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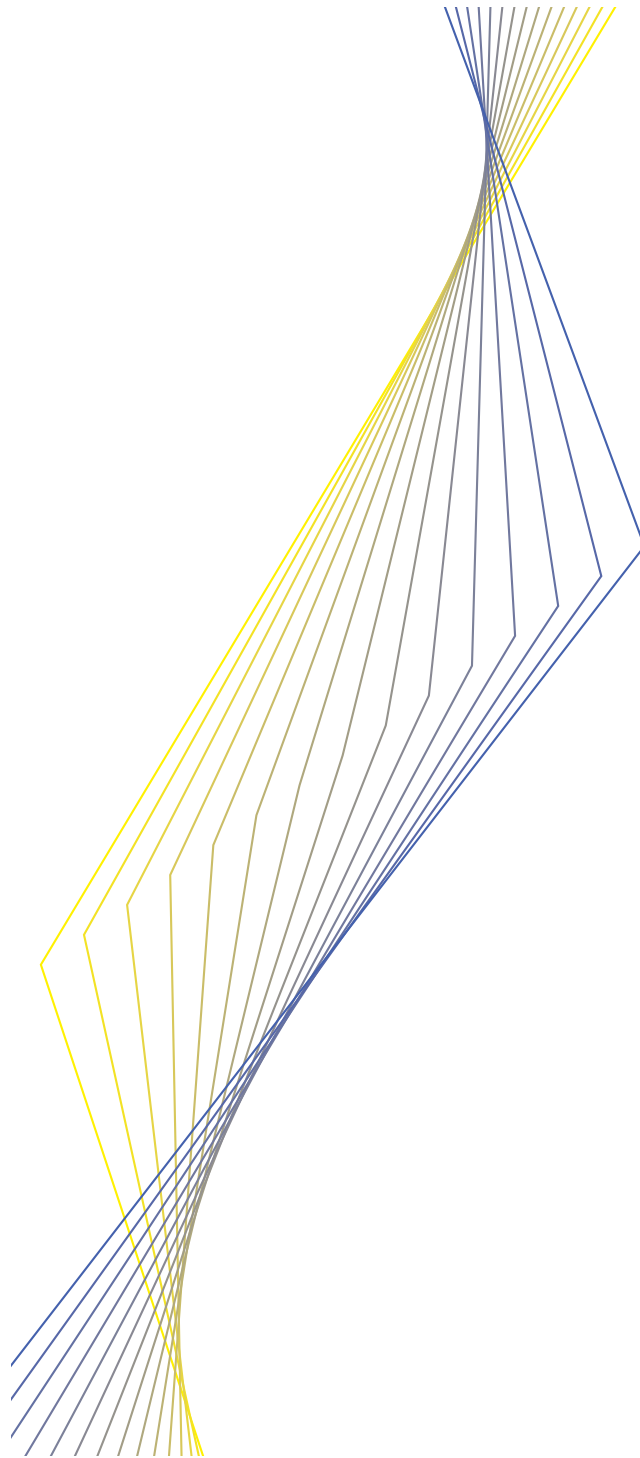
MONTHLY BULLETIN June 1999

**M O N T H L Y
B U L L E T I N**

June 1999



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Abbreviations

Countries

BE	Belgium
DK	Denmark
DE	Germany
GR	Greece
ES	Spain
FR	France
IE	Ireland
IT	Italy
LU	Luxembourg
NL	Netherlands
AT	Austria
PT	Portugal
FI	Finland
SE	Sweden
UK	United Kingdom
JP	Japan
US	United States

Others

BIS	Bank for International Settlements
BPM4	IMF Balance of Payments Manual (4th edition)
BPM5	IMF Balance of Payments Manual (5th edition)
CDs	certificates of deposit
c.i.f.	cost, insurance and freight at the importer's border
CPI	Consumer Price Index
ECB	European Central Bank
ECU	European Currency Unit
EMI	European Monetary Institute
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
ILO	International Labour Organization
IMF	International Monetary Fund
MFIs	Monetary Financial Institutions
NCBs	national central banks
repos	repurchase agreements
SITC Rev. 3	Standard International Trade Classification (revision 3)

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

In the first months of 1999 the prospects for overall price developments in the euro area over the medium term continued to be consistent with price stability as defined by the Eurosystem, despite some short-term upward pressures caused by the recent rise in oil prices. During the early part of the year projections for economic activity in 1999 as a whole were revised downwards. More recently, however, risks seem to have become more balanced with regard to the external situation, and the necessary conditions are broadly in place for a recovery in the course of this year and for stronger growth next year.

Against the background of favourable prospects for continued price stability, the Governing Council of the ECB has kept the interest rates on its monetary policy instruments unchanged at its meetings held since 8 April 1999. It may be recalled that on 8 April the Eurosystem announced a reduction of 0.5 percentage point in the rate on its main refinancing operations, which thus stands at 2.5%. The interest rates applicable to the deposit and marginal lending facilities were also reduced to 1.5% and 3.5% respectively. As it did in early April, at its subsequent meetings the Governing Council considered that at these levels of ECB interest rates, the increases in the Harmonised Index of Consumer Prices (HICP) would continue to remain in line with the Eurosystem's definition of price stability in the medium term. The current assessment of the outlook for price developments in the euro area and the risks to price stability are reviewed in this quarterly issue of the ECB Monthly Bulletin in the section entitled "Economic developments in the euro area". The cut-off date for the data referred to in this Monthly Bulletin was 2 June 1999.

Monetary developments, as viewed in terms of the broad monetary aggregate M3, were close to the reference value of 4½% in early 1999. The latest three-month moving average of M3 growth (covering the period from February to April 1999) decreased to 5.0%, compared with 5.3% in the previous three-month period to March 1999. The 12-month growth rate of M3 decreased from 5.2% in March to 4.9% in April. Underlying this development was a contraction

in deposits with an agreed maturity of up to two years, which in turn may have been connected with some portfolio shifts towards longer-term financial instruments not included in M3. Against this background, and taking into account the specific circumstances related to the launch of the euro at the start of the year, the Governing Council did not consider that recent monetary developments were indicative of future inflationary pressures. The annual rate of total credit growth declined slightly in April. Loans to the private sector continued to grow rapidly, suggesting that favourable interest rate conditions are being exploited to finance consumption and investment.

A review of the evidence from financial markets and other economic data also suggests that, overall, the maintenance of price stability is expected to be assured in the period ahead. Although long-term bond yields have increased in the period since the end of April 1999, the rise primarily reflects a partial spillover of a sharp rise in long-term bond yields in the United States. While, as a consequence, the euro area yield curve has steepened, long-term bond yields in the euro area remain low by historical standards, signalling market expectations of continued low and stable rates of consumer price inflation.

Since the start of the year the external value of the euro has declined. Against the US dollar this decline amounted to around 12%, while against a basket of currencies (weighted according to the importance of trade with the euro area) the fall in nominal terms has been just over 8%. The recent decline has brought the effective exchange rate of the euro back to around the level seen by its constituent currencies in mid-1997 and in the early part of 1998. Perceptions about the diverse short-term economic prospects for the US and euro area economies were a major factor behind the strengthening of the US dollar. This cyclical divergence is expected to diminish over the course of the year. This, together with the fact that the euro is a currency firmly based on internal price stability, means that there is clear potential for a stronger external value. With regard to the monetary policy strategy, exchange rate

developments are taken into account via their effect on the outlook for prices and the risks to price stability.

Over the past few months consumer price developments in the euro area have been affected by higher oil prices which, as expected, have fed through quickly to the energy component of the HICP. Consumer price increases, as measured by the HICP, rose by 0.1 percentage point to 1.1% in April 1999, following a rise of 0.2 percentage point in the previous month. Despite a slight fall during May, oil prices were, on average, slightly higher in May than in April and, given the scale of the increase in the past few months, some further impact on the overall HICP is to be expected in the coming months. However, this further effect is likely to constitute only a temporary influence on price developments in the euro area. The rate of increase in the HICP excluding seasonal food and energy prices, two of the more volatile components of the index, fell slightly in April, to 1.0% (from 1.1% in March). Rising energy prices were partially offset in April by lower increases in the prices of other goods and services. Recent surveys and forecasts of inflation in the euro area covering the next one to two years indicate that consumer price increases are expected to remain below 2%.

