.2	-428.5	363.4	-184.1	50.3	399.5	-341.3	232.3	-54.1	-77.6	13.2	14.1
2007 Q3	18.8	-94.6	78.1	-51.2	1.7	58.8	-130.7	176.2	-15.4	-118.8	-77.1	-67.2
Q4	17.3	-107.6	126.1	-19.4	-40.8	33.2	-39.2	0.4	-19.2	61.9	12.7	-6.6
2008 Q1	-2.4	-139.2	44.3	-21.3	4.8	75.3	-63.0	40.7	-21.0	6.8	-75.0	-84.7
Q2	-21.4	-17.9	-25.3	-87.5	-36.8	166.1	-2.4	-17.0	-9.1	-65.7	-117.0	-126.9
Q3	-8.9	-79.3	30.1	8.3	-86.0	105.9	4.4	-18.6	1.6	33.7	-8.8	28.4
2007 Sep.	7.9	-39.6	18.0	-14.6	3.4	12.2	-152.1	139.0	-3.1	-1.3	-30.2	-24.4
Oct.	5.9	-43.1	63.4	-12.5	-24.8	7.7	-26.2	3.6	-2.7	42.4	13.8	11.9
Nov.	3.9	-41.3	49.0	-1.2	-7.9	55.5	-15.9	3.4	-11.2	-0.9	33.5	28.6
Dec.	7.4	-23.2	13.7	-5.6	-8.1	-30.1	2.9	-6.6	-5.3	20.4	-34.6	-47.1
2008 Jan.	-12.4	-86.5	28.3	6.4	-9.7	52.8	0.2	26.6	-26.9	7.0	-14.2	-18.1
Feb.	12.2	-34.1	15.8	-4.6	18.9	4.2	-36.1	-9.3	2.5	13.1	-17.4	-18.3
Mar.	-2.2	-18.6	0.2	-23.0	-4.4	18.3	-27.0	23.4	3.4	-13.3	-43.4	-48.2
Apr.	-4.3	21.8	-40.1	-21.1	-43.1	53.3	-0.1	-12.3	-2.8	-25.5	-74.2	-72.2
May	-20.0	-11.3	4.5	-44.5	-1.1	48.1	-8.2	0.2	-9.9	-23.7	-65.6	-70.1
June	2.8	-28.4	10.4	-21.9	7.4	64.7	5.8	-4.9	3.5	-16.6	22.7	15.4
July	2.0	-38.2	12.4	-5.8	-9.5	5.5	-4.4	12.1	2.0	3.7	-20.1	-1.3
Aug.	-5.5	-9.7	1.2	-1.9	-26.6	7.3	7.6	-9.1	-5.9	35.1	-7.6	-6.7
Sep.	-5.4	-31.4	16.5	16.0	-49.9	93.1	1.2	-21.5	5.4	-5.1	18.9	36.4
	12-month cumulated transactions											
2008 Sep.	-15.5	-344.0	175.2	-119.8	-158.8	380.4	-100.2	5.5	-47.7	36.7	-188.1	-189.8

C34 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)												
2005	7.8	13.4	1,237.7	604.5	271.1	328.6	1,068.3	1,226.9	723.6	210.4	272.9	846.1	187.0
2006	11.7	13.7	1,384.7	687.0	296.4	365.0	1,183.0	1,397.8	856.8	216.5	304.4	943.4	224.6
2007	8.6	6.4	1,504.4	740.6	327.1	395.8	1,277.0	1,484.0	904.4	232.0	326.1	1,016.1	225.4
2007 Q4	5.6	7.8	382.0	188.1	82.8	100.3	321.7	381.7	235.2	57.5	82.7	252.1	65.1
2008 Q1	6.5	8.4	394.7	194.1	84.0	104.0	331.4	396.3	246.8	57.3	81.6	255.8	70.1
Q2	7.4	10.4	395.5	195.7	83.6	102.5	330.9	400.6	254.6	54.3	80.8	252.7	75.2
Q3	5.1	12.1	400.4	.	.	.	329.5	418.2	.	.	.	259.2	.
2008 Apr.	16.3	15.0	135.9	67.5	28.7	35.7	112.7	135.0	84.7	18.6	27.4	84.4	24.0
May	2.6	6.3	129.4	63.8	27.2	33.3	108.2	131.3	83.8	17.8	26.6	83.4	24.3
June	3.9	10.1	130.3	64.4	27.7	33.5	110.0	134.2	86.1	17.9	26.8	84.9	26.9
July	8.9	14.4	134.4	67.2	28.4	34.2	110.3	140.8	90.4	19.3	27.5	86.4	30.6
Aug.	-3.3	5.5	131.5	65.7	26.5	32.8	110.2	137.2	88.2	18.2	27.0	86.9	28.0
Sep.	9.1	16.2	134.4	.	.	.	108.9	140.2	.	.	.	85.9	.
	Volume indices (2000 = 100; annual percentage changes for columns 1 and 2)												
2005	4.7	4.9	123.5	122.7	130.8	121.7	124.6	114.0	110.3	124.8	121.8	117.0	110.6
2006	7.9	6.0	133.5	133.7	140.3	131.2	134.4	121.0	117.9	128.4	131.2	126.1	110.0
2007	6.3	4.9	141.8	139.6	152.7	140.5	142.3	126.7	120.7	141.6	139.6	134.7	108.4
2007 Q4	3.5	2.1	143.7	141.5	154.8	142.4	143.9	126.8	119.9	141.1	141.2	134.5	108.4
2008 Q1	3.6	-1.8	146.0	142.7	154.3	146.0	146.9	126.1	119.4	139.0	137.4	134.4	109.5
Q2	4.9	-1.8	145.3	141.7	154.3	143.6	146.7	123.1	116.3	133.4	138.5	133.3	102.9
Q3	.	.	.	.	.	.	.	.	.	.	.	.	.
2008 Apr.	13.9	4.5	150.6	147.7	158.8	150.2	149.9	127.8	120.7	137.5	141.1	134.1	107.2
May	0.8	-5.6	143.3	139.0	151.2	141.4	144.8	121.5	115.3	131.9	137.6	132.6	100.3
June	0.5	-4.1	142.0	138.3	152.8	139.2	145.3	120.0	112.9	131.0	137.0	133.4	101.3
July	4.7	-2.3	145.3	142.0	155.1	142.4	144.5	121.5	113.7	142.1	137.8	133.5	107.9
Aug.	-6.9	-10.3	143.0	139.1	146.3	137.9	144.9	118.9	111.9	133.0	134.7	133.1	105.6
Sep.	.	.	.	.	.	.	.	.	.	.	.	.	.

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	44.2	20.4	3.2	99.5	100.0	100.0	28.4	27.6	23.7	20.4	81.2
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2006	102.1	2.1	3.9	0.1	1.1	17.4	2.0	107.3	7.3	7.2	-1.3	1.4	21.0	2.7
2007	103.6	1.4	2.8	1.3	1.3	2.8	1.5	108.4	1.0	2.5	-2.5	0.4	2.2	0.4
2008 Q1	105.0	2.0	1.3	0.5	2.3	32.8	1.8	113.9	8.7	0.8	-2.7	1.1	39.1	0.9
Q2	106.1	2.4	1.7	0.2	2.8	30.6	2.3	119.7	11.1	0.6	-2.8	1.0	46.8	1.0
Q3	107.3	3.3	3.1	0.6	2.7	33.5	3.1	121.6	11.3	3.1	-2.7	1.5	41.8	1.8
2008 May	106.2	2.5	1.6	0.5	2.7	29.4	2.4	120.0	11.6	0.4	-2.7	1.0	49.5	1.0
June	106.7	2.8	2.2	-0.2	2.7	35.2	2.6	122.9	13.3	1.3	-2.5	1.0	52.9	1.6
July	107.5	3.5	3.0	0.6	2.7	38.1	3.2	123.9	13.2	2.0	-2.7	1.1	50.9	1.8
Aug.	107.1	3.2	2.9	0.4	2.9	34.6	2.9	121.8	12.1	3.3	-2.9	1.5	46.3	1.8
Sep.	107.2	3.3	3.3	0.9	2.5	27.8	3.1	119.0	8.5	4.1	-2.3	1.9	28.6	1.9
Oct.	106.7	2.9	3.2	1.4	3.2	8.4	2.7	.	.	.	.	.	.	.

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.)														
2004	1,144.2	25.8	42.1	204.4	133.9	35.9	66.6	31.8	172.7	225.7	40.4	33.3	64.5	40.7	100.1
2005	1,237.7	29.0	45.2	203.3	153.2	43.5	70.7	34.7	185.1	244.2	43.3	34.2	73.4	46.9	108.4
2006	1,384.7	31.7	49.9	216.8	189.9	55.2	77.3	38.8	199.8	271.7	53.7	34.6	77.7	54.4	121.5
2007	1,504.4	33.8	55.2	229.0	221.4	67.1	82.1	41.0	195.0	296.2	60.3	34.2	87.5	61.6	134.5
2007 Q2	371.2	8.4	13.8	55.8	54.2	16.7	20.0	9.9	48.8	73.1	14.8	8.8	21.5	15.5	33.5
Q3	382.9	8.5	14.2	58.8	56.8	17.3	20.7	10.4	49.4	75.3	15.6	8.5	22.2	15.6	33.7
Q4	382.0	8.5	13.7	57.7	57.5	17.5	20.8	10.5	47.3	75.9	15.7	8.2	22.3	15.6	34.6
2008 Q1	394.7	8.8	13.9	57.4	60.2	19.2	20.8	11.8	48.4	78.3	16.7	8.5	23.8	16.0	35.9
Q2	395.5	8.9	14.1	57.5	61.1	19.4	21.8	11.0	46.5	77.3	16.8	8.4	24.6	16.2	37.2
Q3	400.4	.	.	.	.	20.1	21.6	10.7	45.9	76.5	15.9	8.3	26.5	17.9	.
2008 Apr.	135.9	2.9	4.6	20.2	20.8	6.5	7.3	3.9	16.4	26.1	5.8	2.8	8.1	5.3	13.8
May	129.4	3.0	4.7	18.6	20.0	6.4	7.2	3.6	14.8	25.6	5.4	2.8	8.1	5.4	12.1
June	130.3	3.0	4.7	18.8	20.3	6.5	7.3	3.6	15.3	25.6	5.5	2.8	8.4	5.5	11.4
July	134.4	3.0	4.7	19.1	20.8	6.7	7.2	3.7	15.0	25.6	5.6	2.8	8.7	5.9	14.0
Aug.	131.5	3.0	4.6	18.6	20.6	6.6	7.2	3.5	15.3	25.3	5.2	2.7	8.8	5.8	12.4
Sep.	134.4	.	.	.	.	6.8	7.3	3.5	15.7	25.6	5.2	2.8	9.0	6.2	.
	% share of total exports														
2007	100.0	2.2	3.7	15.2	14.7	4.5	5.5	2.7	13.0	19.7	4.0	2.3	5.8	4.1	8.9
	Imports (c.i.f.)														
2004	1,075.7	25.4	39.8	144.8	115.5	56.6	53.3	23.2	113.4	309.1	92.4	54.1	72.9	45.2	76.3
2005	1,226.9	26.5	42.3	153.2	127.8	76.2	58.1	25.5	119.8	363.4	118.1	53.2	96.0	53.8	84.1
2006	1,397.8	28.6	47.9	167.2	152.3	95.6	62.3	29.4	125.9	418.6	144.5	57.0	110.5	66.3	93.3
2007	1,484.0	28.5	52.0	168.6	174.8	97.9	67.2	32.4	131.5	450.4	171.2	58.7	114.2	75.0	91.6
2007 Q2	363.6	7.2	12.9	42.1	42.8	24.0	16.5	7.9	32.3	109.5	40.5	14.5	27.5	18.4	22.6
Q3	376.5	7.4	13.0	43.0	45.0	23.7	17.2	8.2	33.3	114.8	44.5	14.9	28.3	18.9	23.8
Q4	381.7	6.9	13.3	42.7	45.2	27.4	16.5	8.3	32.4	113.9	43.4	14.5	31.4	19.5	24.2
2008 Q1	396.3	7.2	13.8	43.6	47.6	28.0	16.9	8.3	34.0	116.6	43.5	14.6	33.9	19.6	26.8
Q2	400.6	7.7	13.2	41.5	48.4	29.1	17.1	8.3	33.3	116.1	43.8	14.0	36.5	20.5	28.9
Q3	418.2	.	.	.	.	32.0	17.7	8.1	34.6	121.8	47.3	14.0	37.7	21.0	.
2008 Apr.	135.0	2.7	4.5	14.2	16.5	10.0	5.7	2.8	11.1	38.8	14.6	4.9	12.3	6.9	9.4
May	131.3	2.6	4.4	13.5	15.9	9.8	5.6	2.8	11.0	37.9	14.5	4.5	11.6	6.9	9.4
June	134.2	2.4	4.3	13.8	16.0	9.3	5.8	2.7	11.2	39.3	14.6	4.6	12.5	6.7	10.0
July	140.8	3.0	4.4	14.1	16.1	11.5	6.0	2.7	12.0	40.9	15.6	4.6	12.5	6.8	10.7
Aug.	137.2	2.4	4.4	14.1	16.6	10.0	5.8	2.7	11.1	40.8	15.9	4.8	13.2	7.0	9.2
Sep.	140.2	.	.	.	.	10.5	5.8	2.7	11.5	40.1	15.8	4.6	12.0	7.1	.
	% share of total imports														
2007	100.0	1.9	3.5	11.4	11.8	6.6	4.5	2.2	8.9	30.4	11.5	4.0	7.7	5.1	6.2
	Balance														
2004	68.5	0.3	2.3	59.6	18.4	-20.7	13.3	8.6	59.3	-83.4	-52.0	-20.8	-8.4	-4.5	23.7
2005	10.7	2.5	2.9	50.0	25.4	-32.7	12.7	9.2	65.2	-119.3	-74.8	-19.1	-22.6	-6.9	24.3
2006	-13.0	3.2	2.0	49.7	37.6	-40.4	15.0	9.4	73.9	-146.8	-90.8	-22.4	-32.7	-11.9	28.2
2007	20.4	5.3	3.2	60.4	46.7	-30.8	14.9	8.6	63.5	-154.2	-110.9	-24.5	-26.7	-13.3	42.8
2007 Q2	7.6	1.2	0.9	13.8	11.3	-7.3	3.5	2.0	16.5	-36.4	-25.7	-5.7	-6.0	-2.9	10.9
Q3	6.3	1.2	1.2	15.8	11.9	-6.4	3.5	2.1	16.1	-39.5	-28.9	-6.4	-6.1	-3.3	9.9
Q4	0.3	1.7	0.5	15.0	12.3	-9.9	4.3	2.2	14.8	-38.0	-27.7	-6.3	-9.1	-3.9	10.4
2008 Q1	-1.6	1.6	0.1	13.8	12.6	-8.8	3.9	3.5	14.5	-38.3	-26.8	-6.1	-10.1	-3.6	9.1
Q2	-5.0	1.2	0.8	16.0	12.7	-9.7	4.6	2.7	13.2	-38.8	-27.0	-5.6	-11.9	-4.2	8.4
Q3	-17.8	.	.	.	.	-12.0	3.9	2.6	11.4	-45.3	-31.3	-5.8	-11.2	-3.1	.
2008 Apr.	0.8	0.2	0.1	6.0	4.3	-3.5	1.5	1.0	5.2	-12.8	-8.8	-2.1	-4.2	-1.5	4.4
May	-1.9	0.4	0.3	5.1	4.1	-3.3	1.7	0.8	3.8	-12.4	-9.1	-1.7	-3.6	-1.5	2.7
June	-3.9	0.6	0.4	4.9	4.3	-2.8	1.4	0.8	4.1	-13.7	-9.1	-1.8	-4.1	-1.2	1.3
July	-6.4	0.0	0.3	5.0	4.7	-4.8	1.1	1.0	3.0	-15.4	-10.0	-1.9	-3.8	-0.9	3.3
Aug.	-5.7	0.6	0.2	4.5	4.0	-3.4	1.4	0.8	4.2	-15.4	-10.7	-2.0	-4.4	-1.3	3.2
Sep.	-5.7	.	.	.	.	-3.7	1.4	0.8	4.2	-14.5	-10.6	-1.9	-3.0	-0.9	.