Little new information on developments in real activity in the euro area has become available since the last issue of the ECB Monthly Bulletin. Although some national accounts data based on the new methodology of the European System of Accounts (ESA 95) have been published, the release of area-wide estimates of real GDP growth has been delayed. Similarly, at the cut-off date no further estimates of area-wide industrial production or European Commission survey data were available. Available national data do not yet provide clear evidence of an improvement in the economic situation in the euro area in early 1999. This notwithstanding, most forecasts point to a strengthening of activity during the course of the year.

Considering developments in the external environment, the risks appear to have become more balanced. Among other contributing

factors are the somewhat firmer expectations that the growth of the US economy will remain strong in the near future. In addition, there now seems to be less danger of contagion effects among emerging market economies, given that economic and financial conditions have improved in a number of countries, notably in South-East Asia.

Taking into account the information on recent monetary developments and other economic data, the outlook for the maintenance of price stability in the medium term remains favourable. The recent rise in oil prices is expected to have some upward effect on headline HICP inflation in the near future, but the prospects for the medium term are consistent with the Eurosystem's primary objective of maintaining price stability.

Overall, given that the stance of monetary policy is in line with the maintenance of price stability in the euro area and thereby provides the basis for strong and sustainable growth, efforts in other policy areas finally have to be stepped up in order to facilitate progress in fostering employment and in achieving more robust budgetary balances.

The improvement in labour market conditions, particularly since last autumn, has been modest, reflecting not only the slowdown in economic growth, but also the high degree of structural rigidities, which reduce the capacity of euro area labour markets to adjust smoothly to adverse economic shocks. Unless there is decisive action on the part of Member States to increase labour market flexibility, the outlook for sustained further reductions in unemployment for the euro area will remain bleak. The European Employment Pact, adopted at the EU summit in Cologne, recognises the need to pursue comprehensive structural reforms. Starting to implement such reforms would also have an important confidence-building effect for the euro area and support the conduct of a stability-oriented monetary policy.

This quarterly issue of the ECB Monthly Bulletin contains a review of fiscal positions in the euro

area. Although further improvements in public sector finances are envisaged for 1999 and 2000, the pace of fiscal consolidation is very modest. In addition, current expectations by international organisations for the euro area as a whole indicate deficits higher than the aggregation of targets incorporated in Member States' stability programmes. In some cases these programmes appear to have been based on overly optimistic assumptions. This clearly highlights the fact that budgetary positions for the euro area are, on average, still vulnerable to adverse cyclical developments and that, by and large, the budgets of most Member States do not yet incorporate sufficient safety margins. This view is reflected in the recommendations

concerning the "Broad guidelines of the economic policies of the Member States and the Community", as discussed at the EU summit in Cologne, in which it is stated that "Member States should strive to reduce the vulnerability of budgets to rising interest rates, make government spending and taxation more conducive to growth and employment creation and to prepare for the longer term budgetary challenges associated with an ageing population". In order for the euro area to be better able to exploit its growth and employment potential, it is crucial that, in addition to structural reforms, there is strict adherence to the requirements of the Stability and Growth Pact.

Economic developments in the euro area

I Monetary and financial developments

Monetary policy decisions by the Governing Council of the ECB

Following the reduction in ECB interest rates announced on 8 April, the Governing Council concluded at all its subsequent meetings that the outlook for price developments was in line with the objective of maintaining price stability over the medium term. Since early April the rate on the main refinancing operations has therefore been kept at 2.5% and the interest rates on the marginal lending facility and on the deposit facility have been left at 3.5% and 1.5% respectively (see Chart 1). The "Editorial" section of this issue of the ECB Monthly Bulletin presents an overview of the considerations underlying these decisions.

Decreasing growth of broad money

The new monetary data for the euro area which were released at the end of May led to some statistical revisions in the figures published earlier. The most significant revision concerned the growth rate of M3 in January 1999, which was revised upwards from 5.4% to 5.6%. While

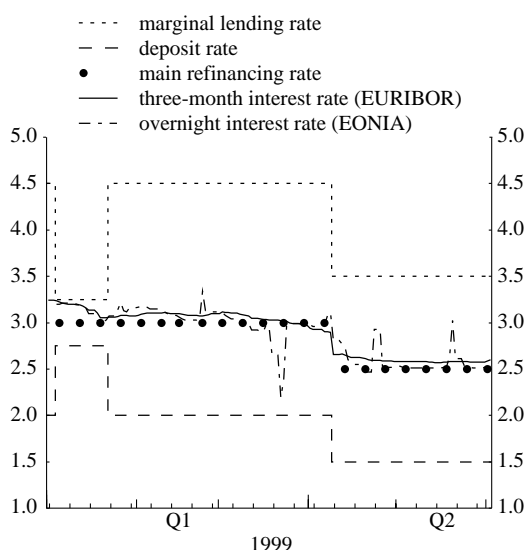
M3 growth in February was unchanged at 5.1%, the figure for March 1999 was corrected upwards by 0.1 percentage point to 5.2%. As a result, the three-month moving average of the annual growth rates of M3 in the first quarter of 1999 stood at 5.3% (revised upwards from 5.2%). At the outset of Economic and Monetary Union the trend in monetary developments was thus somewhat above the reference value of 4½% set by the Governing Council (see Chart 2). This reflected, on the one hand, a relatively strong growth of overnight deposits and, on the other, a negative or moderate increase in the other main components of M3. After the significant rise in January 1999, which appeared to be related, in part, to the special environment at the start of Stage Three, M3 growth showed a tendency to move closer to the reference value in the following months.

In April 1999 the annual increase in M3 declined to 4.9%. The three-month moving average of the growth rates of M3 (covering the period from February to April 1999) decreased to 5.0%. The decline in the annual growth rate of M3 was mainly due to the contraction of deposits with an agreed maturity of up to two years. By contrast, the rate of growth of overnight deposits and of the marketable securities included in M3 displayed a slight increase.

The rate of increase in overnight deposits rose to 13.5% in April, up from 13.3% in the previous month. This interrupted a downward tendency in the growth rate of overnight deposits, after the exceptionally large increase in these financial instruments recorded in January 1999. The slight upward movement in overnight deposits in April may have been influenced by the decrease in short-term interest rates associated with the cut in ECB interest rates announced on 8 April 1999, which has further reduced the already very low opportunity costs of holding these liquid instruments. The growth of currency in circulation declined moderately to 1.9% in April (from 2.2% in March). The annual growth rate of the narrow monetary aggregate M1 (which comprises currency in circulation

Chart 1
ECB interest rates and money market rates

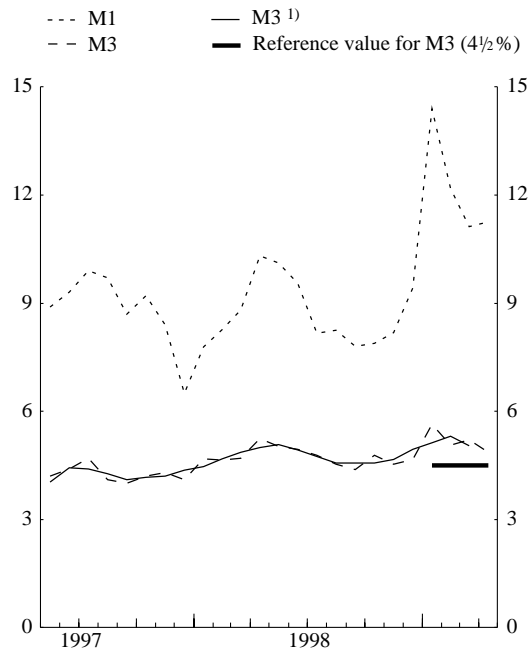
(percentages per annum; daily data)



Source: ECB.

Chart 2
Monetary aggregates in the euro area

(annual percentage changes)



Source: ECB.

1) Three-month centred moving average.

and overnight deposits) increased slightly to 11.3% in April, from 11.1% in the previous month.

On an annual basis, deposits with an agreed maturity of up to two years contracted by 2.9% in April, after a moderate decline of 0.4% in March. The negative trend in these financial instruments may have partly reflected a shift in portfolios towards overnight deposits, following the recent fall in short-term interest rates. To some extent, the reduction in these deposits may also have been influenced by substitution in favour of longer-term instruments not included in M3, given the steeper slope of the term structure in the euro area. However, such an effect was not noticeable in deposits redeemable at a period of notice of up to three months. These deposits grew at a rate of 5.7% in April, compared with 5.5% in March, and their annual increase was fairly stable during the first four months of 1999. On aggregate, the growth of short-term deposits other than overnight deposits included in M3 fell to 2.0%

in April 1999, from 3.0% in the previous month. As a result, the annual growth rate of the monetary aggregate M2 declined to 6.1% in April, from 6.5% in March 1999.

The annual rate of change in short-term marketable securities incorporated in M3 recovered slightly in April to -2.4% from -2.7% in the previous month. This development reflected, on the one hand, an increase in the 12-month growth rate of money market funds and money market paper (to 10.4%, from 9.8% in March) and, on the other, a further contraction in repurchase agreements and debt securities issued with a maturity of up to two years.

Growth of credit slightly declining

On the assets side of the balance sheet of the MFI sector the annual growth rate of total credit granted to euro area residents decreased from 7.7% in March 1999 to 7.3% in April.¹ This rate of expansion reflected contrasting developments in terms of the components of credit. On the one hand, credit to the private sector continued to grow at a relatively strong pace, with the 12-month growth rate standing at 9.9% in April, slightly below the figure observed for the previous month (10.1%). On the other hand, the growth rate of credit extended to general government fell to 0.4% in April from 1.5% in March 1999.

With regard to credit to the private sector, it is noteworthy that the outstanding amount of loans to households and firms (which account for about 90% of total private sector credit) continued to expand rapidly, although in April the growth rate of loans to euro area residents decreased slightly to 9.6% from 9.9% in March 1999. The strong increase in loans in 1998 and the first months of 1999 seems to be associated to a large extent with patterns of output growth and interest rates in the euro area. At the same time, strong net outflows of capital from the euro area have been observed in the balance of

¹ The data on credit reported in this section incorporate a correction of the figures published by the ECB on 31 May 1999.

payments, which suggests that a part of the new loans might have been used by euro area residents to finance investments abroad. This gives some reason to assume that the relatively high growth rate of loans may not fully translate into monetary growth and domestic spending.

Within the other component of credit to the private sector, i.e. securitised lending, different patterns have been observed. The annual rate of change in credit extended by the MFI sector through the purchase of securities other than shares has been negative in the last three months (-2.7% in April). Conversely, the MFI holdings of shares and other equities have continued to increase at a very strong pace (23.4% in April). However, with regard to these securities, it should be noted that the flows statistics have not yet been fully corrected for valuation effects.

Among the other counterparts of M3, the annual increase in the longer-term financial liabilities of the MFI sector rose from 4.3% in March 1999 to 5.3% in April.² This mainly reflected the stronger growth in capital and reserves (7.4% in April against 4.0% in March) and in debt securities issued with a maturity of over two years (8.3% in April, compared with 7.7% in the previous month). The rapid increase in longer-term debt securities, the return on which responds quickly to changes in market conditions, is likely to be related to the widening of the term spread observed since the beginning of 1999. The growth of deposits with a maturity of over two years, by contrast, has remained subdued at a broadly constant rate of 1.8%, while the outstanding amount of deposits redeemable at a period of notice of more than three months has continued to decline (by 2.4% on an annual basis in April, which is about the same rate as that recorded in March 1999).

The net external asset position of the euro area MFI sector deteriorated, in absolute and non-seasonally adjusted terms, by €28 billion in April, thus reversing an improvement of a similar magnitude in March 1999. This was the result of

both an increase in external liabilities and a reduction in external assets. Compared with a year ago, the net external assets of the MFI sector fell by about €147 billion. The deterioration in the net external position of MFIs over the last 12 months mainly reflected net outflows of capital from euro area non-MFI residents as reported in the balance of payments.

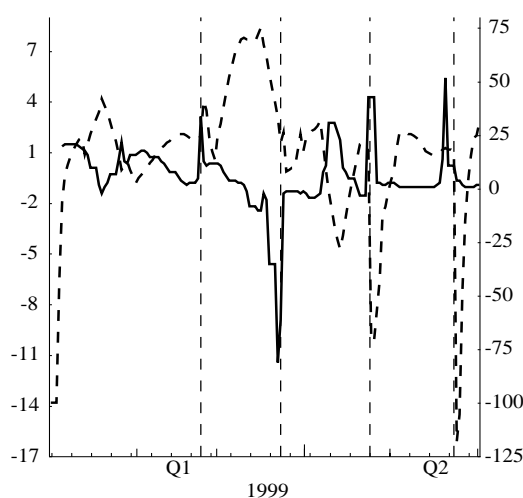
Stable short-term interest rates during May

During the month of May money market interest rates in the euro area were remarkably stable across the whole maturity spectrum. On most days the overnight market interest rate, as measured by the EONIA ("euro overnight index average"), remained within a narrow range of

Chart 3
The banking system's liquidity and the spread between the overnight interest rate and the main refinancing rate

(EUR billions; daily data)

- difference between the accumulated average of credit institutions' current account holdings with the Eurosystem and their reserve requirements (left-hand scale)
- difference between the overnight interest rate (EONIA) and the main refinancing rate (right-hand scale)



Source: ECB.

Note: Spread between the overnight interest rate (EONIA) and the main refinancing rate in basis points. Changes in the main refinancing rate are included on the first business day after the date of announcement. The vertical dashed lines indicate the end of a reserve maintenance period.

² The data on longer-term financial liabilities reported in this section incorporate a correction of the figures published by the ECB on 31 May 1999.

between 2.51% and 2.54%, i.e. just above the rate of 2.5% which has been applied to the main refinancing operations of the Eurosystem since 14 April (see Chart 1). Only on the last three business days of the fourth reserve maintenance period (which ran from 24 April to 23 May 1999), despite a more than adequate provision of liquidity to the banking system, some uncertainty among market participants regarding the availability of liquidity surfaced and the EONIA rate fluctuated between 2.61% and

3.02% (see Chart 3 and Box 1). In particular, the hike in the EONIA to 3.02% on Thursday, 20 May, was probably related to uncertainty concerning Italian tax collection (which, however, took place a day after the end of the maintenance period) and to the fact that banks had to square their positions on Friday, 21 May, two days ahead of the end of the maintenance period. However, the overnight interest rate moved immediately back to levels close to 2.5% in the first days of the new reserve maintenance

Box 1

Monetary policy operations and liquidity conditions in the fourth maintenance period

Allotments in monetary policy operations

The Eurosystem conducted four main refinancing operations during the fourth reserve maintenance period, which lasted from 24 April to 23 May 1999. All main refinancing operations were carried out at a fixed rate of 2.5%. The allotted volume varied between €78.0 billion and €42.0 billion, while the aggregate amount of bids varied between €754.8 billion and €638.6 billion, the average being €689.5 billion. Compared with the beginning of Stage Three, the amount of bids in the main refinancing operations became steadier. However, because of the different sizes of the two outstanding tender operations, the allotment ratio alternated between 12% and 6%. The number of counterparties participating in the main refinancing operations stabilised in the range of 650 to 750 institutions.

Contributions to the banking system's liquidity

(EUR billions)

Daily average during the reserve maintenance period from 24 April to 23 May 1999

	Liquidity providing	Liquidity absorbing	Net contribution
(a) Monetary policy operations of the Eurosystem	167.4	0.4	+167.0
Main refinancing operations	121.6	-	+121.6
Longer-term refinancing operations	45.0	-	+45.0
Standing facilities	0.8	0.4	+0.4
Other operations	-	-	-
(b) Other factors affecting the banking system's liquidity	342.5	408.3	-65.8
Banknotes in circulation	-	333.8	-333.8
Government deposits with the Eurosystem	-	36.4	-36.4
Net foreign assets (including gold)	342.5	-	+342.5
Other factors (net)	-	38.1	-38.1
(c) Credit institutions' holdings on current accounts with the Eurosystem (a) - (b)			101.2
(d) Required reserves			100.2

Source: ECB.