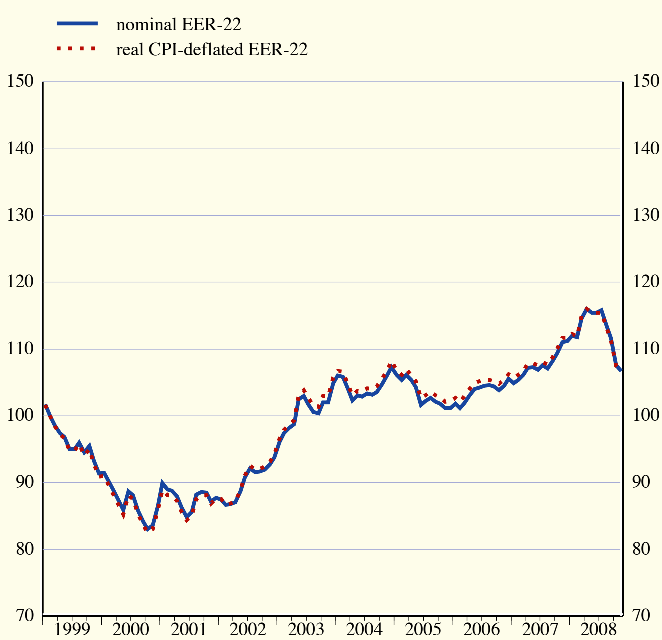
Source: Eurostat.

8 EXCHANGE RATES

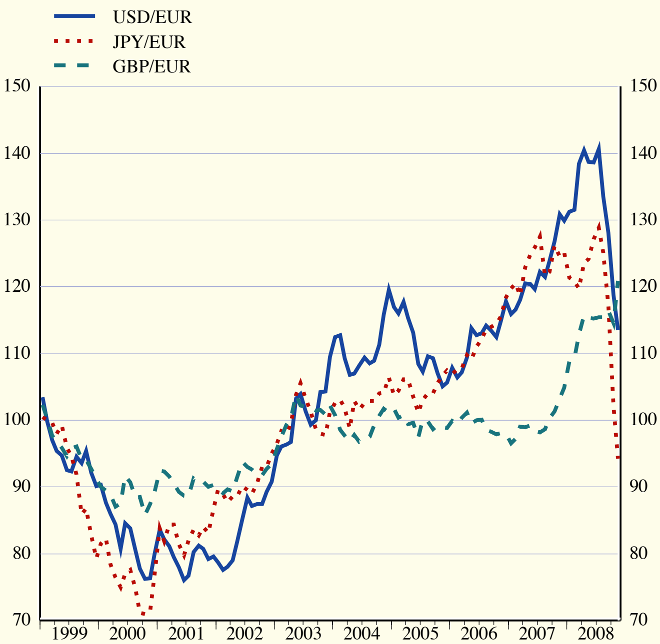
8.1 Effective exchange rates [1]
(period averages; index 1999 Q1=100)

	EER-22						EER-42	
	Nominal	Real CPI	Real PPI	Real GDP deflator	Real ULCM	Real ULCT	Nominal	Real CPI
	1	2	3	4	5	6	7	8
2005	103.3	104.2	102.5	102.2	102.8	101.1	109.7	103.7
2006	103.6	104.6	103.0	102.1	102.5	100.7	110.0	103.4
2007	107.7	108.3	106.9	106.0	105.3	103.9	114.2	106.6
2007 Q3	107.6	108.2	106.8	106.1	105.2	104.0	114.1	106.4
Q4	110.5	111.2	109.7	108.6	107.6	106.5	117.0	109.0
2008 Q1	112.7	113.1	111.3	110.9	110.7	108.8	119.4	110.8
Q2	115.7	115.7	113.2	113.9	114.8	112.3	122.6	113.2
Q3	113.7	113.3	110.2	.	.	.	120.4	110.7
2007 Nov.	111.0	111.7	110.0	-	-	-	117.6	109.6
Dec.	111.2	111.7	110.1	-	-	-	117.6	109.4
2008 Jan.	112.0	112.3	110.5	-	-	-	118.3	109.9
Feb.	111.8	111.9	110.5	-	-	-	118.2	109.5
Mar.	114.6	115.0	112.9	-	-	-	121.5	112.8
Apr.	116.0	116.1	114.0	-	-	-	123.1	113.8
May	115.5	115.5	113.0	-	-	-	122.4	113.0
June	115.4	115.4	112.4	-	-	-	122.4	112.9
July	115.8	115.5	112.4	-	-	-	122.8	113.0
Aug.	113.5	113.2	110.1	-	-	-	120.0	110.3
Sep.	111.6	111.2	108.0	-	-	-	118.3	108.6
Oct.	107.6	107.4	103.7	-	-	-	115.1	105.7
Nov.	106.8	106.6	102.3	-	-	-	114.2	104.9
	% change versus previous month							
2008 Nov.	-0.8	-0.8	-1.4	-	-	-	-0.7	-0.8
	% change versus previous year							
2008 Nov.	-3.8	-4.6	-7.1	-	-	-	-2.9	-4.3