Totals may not add up due to rounding.

Use of standing facilities

The fourth reserve maintenance period was special in the sense that it both began and ended during a weekend. At the beginning of the period the substantial use of the marginal lending facility on 23 April 1999, the very last day of the preceding reserve maintenance period, carried over into the beginning of the fourth period, as the loans were extended over the weekend. As a result, average recourse to the marginal lending facility increased slightly, from a daily average of €0.7 billion in the third maintenance period to €0.8 billion in the fourth. Without this "legacy" from the previous period, this average use would have been only €0.4 billion, i.e. significantly lower than during the third maintenance period.

At the end of the maintenance period the fact that it ended on a Sunday meant that the impact of the use of the deposit facility on Friday, 21 May, was three times as large because of the weekend. As a result, two-thirds of the total amount of the use of the deposit facility was due to its use on that particular day. The average use of the deposit facility reached €0.4 billion, which was €0.1 billion higher than during the previous period.

Liquidity factors not related to monetary policy

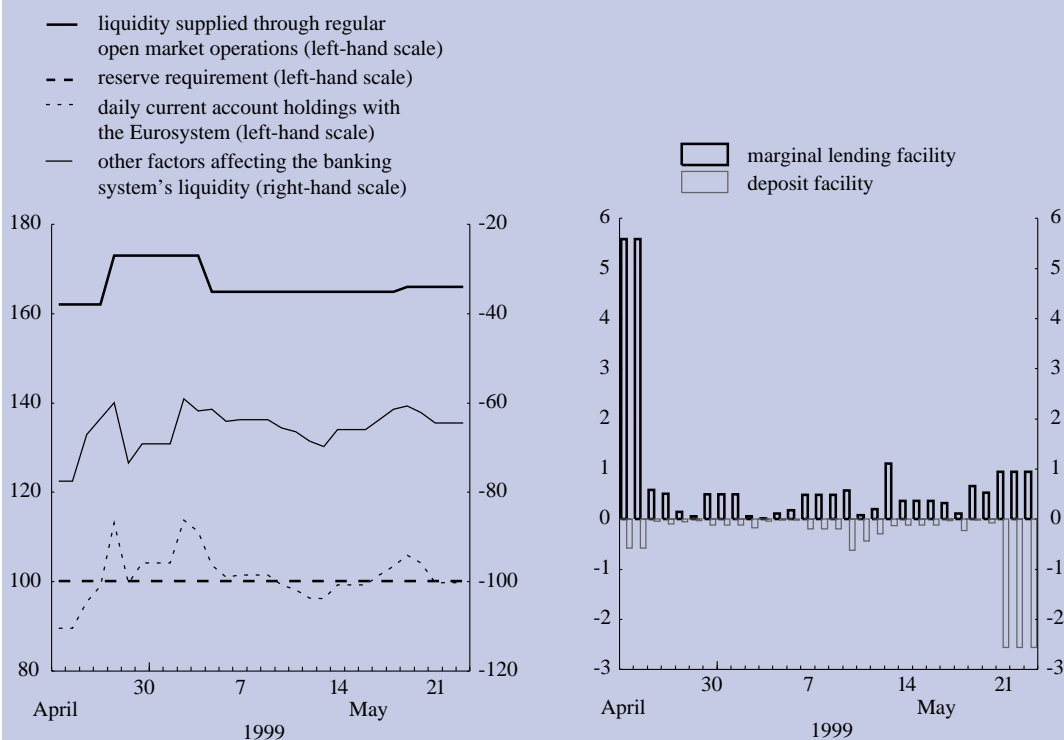
The net liquidity-absorbing impact of other factors affecting the banking system's liquidity (item (b) in the table above) – the so-called autonomous factors – was €65.8 billion on average, €8.6 billion less than during the previous maintenance period. The main reason for the substantial decline in the level of the impact of these autonomous factors was a €6.6 billion decrease in government deposits with the Eurosystem. The net impact of the autonomous factors fluctuated between €59.1 billion and €77.4 billion.

Current account holdings of counterparties

The current account holdings of counterparties with the Eurosystem correspond to the difference between the liquidity provided through monetary policy operations (including the net impact of the use of standing facilities) and the net effect of the autonomous factors. In the fourth reserve maintenance period the average current account holdings were €101.2 billion, compared with reserve requirements of €100.2 billion. Thus, the difference between the average current account holdings and the reserve requirements remained at the same level as in the previous reserve maintenance period, i.e. at €1.0 billion. Around €0.3 billion of this amount was due to current account holdings which do not contribute to the fulfilment of reserve requirements, while about €0.8 billion was due to so-called excess reserves. These are reserves that counterparties hold on their current accounts although they have already fulfilled their reserve requirements.

Factors contributing to the banking system's liquidity during the fourth reserve maintenance period

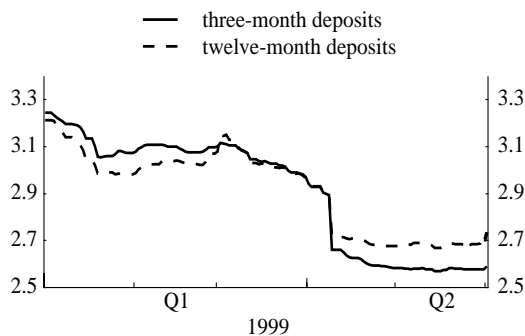
(EUR billions; daily data)



Source: ECB.

Chart 4
Short-term interest rates in the euro area

(percentages per annum; daily data)



Source: ECB.

Note: Three-month and twelve-month EURIBOR.

period which started on 24 May 1999. On the whole, the average level of the EONIA rate was 2.55% in May, while it had been equal to 2.71% in April 1999.

The three-month EURIBOR interest rate stabilised at about 2.58% in May, following a decline of about 40 basis points which was recorded in April in conjunction with the reduction in ECB interest rates. The stabilisation in May can be regarded mainly as a reflection of expectations on the part of market participants that the monetary policy stance of the Eurosystem would remain unchanged in the coming months. This expectation was also visible in futures contracts for delivery in June and September 1999.

The three-month interest rates implied in futures contracts maturing in December 1999 and March 2000 stood at 2.93% on 1 June. The futures rate for December 1999 appears to be affected by the potential impact of the century date change on computer systems. Reflecting these factors, the money market yield curve remained virtually flat for maturities up to six months and rose moderately for longer maturities. On 1 June the 12-month interest rate was equal to 2.74%, slightly higher than the level recorded at the end of April (see Chart 4).

The stability of money market conditions was also reflected in the regular monthly longer-

term refinancing operation of the Eurosystem which was settled on 27 May. This longer-term operation, which had, as usual, a three-month maturity and was conducted as a variable rate tender using the multiple rate allotment procedure, resulted in weighted average and marginal rates of allotment of 2.54% and 2.53% respectively, unchanged from the previous operation. As pointed out in the past, the fact that these interest rates were slightly lower than the then prevailing three-month EURIBOR rate of 2.58% is likely to be due to the presence of a small risk premium in the latter, as EURIBOR transactions – unlike refinancing operations of the Eurosystem – are not secured with collateral.

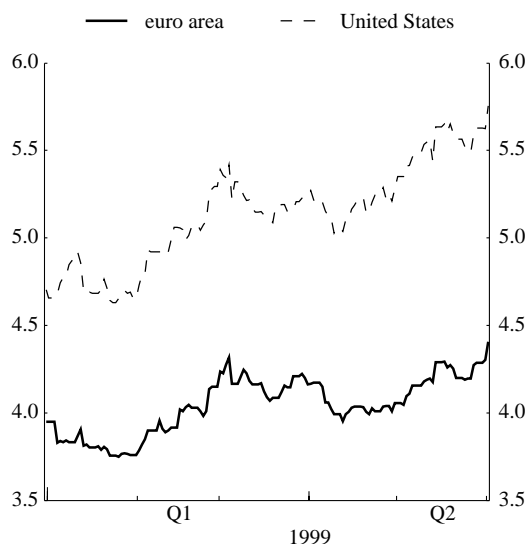
Since the start of the year nominal short-term interest rates have fallen considerably. The three-month EURIBOR rate, which stood at 3.23% on the first day of trading of the euro, declined by 65 basis points over the first five months of 1999. The six-month and 12-month EURIBOR interest rates were 62 and 52 basis points lower, respectively, at the end of May than at the beginning of the year. This reflects the fact that the Eurosystem has allowed for a significant easing of its monetary policy stance since the start of its operations. By the end of March developments in the overnight market as well as market expectations of a reduction in ECB interest rates had already led to a decline of approximately 25 basis points in EURIBOR interest rates for all maturities up to one year.

In the first days of April the build-up of market expectations of an imminent interest rate reduction contributed to a further decline. EURIBOR interest rates then dropped by 20 to 25 basis points immediately after the announcement on 8 April of the cut in the main refinancing rate and somewhat further in the following days. The cut in interest rates on 8 April also led to a more normal (rising) slope of the money market yield curve. The spread between the 12-month and three-month EURIBOR, which had been negative in February and was about

Chart 5

Long-term government bond yields in the euro area and the United States

(percentages per annum; daily data)



Sources: ECB, national data and Reuters.

Note: Long-term government bond yields refer to 10-year bonds or to the closest available bond maturity.

zero in March and during the days before the cut in ECB interest rates, turned positive after 8 April, to stand at 16 basis points on 1 June (see Chart 4). The size of this spread is to be seen mainly as a reflection of term premia.

Long-term interest rates rising, but still at low levels

Long-term government bond yields in the euro area remained at relatively low levels during the first five months of 1999, continuing to reflect financial market expectations of low and stable rates of price increases over the medium term. By 1 June 1999 the average level of euro area bond yields stood at 4.41%, which was slightly higher than the levels recorded at the end of 1998 (see Chart 5), but much lower than the levels observed throughout most of the 1990s. The slight increase in long-term bond yields since the end of 1998 seems to be due primarily to upward pressures resulting from the more than 100 basis point increase in US bond yields over the same period. Within the

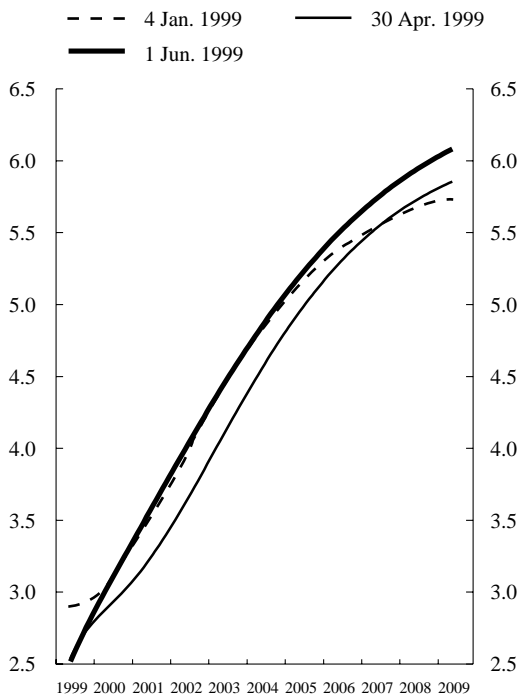
euro area, most of the influencing factors, such as the low levels of consumer price inflation and subdued economic growth as well as the recent cuts in ECB interest rates, have tended to work in the opposite direction by placing downward pressure on euro area long-term bond yields. As a consequence, the spread of US long-term bond yields over comparable yields in the euro area has widened significantly since the end of 1998.

10-year government bond yields in the euro area rose by almost 40 basis points over the period from end-April 1999 to 1 June. In line with the pattern observed in 1999 so far, overall developments in the euro area bond markets in the course of May appeared primarily to reflect a partial spillover of a 0.5 percentage point rise in long-term bond yields in the United States, while domestic influences seemed to have played a rather limited role. This pattern of dominance of global factors is also apparent in the behaviour of the differential between 10-year bond yields in the United States and comparable yields in the euro area. This differential widened to a level of more than 130 basis points on 1 June. This brought the cumulative increase in this differential to more than 100 basis points since October 1998. Taking German 10-year bond yields as a benchmark for the purposes of a longer-term comparison for the euro area, the spread of 10-year bond yields in the United States vis-à-vis those in Germany reached more than 150 basis points by 1 June, coming to the highest level observed since the first half of 1989.

The sharp increase of close to 50 basis points in long-term bond yields in the United States over the period from end-April 1999 to 1 June appeared to be associated with a shift in the market consensus about the likely future evolution of short-term interest rates in the United States. This was linked in part to the decision of the US Federal Reserve to adopt a formal "tightening bias" after the meeting of the Federal Open Market Committee on 18 May. The shift in short-term interest rate expectations was particularly evident in the significant steepening of the US yield curve at the short end of the maturity spectrum. Prior to the decision of the Federal Open Market

Chart 6
Implied forward euro area overnight interest rates

(percentages per annum; daily data)



Source: ECB estimation. The implied forward yield curve, which is derived from the term structure of interest rates observed in the market, reflects the market expectation of future levels for short-term interest rates. The method used to compute these implied forward yield curves was outlined on page 26 of the January 1999 issue of the Monthly Bulletin. The data used in the estimation are derived from swap contracts.

Committee, a larger than expected and relatively broadly based increase in CPI inflation data for April, in an environment where some market participants increasingly took the view that US productivity growth would not be sufficient to constrain inflationary pressures in the longer term, had added to the upward pressures on US bond yields. In Japan there was also an increase in long-term bond yields between end-April and 1 June, linked in part to expectations of additional bond issuance.

With regard to domestic influences on euro area bond markets, there did not appear to be any significant change in financial market expectations for euro area price developments or for the future pace of economic activity during May. The slight increase in euro area HICP inflation data for April had little influence on bond market trends since it had been largely

anticipated by financial market participants as it was primarily linked to an increase in energy prices. At the same time, conflicting indications about the prospects for economic activity provided by business and consumer confidence indicators and by data for industrial activity did not seem to lead to any significant change in market expectations.

Reflecting this stability in short-term expectations for euro area price and output developments, the euro area yield curve showed little change at the shorter end of the maturity spectrum in the course of May (see Chart 6). By 1 June spot interest rates with maturities of up to six months still remained close to the levels observed at the end of April. Beyond this maturity, increases were seen which tended to be larger for longer maturities. Hence different influences seemed to have been at work at different points on the euro area maturity spectrum, with increases at the longer end appearing to be more closely correlated with the aforementioned partial spillover from the US bond market. In this vein, the slight increase in “break-even” inflation rates, as measured by the difference between 10-year yields from fixed income and index-linked bonds issued in France, seemed to reflect primarily the influence on nominal bond yields of the spillover from the US bond market.

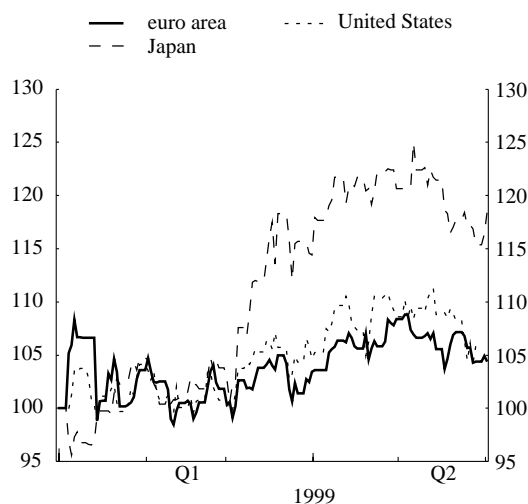
Decline in stock markets during May

Stock prices in the euro area, as measured by the broad Dow Jones EURO STOXX index, declined by almost 4% over the period from end-April to 1 June 1999 (see Chart 7). This setback brought the average level of stock prices in the euro area back to just 4% above the level observed at the end of 1998. The principal explanation for the decline in stock prices in the euro area during May 1999 appeared to be linked to the weakness observed in international stock markets, while – as with the euro area bond market – domestic factors seemed to have played a minor role.

In the United States the Standard and Poor’s 500 index declined by slightly more than 3%

Chart 7
Stock price indices in the euro area, the United States and Japan

(31 December 1998=100; daily data)



Sources: Reuters for the euro area; national data for the United States and Japan.