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



C36 Bilateral exchange rates
(monthly averages; index 1999 Q1=100)



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

8.2 Bilateral exchange rates

(period averages; units of national currency per euro)

	Danish 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
2005	7.4518	9.2822	0.68380	1.2441	136.85	1.5483	1,273.61	9.6768	2.0702	1.5087	8.0092	1.6320
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 Q1	7.4534	9.3996	0.75698	1.4976	157.80	1.6014	1,430.84	11.6737	2.1107	1.5022	7.9583	1.6533
Q2	7.4599	9.3517	0.79286	1.5622	163.35	1.6114	1,590.82	12.1845	2.1346	1.5769	7.9401	1.6559
Q3	7.4592	9.4738	0.79504	1.5050	161.83	1.6115	1,600.93	11.7372	2.1010	1.5650	8.0604	1.6955
2008 May	7.4609	9.3106	0.79209	1.5557	162.31	1.6247	1,613.18	12.1341	2.1259	1.5530	7.8648	1.6382
June	7.4586	9.3739	0.79152	1.5553	166.26	1.6139	1,604.95	12.1425	2.1278	1.5803	7.9915	1.6343
July	7.4599	9.4566	0.79308	1.5770	168.45	1.6193	1,604.58	12.3004	2.1438	1.5974	8.0487	1.6386
Aug.	7.4595	9.3984	0.79279	1.4975	163.63	1.6212	1,566.23	11.6932	2.1024	1.5765	7.9723	1.6961
Sep.	7.4583	9.5637	0.79924	1.4370	153.20	1.5942	1,630.26	11.1905	2.0549	1.5201	8.1566	1.7543
Oct.	7.4545	9.8506	0.78668	1.3322	133.52	1.5194	1,759.07	10.3368	1.9666	1.5646	8.5928	1.9345
Nov.	7.4485	10.1275	0.83063	1.2732	123.28	1.5162	1,783.12	9.8687	1.9183	1.5509	8.8094	1.9381
	% change versus previous month											
2008 Nov.	-0.1	2.8	5.6	-4.4	-7.7	-0.2	1.4	-4.5	-2.5	-0.9	2.5	0.2
	% change versus previous year											
2008 Nov.	-0.1	9.0	17.2	-13.3	-24.3	-8.0	32.2	-13.6	-9.7	9.5	10.8	18.4

	Czech koruna	Estonian kroon	Latvian lats	Lithuanian litas	Hungarian forint	Polish zloty	Slovak koruna	Bulgarian lev	New Romanian leu	Croatian kuna	New Turkish lira
	13	14	15	16	17	18	19	20	21	22	23
2005	29.782	15.6466	0.6962	3.4528	248.05	4.0230	38.599	1.9558	3.6209	7.4008	1.6771
2006	28.342	15.6466	0.6962	3.4528	264.26	3.8959	37.234	1.9558	3.5258	7.3247	1.8090
2007	27.766	15.6466	0.7001	3.4528	251.35	3.7837	33.775	1.9558	3.3353	7.3376	1.7865
2008 Q1	25.564	15.6466	0.6973	3.4528	259.30	3.5759	33.069	1.9558	3.6887	7.2852	1.8036
Q2	24.830	15.6466	0.6997	3.4528	248.04	3.4070	31.403	1.9558	3.6521	7.2556	1.9717
Q3	24.093	15.6466	0.7045	3.4528	236.07	3.3081	30.312	1.9558	3.5768	7.1827	1.8235
2008 May	25.100	15.6466	0.6987	3.4528	247.69	3.4038	31.466	1.9558	3.6583	7.2539	1.9408
June	24.316	15.6466	0.7032	3.4528	242.42	3.3736	30.322	1.9558	3.6556	7.2469	1.9206
July	23.528	15.6466	0.7035	3.4528	231.82	3.2591	30.319	1.9558	3.5764	7.2297	1.9128
Aug.	24.287	15.6466	0.7039	3.4528	235.88	3.2920	30.334	1.9558	3.5271	7.1947	1.7669
Sep.	24.497	15.6466	0.7060	3.4528	240.68	3.3747	30.283	1.9558	3.6248	7.1223	1.7843
Oct.	24.768	15.6466	0.7093	3.4528	260.15	3.5767	30.459	1.9558	3.7479	7.1639	1.9612
Nov.	25.193	15.6466	0.7092	3.4528	265.32	3.7326	30.385	1.9558	3.7838	7.1366	2.0342
	% change versus previous month										
2008 Nov.	1.7	0.0	0.0	0.0	2.0	4.4	-0.2	0.0	1.0	-0.4	3.7
	% change versus previous year										
2008 Nov.	-5.8	0.0	1.2	0.0	4.2	2.1	-8.6	0.0	8.9	-2.7	16.3

	Brazilian real 1)	Chinese yuan renminbi	Icelandic krona	Indonesian rupiah	Malaysian ringgit	Mexican peso 1)	New Zealand dollar	Philippine peso	Russian rouble	South African rand	Thai baht
	24	25	26	27	28	29	30	31	32	33	34
2005	3.0360	10.1955	78.23	12,072.83	4.7119	13.5643	1.7660	68.494	35.1884	7.9183	50.068
2006	2.7333	10.0096	87.76	11,512.37	4.6044	13.6936	1.9373	64.379	34.1117	8.5312	47.594
2007	2.6594	10.4178	87.63	12,528.33	4.7076	14.9743	1.8627	63.026	35.0183	9.6596	44.214
2008 Q1	2.6012	10.7268	101.09	13,861.78	4.8325	16.1862	1.8960	61.211	36.3097	11.2736	46.461
Q2	2.5882	10.8687	119.09	14,460.45	5.0183	16.2919	2.0129	67.174	36.9108	12.1648	50.437
Q3	2.4986	10.2969	125.69	13,868.99	5.0209	15.5214	2.1094	68.422	36.4917	11.7055	50.959
2008 May	2.5824	10.8462	117.46	14,436.99	5.0081	16.2402	2.0011	66.895	36.9042	11.8696	49.942
June	2.5185	10.7287	123.28	14,445.41	5.0666	16.0617	2.0424	68.903	36.7723	12.3467	51.649
July	2.5097	10.7809	123.61	14,442.77	5.1258	16.1119	2.0900	70.694	36.8261	12.0328	52.821
Aug.	2.4103	10.2609	122.07	13,700.21	4.9843	15.1269	2.1097	67.307	36.2502	11.4680	50.697
Sep.	2.5712	9.8252	131.33	13,430.23	4.9461	15.2805	2.1293	67.113	36.3727	11.5899	49.264
Oct.	2.9112	9.1071	274.64	13,283.63	4.6895	16.8177	2.1891	63.882	35.2144	12.9341	45.872
Nov.	2.8967	8.6950	242.95	14,984.85	4.5682	16.6735	2.2554	62.496	34.7964	12.8785	44.677
	% change versus previous month										
2008 Nov.	-0.5	-4.5	-11.5	12.8	-2.6	-0.9	3.0	-2.2	-1.2	-0.4	-2.6
	% change versus previous year										
2008 Nov.	11.8	-20.2	171.9	10.1	-7.3	4.4	17.3	-1.2	-3.1	30.7	-3.1

Source: ECB.