Note: Dow Jones EURO STOXX broad (stock price) index for the euro area, Standard and Poor's 500 for the United States and Nikkei 225 for Japan.

over the period from end-April to 1 June. The decline in US stock prices, which occurred despite continued indications of robust economic growth, seemed to be closely linked to the shift in market expectations concerning the future direction of short-term interest rates and the associated increase in long-term interest rates in the United States. In Japan, following the sizable increase of more than 20% observed during the first four months of 1999, stock prices, as measured by the Nikkei 225 index, declined by close to 2% over the period from end-April 1999 to 1 June. This development appeared to be linked to evidence that the Japanese economy remains weak and to the increase in Japanese bond yields over this period.

For the euro area stock markets, apart from the influence of these global spillovers, the rise in domestic long-term bond yields may also have added to downward pressures on stock prices. Furthermore, uncertainties on the part of market participants about the prospects for euro area output growth, linked to the mixed indications provided by recent data on economic activity, may have led to an increase in the

equity risk premium and contributed to the decline in stock prices.

Despite the limited change in aggregate stock prices in the euro area since the end of 1998, the range of performance across different sectors has been rather varied, with some sectors showing considerable increases. This would seem to indicate significant differences in market perceptions concerning the outlook for different sectors of the euro area economy. Compared with end-1998, the Dow Jones EURO STOXX 50 index had increased by more than 8% by 1 June. The stronger performance of this index relative to the broad index would tend to suggest that the outlook for the profitability of large companies that are relatively sensitive to both the international environment and exchange rate developments has improved.

Among the various sectors, the largest gains in stock prices since the end of 1998 took place in the energy and industrial sectors, where increases of 22% and 24% respectively have been observed over the period from end-December 1998 to 1 June. The principal sector-specific factor underlying the performance of the energy sector appeared to be the recent sharp rise in oil prices. The strong performance in industrial sector stock prices may in part be a reflection of the depreciation of the euro in real effective terms since the beginning of the year as well as of the perceived improvement in the external environment. With regard to other sectors in which increases have been seen, stock prices in the cyclical consumer sector have shown an increase of close to 6% since the end of 1998, which may reflect an improvement in financial market expectations for cyclical conditions within the euro area since the end of 1998. However, contrasting developments have been observed in sectors that are considered less sensitive to the state of the business cycle, such as the utilities and non-cyclical consumer sectors, where stock prices have declined by 11% and 1% respectively since the end of 1998. With regard to non-cyclical consumer sectors, in the case of the food and beverage sector in particular, a decline in stock prices of more than 6% has been recorded since the end of 1998.

2 Price developments

Oil price movements lie behind the rise in consumer price increases

The annual rate of increase in consumer prices in the euro area continued to rise slightly in April 1999. As measured by the Harmonised Index of Consumer Prices (HICP), the increase was 1.1% in April 1999, compared with 1.0% in March 1999 and 0.8% in the preceding four months (see Table 1). As in March, this movement was caused by the development in energy prices, which were 0.3% higher in April 1999 than they had been a year earlier (compared with 2.8% lower than a year earlier in March 1999). The higher energy prices were mainly due to a rise in the world market prices of oil, which increased from an average level of €11.8 per

barrel in March 1999 to €14.4 per barrel in April. Since then, oil prices have continued to rise and stood at an average level of €14.9 per barrel in May 1999.

While the annual percentage change in energy prices has increased since the beginning of the year, the rate of increase in the prices of the other components of the HICP has either fallen or remained stable over the same period (see Chart 8). An exception was the year-on-year rate of change in the price of unprocessed food; this has been relatively volatile in recent months, as is reflected in a rise from 1.1% in January 1999 to 1.7% in March, followed by a drop back to 1.2% in April. The volatility was closely related to seasonal factors and unusual changes in

Table 1
Price and cost developments in the euro area

(annual percentage changes, unless otherwise indicated)

	1996	1997	1998	1998	1998	1998	1999	1998	1999	1999	1999	1999	1999
				Q2	Q3	Q4	Q1	Dec.	Jan.	Feb.	Mar.	Apr.	May
Harmonised Index of Consumer Prices (HICP) and its components													
Overall index	2.2	1.6	1.1	1.3	1.1	0.8	0.8	0.8	0.8	0.8	1.0	1.1	.
<i>of which:</i>													
Goods	1.8	1.1	0.6	1.0	0.7	0.2	0.3	0.1	0.2	0.2	0.5	0.8	.
Food	1.9	1.4	1.6	2.1	1.7	1.1	1.3	1.0	1.2	1.4	1.4	1.2	.
Processed food	1.9	1.4	1.4	1.6	1.4	1.2	1.2	1.1	1.3	1.3	1.2	1.2	.
Unprocessed food	1.8	1.4	2.0	2.8	2.1	0.8	1.4	0.9	1.1	1.5	1.7	1.2	.
Industrial goods	1.8	1.0	0.1	0.4	0.1	-0.2	-0.2	-0.4	-0.3	-0.4	0.0	0.5	.
Non-energy industrial goods	1.6	0.5	0.9	0.9	1.0	0.9	0.8	0.9	0.8	0.7	0.7	0.6	.
Energy	2.6	2.8	-2.6	-1.4	-3.2	-4.4	-3.8	-4.8	-4.4	-4.3	-2.8	0.3	.
Services	2.9	2.4	2.0	2.0	2.0	2.0	1.7	1.9	1.8	1.7	1.8	1.7	.
Other price and cost indicators													
Industrial producer prices ¹⁾	0.4	1.1	-0.8	-0.2	-1.3	-2.3	-2.6	-2.6	-2.7	-2.7	-2.3	.	.
Unit labour costs ²⁾	1.8	0.4	.	-0.6	-0.6	.	.	-	-	-	-	-	-
Labour productivity ²⁾	1.6	2.3	.	1.8	1.8	.	.	-	-	-	-	-	-
Compensation per employee ²⁾	3.4	2.6	.	1.2	1.3	.	.	-	-	-	-	-	-
Total hourly labour costs ³⁾	2.8	2.4	1.6	1.7	1.7	1.5	.	-	-	-	-	-	-
Oil prices (EUR per barrel) ⁴⁾	15.9	17.1	12.0	12.8	11.7	10.0	10.3	8.8	9.5	9.4	11.8	14.4	14.9
Commodity prices ⁵⁾	-6.9	13.0	-12.5	-10.7	-18.2	-20.5	-16.0	-19.4	-17.2	-16.1	-14.7	-12.6	-7.7

Sources: Eurostat, national data, HWWA-Institut für Wirtschaftsforschung (Hamburg) and ECB calculations.

1) Excluding construction.

2) Whole economy.

3) Whole economy (excluding agriculture, education and health).

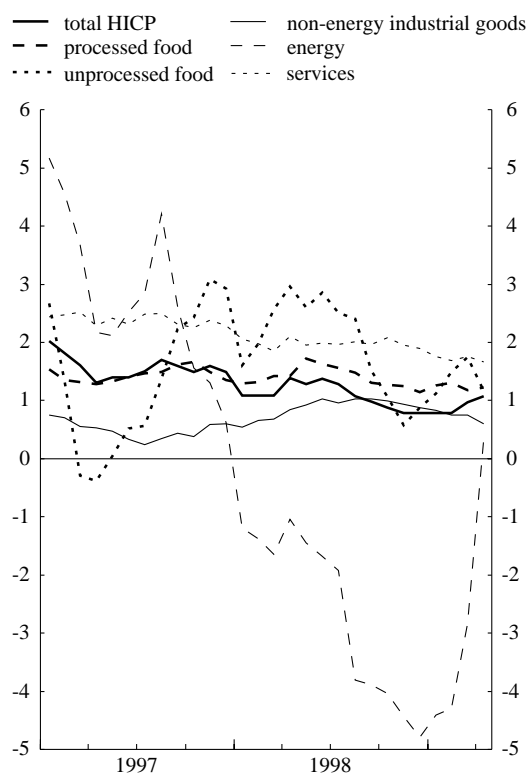
4) Brent Blend (for one-month forward delivery). ECU up to December 1998.

5) Excluding energy. In euro; ECU up to December 1998.

Chart 8

Breakdown of HICP inflation in the euro area by components

(annual percentage changes; monthly data)



Source: Eurostat.

weather conditions. By contrast, the annual rate of change in the prices of processed food was broadly stable in the first four

months of 1999 and stood at 1.2% in April. The rate of change in the prices of non-energy industrial goods fell from 0.9% at the end of last year to 0.6% in April 1999, with the slowdown in the rate of price increase being seen, in particular, for durable goods such as vehicles and data processing equipment. This lower rate of price increase can partly be explained by the fall in industrial producer prices up to February 1999 as a result of, inter alia, falling input prices (e.g. oil and other commodity prices) and subdued labour costs.

The annual percentage change in services prices was broadly stable in the first four months of 1999 and stood at 1.7% in April. The year-on-year rate of increase is, however, somewhat lower in comparison with the level recorded at the end of last year, when it stood at around 2.0%. To a large extent this decline can be attributed to a fall in the rate of price increase for telephone and telefax equipment and services. This is partly due to further steps in the liberalisation of the telecommunications sector, which has resulted in increased competition and lower absolute prices (see Box 2).

Box 2

Liberalisation and price developments: the example of the telecommunications sector

The liberalisation of markets is normally associated with increased competition and downward pressures on margins and prices. Increased competitive pressure is generally considered to generate welfare gains in the form of more optimal resource allocation. In addition, increased competition might also result in stronger incentives for rationalisation and renewal, which could benefit productivity.

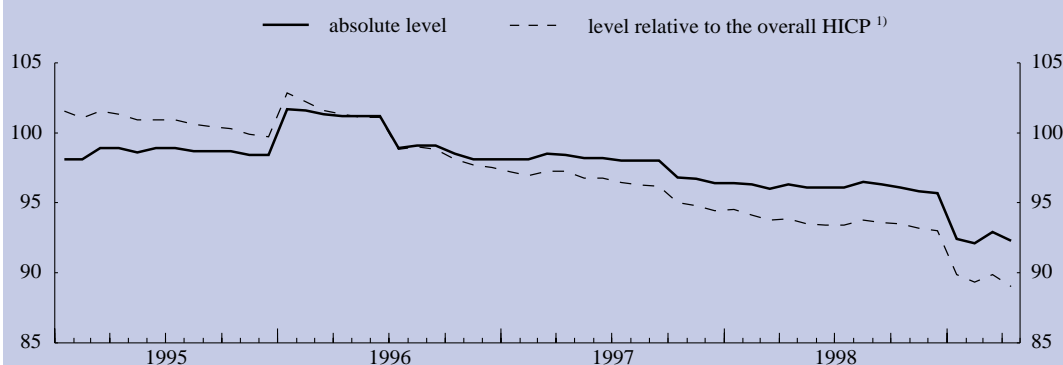
The process of liberalisation of the European telecommunications sector dates back to the 1980s and has largely been driven by a political will to open up markets, e.g. the Single Market Programme, and substantial technological and productivity improvements. Political agreements and legislation within the European Union laid down 1 January 1998 as the date for the introduction of free competition in the provision of voice telephony and telecommunications infrastructure. The harmonisation framework has been aimed at creating a single European market based on common principles for access to networks and services, and a common regulatory environment and harmonised standards for services and technologies. In addition, the obligation on EU Member States to liberalise their markets was reinforced by the discipline imposed under the World Trade Organisation agreement on basic telecommunications, which was finalised in 1997.

The timing of the opening-up of markets has so far varied across Member States. While some countries opened up their markets well ahead of the deadline stipulated by the harmonisation framework, others have had a derogation regarding the implementation date.¹ Furthermore, although the bulk of the Community regulatory package has been transposed, other barriers, such as long delays in granting licences as well as prohibitive licence fees and interconnection charges, have hampered competitive price reductions in some countries.

The experience of those countries which were first to liberalise their markets is that prices have fallen over a number of years following the increase in competition. In the United Kingdom, for example, prices for household telephone services have on average fallen by almost 3% per year since 1992, reflecting both increased competition and advances in technology. Furthermore, the traditionally open and competitive framework in the field of communications in Finland has had sizable positive effects, contributing both to the low price level of telecommunications services (which is among the lowest in the EU) and to the rapid spread of information technology. For the euro area, the liberalisation of the telecommunications sector has been accompanied by a downward trend in both the absolute level of telecommunication prices (telephone and telefax equipment and services) and the level of telecommunication prices relative to the overall HICP. This downward trend, which has been visible since the beginning of 1996, is, however, due not only to increased competition, but also to technological advances. The large fall in January this year is largely explained by the decline in prices for telephone services in Germany.

Price indices of telephone and telefax equipment and services

(index: 1996=100; monthly data)



Sources: Eurostat and ECB calculations.

1) Calculated as the ratio between the HICP sub-index telephone and telefax equipment and services and the overall HICP index.

Overall, the liberalisation of the telecommunications sector has resulted in increased competition which, in turn, has led to a greater supply and lower prices. In most cases increased competition forces firms to trim profit margins and, over time, to become more cost-conscious in order to gain (or avoid losing) their market share.

¹ Only Greece and Portugal still have a derogation, while Ireland opened up its market on 1 January 1999.

The decline in the HICP rate excluding the more volatile components is expected to end

In recent months the overall HICP has been affected to a large extent by movements in certain goods prices, which are traditionally very volatile. As mentioned above, the most pronounced effect on the overall HICP has

recently come from energy prices, although changes in seasonal food prices (i.e. the most volatile component of unprocessed food prices) have also had a clear impact. The effects of such factors may be seen as transitory to the extent that they tend to have a one-off impact on the price level. For analytical purposes, it can be useful to exclude these more volatile components of the HICP. The price increase of

the HICP excluding seasonal food and energy has fallen since the beginning of 1996 (see Chart 9). While annual increases in the HICP are not available for earlier periods (the HICP series starts in January 1995), national measures of the Consumer Price Index (CPI) excluding seasonal food and energy suggest that the decline may have started as early as 1992. The increase in the HICP excluding seasonal food and energy has developed more smoothly than the overall HICP increase, although the broad trend has been the same. In the second half of 1998 the development of the two measures diverged. Between June and November 1998 the decline in the overall HICP rate was more pronounced than that in the HICP excluding seasonal food and energy because prices for the latter components declined during that period. Since then, the two measures have converged as a result of an increase in the overall HICP

rate, while the rate of change in the HICP excluding seasonal food and energy has continued to decline. In April 1999 the latter measure was lower than the overall HICP rate for the first time since the end of 1997.

The decline in the increase in consumer prices excluding seasonal food and energy can be related to a large extent to a downward movement in the annual increase in unit labour costs since the beginning of the 1990s. This fall can, in turn, be attributed to the downward trend in the rate of change in compensation per employee. In more recent years the fall in (non-energy) commodity prices has also contributed to the decline. Furthermore, liberalisation and the privatisation of state-owned enterprises has lowered the share of administrative prices in the overall index of consumer prices, and increasing competition in these sectors is also likely to have contributed to the decline in the rate of increase in consumer prices. In addition, technological advances have also contributed to gradually decreasing prices of goods such as computers and cameras.

Although the continuing liberalisation of markets and the introduction of the single currency may exert a moderating influence on price increases, the most recent forecasts from private and international institutions (as discussed in the next section) suggest that the downward trend in the HICP rate excluding the more volatile components may soon come to a halt and be somewhat reversed without endangering price stability.