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

9 DEVELOPMENTS OUTSIDE THE EURO AREA

9.1 In other EU Member States

(annual percentage changes, unless otherwise indicated)

1. Economic and financial developments

	Bulgaria	Czech Republic	Denmark	Estonia	Latvia	Lithuania	Hungary	Poland	Romania	Slovakia	Sweden	United Kingdom
	1	2	3	4	5	6	7	8	9	10	11	12
						HICP						
2006	7.4	2.1	1.9	4.4	6.6	3.8	4.0	1.3	6.6	4.3	1.5	2.3
2007	7.6	3.0	1.7	6.7	10.1	5.8	7.9	2.6	4.9	1.9	1.7	2.3
2008 Q1	12.4	7.6	3.2	11.3	16.3	10.8	6.9	4.5	8.0	3.4	3.1	2.4
Q2	14.0	6.7	3.7	11.5	17.5	12.3	6.8	4.3	8.6	4.0	3.6	3.4
Q3	12.5	6.5	4.6	11.0	15.6	12.0	6.3	4.4	8.2	4.5	4.0	4.8
2008 June	14.7	6.6	4.2	11.5	17.5	12.7	6.6	4.3	8.7	4.3	4.0	3.8
July	14.4	6.8	4.4	11.2	16.5	12.4	7.0	4.5	9.1	4.4	3.8	4.4
Aug.	11.8	6.2	4.8	11.1	15.6	12.2	6.4	4.4	8.1	4.4	4.1	4.7
Sep.	11.4	6.4	4.5	10.8	14.7	11.3	5.6	4.1	7.3	4.5	4.2	5.2
Oct.	11.2	5.7	3.8	10.1	13.7	10.7	5.1	4.0	7.4	4.2	3.4	4.5
						General government deficit (-)/surplus (+) as a % of GDP						
2005	1.9	-3.6	5.2	1.5	-0.4	-0.5	-7.8	-4.3	-1.2	-2.8	2.4	-3.4
2006	3.0	-2.7	5.1	2.9	-0.2	-0.4	-9.3	-3.8	-2.2	-3.5	2.3	-2.7
2007	0.1	-1.0	4.9	2.7	0.1	-1.2	-5.0	-2.0	-2.6	-1.9	3.6	-2.8
						General government gross debt as a % of GDP						
2005	29.2	29.8	36.4	4.5	12.4	18.4	61.7	47.1	15.8	34.2	50.9	42.3
2006	22.7	29.6	30.5	4.3	10.7	18.0	65.6	47.7	12.4	30.4	45.9	43.4
2007	18.2	28.9	26.2	3.5	9.5	17.0	65.8	44.9	12.9	29.4	40.4	44.2
						Long-term government bond yield as a % per annum, period average						
2008 May	4.95	4.84	4.42	-	5.93	4.80	8.08	6.10	7.26	4.52	4.18	4.84
June	5.17	5.13	4.82	-	6.25	5.33	8.50	6.42	7.15	4.94	4.43	5.16
July	5.17	4.90	4.78	-	6.57	5.49	8.11	6.45	7.28	5.06	4.37	5.00
Aug.	5.17	4.47	4.49	-	6.60	5.47	7.77	6.11	8.20	4.95	4.11	4.67
Sep.	5.17	4.42	4.37	-	6.60	5.45	7.99	5.89	8.32	4.98	3.90	4.58
Oct.	5.17	4.53	4.43	-	6.60	5.40	9.57	6.35	8.27	4.95	3.57	4.52
						3-month interest rate as a % per annum, period average						
2008 May	6.88	4.14	5.14	6.39	5.74	5.17	8.40	6.41	10.87	4.32	4.96	5.83
June	7.02	4.21	5.32	6.41	6.15	5.45	8.87	6.58	11.29	4.34	5.02	5.93
July	7.19	4.11	5.38	6.37	6.23	5.77	8.99	6.62	11.41	4.33	5.09	5.83
Aug.	7.31	3.81	5.38	6.35	6.26	5.75	8.33	6.52	12.11	4.31	5.12	5.77
Sep.	7.32	3.81	5.42	6.34	6.35	5.80	8.62	6.56	13.00	4.25	5.33	5.91
Oct.	7.69	4.19	5.99	6.69	10.03	7.00	8.95	6.80	18.21	4.21	5.27	6.13
						Real GDP						
2006	6.3	6.8	3.3	10.4	12.2	7.8	4.1	6.2	7.9	8.5	4.2	2.8
2007	6.2	6.6	1.6	6.3	10.3	8.9	1.1	6.7	6.0	10.4	2.5	3.0
2008 Q1	7.0	5.4	-0.8	0.2	3.3	6.9	1.1	6.1	8.2	9.3	1.7	2.3
Q2	7.1	4.6	0.6	-1.1	0.1	5.2	1.6	5.8	9.3	7.9	0.7	1.5
Q3	.	4.7	-1.4	-3.3	.	2.9	1.0	5.6	9.1	7.0	0.3	.
						Current and capital accounts balance as a % of GDP						
2006	-17.1	-2.3	2.9	-14.6	-21.3	-9.5	-7.1	-2.1	-10.5	-7.1	7.8	-3.3
2007	-20.6	-1.2	0.7	-16.9	-21.8	-12.8	-5.1	-3.6	-13.1	-4.7	8.4	-3.6
2008 Q1	-25.1	4.0	-1.9	-11.2	-17.2	-15.2	-3.2	-3.6	-13.5	-0.5	10.1	-1.3
Q2	-27.0	-5.0	3.5	-9.3	-12.5	-15.1	-6.1	-3.4	-14.7	-7.6	5.0	-3.2
Q3	.	.	3.7	.	.	-6.1	.	-4.1	-10.3	-3.7	8.1	.
						Unit labour costs						
2006	4.4	1.2	2.2	8.7	15.6	10.2	1.3	0.1	4.8	1.5	-0.4	2.2
2007	14.2	3.1	4.2	19.8	25.0	10.6	4.9	3.1	14.8	0.6	4.7	1.3
2008 Q1	16.8	5.2	7.1	19.4	23.5	10.9	-	-	-	4.4	2.2	1.3
Q2	17.7	3.7	3.8	13.8	20.4	11.4	-	-	-	5.3	0.8	2.2
Q3	.	.	.	.	.	.	-	-	-	5.4	2.2	.
						Standardised unemployment rate as a % of labour force (s.a.)						
2006	9.0	7.2	3.9	5.9	6.8	5.6	7.5	13.9	7.3	13.3	7.0	5.4
2007	6.9	5.3	3.8	4.6	6.0	4.3	7.4	9.6	6.4	11.2	6.1	5.3
2008 Q1	6.3	4.5	3.2	4.6	6.3	4.5	7.7	7.8	5.8	10.4	5.9	5.2
Q2	5.9	4.4	3.2	4.5	6.2	4.7	7.8	7.3	5.9	10.2	5.8	5.3
Q3	5.6	4.4	3.0	6.2	6.6	4.9	7.8	6.7	.	10.1	6.1	.
2008 June	5.8	4.4	3.1	4.7	6.2	4.8	7.8	7.1	5.9	10.1	5.8	5.5
July	5.7	4.4	3.0	5.6	6.3	5.0	7.7	6.9	.	10.1	5.8	5.6
Aug.	5.6	4.3	2.9	6.2	6.6	5.0	7.8	6.7	.	10.1	6.1	5.7
Sep.	5.6	4.4	3.0	6.8	6.9	4.6	7.9	6.5	.	10.0	6.3	.
Oct.	5.6	4.4	3.2	7.5	7.2	4.7	8.1	6.4	.	10.0	6.6	.

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

9.2 In the United States and Japan

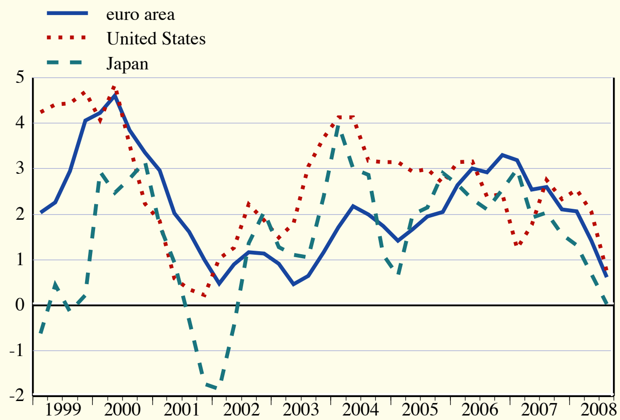
(annual percentage changes, unless otherwise indicated)

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						
2004	2.7	0.8	3.6	3.1	5.5	4.7	1.62	4.80	1.2439	-4.4	48.9
2005	3.4	2.2	2.9	4.2	5.1	4.3	3.56	5.05	1.2441	-3.3	49.1
2006	3.2	2.8	2.8	2.8	4.6	5.0	5.19	5.26	1.2556	-2.2	48.5
2007	2.9	2.7	2.0	1.8	4.6	5.7	5.30	4.81	1.3705	-2.9	49.3
2007 Q3	2.4	2.0	2.8	2.2	4.7	6.0	5.45	5.34	1.3738	-3.0	48.8
Q4	4.0	0.9	2.3	2.5	4.8	5.7	5.02	4.81	1.4486	-3.2	49.3
2008 Q1	4.1	0.0	2.5	2.0	4.9	6.3	3.26	4.24	1.4976	-4.0	50.4
Q2	4.4	0.7	2.1	-0.2	5.3	6.2	2.75	4.81	1.5622	-5.7	49.6
Q3	5.3	2.3	0.7	-3.2	6.0	5.9	2.91	4.58	1.5050	.	.
2008 July	5.6	-	-	-1.5	5.7	6.2	2.79	4.80	1.5770	-	-
Aug.	5.4	-	-	-2.1	6.1	5.3	2.81	4.63	1.4975	-	-
Sep.	4.9	-	-	-6.2	6.1	6.2	3.12	4.58	1.4370	-	-
Oct.	3.7	-	-	-5.2	6.5	7.4	4.06	4.61	1.3322	-	-
Nov.	.	-	-	.	.	.	2.28	3.23	1.2732	-	-
					Japan						
2004	0.0	-3.2	2.7	4.8	4.7	.	0.05	1.53	134.44	-6.2	156.8
2005	-0.3	-2.1	1.9	1.4	4.4	1.8	0.06	1.66	136.85	-6.7	163.2
2006	0.2	-0.6	2.4	4.5	4.1	1.0	0.30	1.85	146.02	-1.4	159.5
2007	0.1	-1.6	2.1	2.8	3.8	1.6	0.79	1.70	161.25	.	.
2007 Q3	-0.1	-1.4	2.0	2.6	3.8	1.9	0.89	1.88	161.90	.	.
Q4	0.5	-1.4	1.6	3.4	3.8	2.0	0.96	1.70	163.83	.	.
2008 Q1	1.0	0.0	1.3	2.3	3.9	2.2	0.92	1.48	157.80	.	.
Q2	1.4	-0.3	0.7	1.0	4.0	2.0	0.92	1.88	163.35	.	.
Q3	2.2	.	0.0	-1.3	4.1	2.2	0.90	1.72	161.83	.	.
2008 July	2.3	-	-	2.4	4.0	2.1	0.92	1.77	168.45	-	-
Aug.	2.1	-	-	-6.9	4.2	2.4	0.89	1.70	163.63	-	-
Sep.	2.1	-	-	0.2	4.0	2.2	0.91	1.72	153.20	-	-
Oct.	1.7	-	-	-7.0	.	1.8	1.04	1.59	133.52	-	-
Nov.	.	-	-	.	.	.	0.91	1.45	123.28	-	-

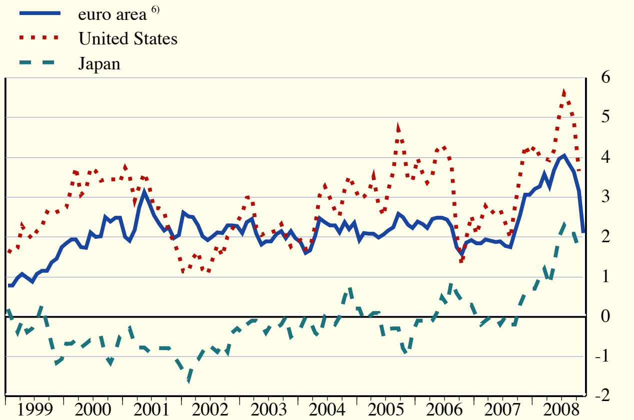
C37 Real gross domestic product

(annual percentage changes; quarterly)



C38 Consumer price indices

(annual percentage changes; monthly)



Sources: National data (columns 1, 2 (United States), 3, 4, 5 (United States), 6, 9 and 10); OECD (column 2 (Japan)); Eurostat (column 5 (Japan), euro area chart data); Reuters (columns 7 and 8); ECB calculations (column 11).

1) 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:

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

where I_t is the index of 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:

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

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:

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

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

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

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:

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

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:

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

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

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

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

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

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

CALCULATION OF GROWTH RATES FOR QUARTERLY SERIES

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

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

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

SEASONAL ADJUSTMENT OF THE EURO AREA MONETARY STATISTICS [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) $$I_t = I_{t-1} \times \left(1 + \frac{N_t}{L_{t-1}}\right)$$

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

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

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

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

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

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

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

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

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 3 December 2008.

Unless otherwise indicated, all data series covering observations for 2008 relate to the Euro 15 (i.e. the euro area including Cyprus and Malta) 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 2001, 2007 and 2008, calculated from bases in 2000, 2006 and 2007, use a series which takes into account the impact of the entry of Greece, Slovenia, and Cyprus and Malta, respectively, into the euro area. Historical data referring to the euro area before the entry of Cyprus and Malta 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, and data after 2008 refer to the Euro 15, i.e. the Euro 13 plus Cyprus and Malta.

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, Slovakia, 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.

EURO AREA ACCOUNTS

Section 3.1 shows quarterly integrated euro area accounts data, which provide comprehensive information on the economic activities of

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

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 15 (i.e. the Euro 13 plus Cyprus and Malta) 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 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

3 Svensson, L. E., 1994, "Estimating and Interpreting Forward Interest Rates: Sweden 1992-1994", Centre for Economic Policy Research, Discussion Paper No 1051.

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]. The breakdown by end-use of products for industrial producer prices and industrial production is the harmonised sub-division of industry excluding construction (NACE sections C to E) into main industrial groupings (MIGs), as defined by Commission Regulation (EC) No 586/2001 of 26 March 2001[5]. Industrial producer prices reflect the ex-factory gate prices of producers. They include indirect taxes except VAT and other deductible taxes. Industrial production reflects the value added of the industries concerned.

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[6] and in the implementing Commission Regulation (EC) No 1216/2003 of 7 July 2003[7]. 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.

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 repairs. New passenger car registrations cover registrations of both private

4 OJ L 162, 5.6.1998, p. 1.
5 OJ L 86, 27.3.2001, p. 11.
6 OJ L 69, 13.3.2003, p. 1.
7 OJ L 169, 8.7.2003, p. 37.

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[8] 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[9]. 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 (ECB/2004/15)[10] and the amending ECB Guideline of 31 May 2007 (ECB/2007/3)[11]. 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

8 OJ L 172, 12.7.2000, p. 3.
9 OJ L 179, 9.7.2002, p. 1.
10 OJ L 354, 30.11.2004, p. 34.
11 OJ L 159, 20.6.2007, p. 48.

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.

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 C 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 C to E of NACE. 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 586/2001 (OJ L 86, 27.3.2001, p. 11). 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-22 group of trading partners is composed of the 12 non-euro area EU Member States plus Australia, Canada, China, Hong Kong, Japan, Norway, Singapore, South Korea, Switzerland and the United States. The EER-42 group includes the EER-22 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.

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]

12 JANUARY AND 2 FEBRUARY 2006

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.25%, 3.25% and 1.25% respectively.

2 MARCH 2006

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

6 APRIL AND 4 MAY 2006

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.50%, 3.50% and 1.50% respectively.

8 JUNE 2006

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

6 JULY 2006

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.75%, 3.75% and 1.75% respectively.

3 AUGUST 2006

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

31 AUGUST 2006

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 3.0%, 4.0% and 2.0% respectively.

5 OCTOBER 2006

The Governing Council of the ECB decides to increase the minimum bid rate on the main refinancing operations by 25 basis points to 3.25%, starting from the operation to be settled on 11 October 2006. In addition, it decides to increase the interest rates on both the marginal

1 The chronology of monetary policy measures taken by the Eurosystem between 1999 and 2005 can be found in the ECB's Annual Report for the respective years.

lending facility and the deposit facility by 25 basis points, to 4.25% and 2.25%, both with effect from 11 October 2006.

2 NOVEMBER 2006

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 3.25%, 4.25% and 2.25% respectively.

7 DECEMBER 2006

The Governing Council of the ECB decides to increase the minimum bid rate on the main refinancing operations by 25 basis points to 3.50%, starting from the operation to be settled on 13 December 2006. In addition, it decides to increase the interest rates on both the marginal lending facility and the deposit facility by 25 basis points, to 4.50% and 2.50%, both with effect from 13 December 2006.

21 DECEMBER 2006

The Governing Council of the ECB decides to increase the allotment amount for each of the longer-term refinancing operations to be conducted in the year 2007 from €40 billion to €50 billion. This increased amount takes the following aspects into consideration: the liquidity needs of the euro area banking system have grown strongly in recent years and are expected to increase further in the year 2007. Therefore the Eurosystem has decided to increase slightly the share of the liquidity needs satisfied by the longer-term refinancing operations. The Eurosystem will, however, continue to provide the bulk of liquidity through its main refinancing operations. The Governing Council may decide to adjust the allotment amount again at the beginning of 2008.

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 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.

THE TARGET (TRANS-EUROPEAN AUTOMATED REAL-TIME GROSS SETTLEMENT EXPRESS TRANSFER) SYSTEM

PAYMENT FLOWS IN TARGET

In the third quarter of 2008 TARGET processed a daily average of 349,559 payments, with a total daily average value of €2,491 billion. Compared with the previous quarter, this represents a decrease of 7% in terms of volume and 4% in terms of value. Compared with the same period of the previous year, it is a decrease of 3% in volume but an increase of 2% in value. A year-on-year decrease in volume was last observed between 2003 and 2004. However, TARGET's overall market share in terms of value remained stable at 90%, while its market share in terms of volume reached 59%. The highest level of TARGET traffic during this quarter was recorded on 30 September, the last day of the quarter, when 453,937 payments were processed.

INTRA-MEMBER STATE PAYMENTS

TARGET processed a daily average of 250,028 intra-Member State payments with a total average value of €1,688 billion per business day in the third quarter of 2008. This represents a decrease of 9% in volume and 4% in value as compared with the previous quarter. In comparison with the corresponding period in 2007, the volume decreased by 11% but the value increased by 10%. Intra-Member State traffic accounted for 72% of the total volume and 68% of the total value of TARGET payments. The average value of an intra-Member State payment increased to €6.7 million. At the intra-Member State level, 65% of payments were below €50,000, while 10% were above €1 million. On average, there were 163 intra-Member State payments with a value above €1 billion per day. The highest level of intra-Member State traffic during this quarter was recorded on 30 September, when a total of 320,608 payments were processed.

INTER-MEMBER STATE PAYMENTS

At the inter-Member State level, TARGET processed a daily average of 99,531 payments with a total daily average value of €802 billion in the third quarter of 2008. Compared with the previous quarter, this represents a decrease of 2% in terms of volume and 6% in terms of value. In comparison with the corresponding period in 2007, it is an increase of 24% in volume but a decrease of 11% in value. The average proportion of interbank payments in daily inter-Member State traffic was 41% in terms of volume and 93% in terms of value. The average value of an interbank payment increased from €13.2 million to €22.3 million, while that of a customer payment decreased from €1.4 million to €1.1 million. 64% of the inter-Member State payments had a value below €50,000, while 14% had a value above €1 million. On average, there were 72 inter-Member State payments with a value above €1 billion per day. The highest level of inter-Member State traffic during this quarter was recorded on 22 September, when a total of 134,065 payments were processed.

TARGET AVAILABILITY AND BUSINESS PERFORMANCE

In the third quarter of 2008 TARGET achieved an overall availability of 100%, compared with 99.97% in the previous quarter. During this quarter no incidents had an effect on TARGET'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 throughout the quarter under review, 99.99% of inter-Member State payments were processed in less than five minutes, with the remaining 0.01% being processed within between five and fifteen minutes.

Table 1 Payment instructions processed by TARGET and other selected interbank funds transfer systems: volume of transactions

(number of payments)

	2007 Q3	2007 Q4	2008 Q1	2008 Q2	2008 Q3
TARGET					
All TARGET payments					
Total volume	23,473,483	24,951,015	23,519,667	24,144,809	23,070,898
Daily average	361,130	389,859	379,349	377,263	349,559
Intra-Member State TARGET payments					
Total volume	18,261,887	19,493,777	17,750,292	17,628,682	16,501,826
Daily average	280,952	304,590	286,295	275,448	250,028
Inter-Member State TARGET payments					
Total volume	5,211,596	5,457,238	5,799,637	6,516,127	6,569,072
Daily average	80,178	85,269	93,543	101,814	99,531
Other systems					
EURO1 (EBA)					
Total volume	13,210,577	14,856,086	15,718,422	16,594,531	16,162,525
Daily average	203,240	232,126	253,523	259,290	244,887
Paris Net Settlement (PNS)[1]					
Total volume	1,636,102	1,454,570	398,081		
Daily average	25,171	22,728	12,063		
Pankkien On-line Pikasiirrot ja Sekit-järjestelmä (POPS)					
Total volume	150,046	141,813	136,266	193,593	155,809
Daily average	2,308	2,216	2,194	3,025	2,361

1) The PNS system ceased operations on 15 February 2008.

Table 2 Payment instructions processed by TARGET and other selected interbank funds transfer systems: value of transactions

(EUR billions)

	2007 Q3	2007 Q4	2008 Q1	2008 Q2	2008 Q3
TARGET					
All TARGET payments					
Total value	158,305	164,686	163,420	166,793	164,384
Daily average	2,436	2,573	2,636	2,606	2,491
Intra-Member State TARGET payments					
Total value	99,826	105,905	108,340	112,221	111,429
Daily average	1,536	1,655	1,747	1,753	1,688
Inter-Member State TARGET payments					
Total value	58,478	58,782	55,998	54,573	52,955
Daily average	900	918	903	853	802
Other systems					
EURO1 (EBA)					
Total value	15,112	15,766	16,541	17,944	18,504
Daily average	233	246	267	280	280
Paris Net Settlement[1] (PNS)					
Total value	4,571	3,352	746		
Daily average	70	52	23		
Pankkien On-line Pikasiirrot ja Sekit-järjestelmä (POPS)					
Total value	111	114	108	107	109
Daily average	2	2	2	2	2

1) The PNS system ceased operations on 15 February 2008.

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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 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.

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

Compensation per employee: the total remuneration, in cash or in kind, that is payable by employers to employees, i.e. gross wages and salaries, as well as bonuses, overtime payments and employers' social security contributions, divided by the total number of employees.

Consolidated balance sheet of the MFI sector: a balance sheet obtained by netting out inter-MFI positions (e.g. inter-MFI loans and deposits) in the aggregated MFI balance sheet. It provides statistical information on the MFI sector's assets and liabilities vis-à-vis residents of the euro area not belonging to this sector (i.e. general government and other euro area residents) and vis-à-vis non-euro area residents. It is the main statistical source for the calculation of monetary aggregates, and it provides the basis for the regular analysis of the counterparts of M3.

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. However, due to data limitations, the debt given in the quarterly financial accounts does not include loans granted by non-financial sectors (e.g. inter-company loans) or by banks outside the euro area, whereas these components are included in the annual financial accounts.

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

Debt security: a promise on the part of the issuer (i.e. the borrower) to make one or more payment(s) to the holder (the lender) 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 ECB publishes nominal EER indices for the euro against two groups of trading partners: the EER-22 (comprising the 12 non-euro area EU Member States and the 10 main trading partners outside the EU) and the EER-42 (composed of the EER-22 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 all transactions in direct investment, portfolio investment, other investment, financial derivatives and reserve assets, between residents and non-residents.

Fixed rate tender: a tender procedure in which the interest rate is specified in advance by the central bank and in which participating counterparties bid the amount of money they wish to transact at the fixed interest rate.

General government: a sector defined in the ESA 95 as comprising resident entities that are engaged primarily in the production of non-market goods and services intended for individual and collective consumption and/or in the redistribution of national income and wealth. Included are central, regional and local government authorities as well as social security funds. Excluded are government-owned entities that conduct commercial operations, such as public enterprises.

Gross domestic product (GDP): the value of an economy's total output of goods and services less intermediate consumption, plus net taxes on products and imports. GDP can be broken down by output, expenditure or income components. The main expenditure aggregates that make up GDP are household final consumption, government final consumption, gross fixed capital formation, changes in inventories, and imports and exports of goods and services (including intra-euro area trade).

Harmonised Index of Consumer Prices (HICP): a measure of consumer prices that is compiled by Eurostat and harmonised for all EU Member States.

Hourly labour cost index: a measure of labour costs, including gross wages and salaries (in cash and in kind, including bonuses) and other labour costs (employers' social contributions plus employment-related taxes paid by the employer minus subsidies received by the employer), per hour actually worked (including overtime).

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

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

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

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

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

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

International 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.

Job vacancies: a collective term covering newly created jobs, unoccupied jobs or jobs about to become vacant in the near future, for which the employer has taken recent active steps to find a suitable candidate.

Key ECB interest rates: the interest rates, set by the Governing Council, which reflect the monetary policy stance of the ECB. They are the minimum bid rate on the main refinancing operations, the interest rate on the marginal lending facility and the interest rate on the deposit facility.

Labour force: the sum total of persons in employment and the number of unemployed.

Labour productivity: the output that can be produced with a given input of labour. It can be measured in several ways, but is commonly measured as GDP at constant prices divided by either total employment or total hours worked.

Longer-term refinancing operation: a regular open market operation executed by the Eurosystem in the form of reverse transactions. Such operations are carried out through a monthly standard tender and normally have a maturity of three months.

M1: a narrow monetary aggregate that comprises currency in circulation plus overnight deposits held with MFIs and central government (e.g. at the post office or treasury).

M2: an intermediate monetary aggregate that comprises M1 plus deposits redeemable at a period of notice of up to and including three months (i.e. short-term savings deposits) and deposits with an agreed maturity of up to and including two years (i.e. short-term time deposits) held with MFIs and central government.

M3: a broad monetary aggregate that comprises M2 plus marketable instruments, in particular repurchase agreements, money market fund shares and units, and debt securities with a maturity of up to and including two years issued by MFIs.

Main refinancing operation: a regular open market operation executed by the Eurosystem in the form of reverse transactions. Such operations are carried out through a weekly standard tender and normally have a maturity of one week.

Marginal lending facility: a standing facility of the Eurosystem which counterparties may use to receive overnight credit from 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.

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. Compliance is determined on the basis of the average of the daily balances over a maintenance period of around one month.

Survey of Professional Forecasters (SPF): a quarterly survey that has been conducted by the ECB since 1999 to collect macroeconomic forecasts on euro area inflation, real GDP growth and unemployment from a panel of experts affiliated to financial and non-financial organisations based in the EU.

Unit labour costs: a measure of total labour costs per unit of output calculated for the euro area as the ratio of total compensation per employee to labour productivity (defined as GDP at constant prices per person employed).

Variable rate tender: a tender procedure where the counterparties bid both the amount of money they wish to transact with the central bank and the interest rate at which they wish to enter into the transaction.

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 debt securities with the same credit risk but different maturity dates. The slope of the yield curve can be measured as the difference between the interest rates or yield at two selected maturities.

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