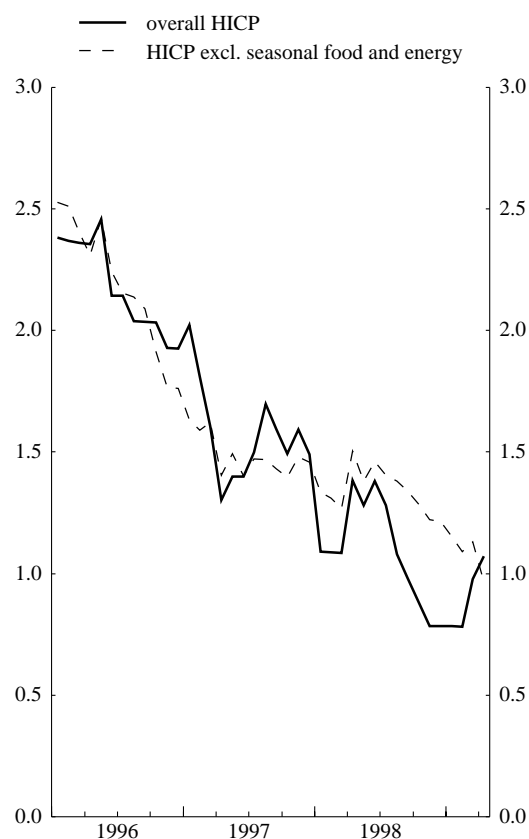
The prospects for price stability remain favourable

While the most recent forecasts (e.g. from the IMF and the OECD) expect a rise in consumer price inflation in the course of 1999 and between 1999 and 2000 as a whole, the consumer price increase over this period is generally expected to remain in line with the Eurosystem's definition of price stability (see Table 2). In comparison with the previous forecasts, there has been a downward

Chart 9

Overall HICP and HICP excluding seasonal food and energy

(annual percentage changes; monthly data)



Sources: Eurostat and ECB calculations.

Table 2**Inflation forecasts for the euro area for 1999 and 2000 ¹⁾**

	Latest forecast	1999		2000	
		forecast (in %)	change (in % points) ²⁾	forecast (in %)	change (in % points) ²⁾
European Commission ³⁾	Apr. 1999	1.0	-0.5	1.4	-0.3
IMF ⁴⁾	Apr. 1999	1.0	-0.4	1.4	-
OECD ⁵⁾	May 1999	1.2	-0.2	1.4	-0.1
Consensus Economics ⁶⁾	May 1999	1.1	0.1	1.6	0.0

1) Differences in forecasts among forecasting institutions may be due to differing exogenous assumptions and different times of completion.

2) Difference between the latest and the previous forecast in percentage points; European Commission: October 1998, IMF: December 1998, OECD: December 1998 and Consensus Economics: April 1999.

3) HICP.

4) CPI.

5) Private consumption deflator.

6) CPI excluding data for Luxembourg, which are unavailable.

revision of projected inflation. For 1999, the annual increase is expected to be in the range of 1.0% to 1.2%, while the range for 2000 is 1.4% to 1.6%.

Available forecasts indicating somewhat higher rates of inflation primarily reflect expectations of higher oil prices, as have been witnessed in recent months. In this respect, it might be noted that oil prices affect consumer prices via various channels. First, higher oil prices affect energy prices in the HICP almost directly, and therefore have an impact on the overall HICP proportional to their weight in the HICP (8.8%). Developments in oil prices since April 1999 suggest that energy prices will most likely continue to put some upward pressure on the overall HICP in the next few months. Second, higher oil prices will also affect costs and prices in the earlier stages of production (i.e. industrial producer prices) and, via that channel, should ultimately have an indirect impact on consumer prices. A change in oil prices mainly affects the industrial producer prices for intermediate goods, which, in turn, are used in the production of consumer goods.

A second factor which has contributed to forecasts of somewhat higher rates of inflation is wage growth. The effect of higher wage costs on consumer prices depends to some extent on the sector in which wages increase. Higher wage costs in the manufacturing sector may be partly offset by a number of factors, such as lower input prices or an increase in productivity growth (see the article entitled "The role of short-term economic indicators in the analysis of price developments in the euro area" in the April 1999 issue of the ECB Monthly Bulletin for a more detailed discussion). Moreover, the goods sector is exposed to competitive pressures to a larger extent than the services sector, making it harder to pass on higher costs to consumers. Price developments with regard to services are determined by wage costs to a greater extent than are goods prices, and an increase in wage costs in this sector would therefore most probably have a more direct impact on consumer prices.

3 Output, demand and labour market developments

As reported in the May issue of the ECB Monthly Bulletin, national accounts data for the euro area are to be based in future on the European System of Accounts 1995 (see Box 3 for a discussion of conceptual and analytical issues). Owing to a delay in the release of euro area estimates, an assessment of recent output developments based on the revised data has not yet been possible. GDP data revised in accordance with the new methodology have been published by a number of euro area countries up to 1998,

with backdata starting in 1988 in most, but not all cases. The annual results point to significant changes to both levels and rates of growth compared with the previous figures. Overall, these data suggest a slight downward revision of area-wide real GDP growth for the most recent years. Given that revised quarterly data have been released only partially, it is not possible at this stage to assess how the revisions affect the quarterly pattern and, in particular, the impression of a noticeable slowdown at the end of 1998.

Box 3

The new national accounts framework (ESA 95)

Starting from 1999, national accounts data have to be compiled according to the new European System of Accounts 1995 (ESA 95).¹ Compared with the European System of Integrated Economic Accounts, second edition (ESA 79), the introduction of the ESA 95 is compulsory for all EU Member States. A description of the new methodology is included in the ESA Council Regulation (Annex A to the Regulation), together with a list of accounts (tables) to be transmitted to the European Commission (Eurostat) and the time limits for transmission (Annex B). In summary, Member States are now required to produce a defined set of accounts in accordance with a given timetable. From the point of view of users, the new ESA 95 provides a harmonised framework for analysis and policy, which is characterised by more precise and rigorous definitions, is more up-to-date in terms of concepts and is better integrated with other economic statistics.

The main improvements brought about by the introduction of the ESA 95 can be summarised as follows:

- *Methodology*: the ESA 95 takes into account new economic phenomena (e.g. zero coupon bonds), clarifies borderline cases (e.g. for capital formation, intermediate and final consumption) and improves measurement practices (e.g. for depreciation).
- *Comparability*: the ESA 95 sets compulsory European standards to be followed by all Member States. In the ESA terminology, this means the use of comparable definitions both for sectors and for transactions, to be presented as a common set of aggregates in a standardised set of accounts. The ESA 95 ensures consistency with the international System of National Accounts (SNA 93) methodology, the 5th edition of the IMF Balance of Payments Manual and the definition of the Monetary Financial Institutions (MFI) sector for the money and banking statistics of the Eurosystem.
- *Frequency*: the ESA 95 defines the quarterly and the annual transmission programmes. Transmission of the main aggregates is compulsory at a quarterly frequency. This is an important step forward, since quarterly accounts were not previously released by all EU countries.
- *Timeliness*: the ESA 95 sets maximum time limits for the transmission of the data to Eurostat (e.g. up to four months after the end of the quarter or year for the main aggregates).

However, given the broad coverage of the ESA Regulation, a phased introduction is foreseen which spans the period between 1999 and 2003. The first transmission of annual and quarterly main aggregates to Eurostat was scheduled for April 1999. Another important deadline for the delivery of new annual ESA 95 indicators is set for August 1999, when Member States are required to deliver the main aggregates of the general government sector. By September 2000 further breakdowns of value added, imports and exports and household consumption

¹ Council Regulation (EC) No. 2223/96 of 25 June 1996 on the European System of National and Regional Accounts in the Community, Official Journal of the European Communities L 310 of 30 November 1996.

are required, together with financial accounts (transactions and balance sheets at an annual frequency). Annual estimates of sector and regional accounts for the period up to 1999 have to be delivered by December 2000. Additional regional breakdowns will have to be transmitted by the end of 2001. By the end of 2002 Member States are required to transmit supply and use tables as well as input and output tables. Cross-classifications by industry and by product for fixed assets and fixed capital formation will be released by the end of 2003, with cross-classification accounts by industry and by sector.²

Moreover, various *derogations* have been granted, allowing Member States to postpone full compliance with these general rules (via delayed implementation, reduced length of backdata, non-publication of certain indicators or breakdowns, etc.). The complete implementation of the Regulation (extension to more detailed data and phasing-out of the derogations) is therefore not expected until 2005.

The ESA 95 is focused on national accounts for each of the Member States and it thereby enhances the comparability of the accounts across countries. It does not, however, include provisions on the compilation of euro area data. The national accounts aggregates for the euro area are not in all cases the sum of the results for the 11 individual euro area countries. Additional provisions are highly desirable, for example, with regard to the sector breakdown and the consolidation of transactions between euro area countries.

As noted above, the main quarterly and annual aggregates (GDP and the main expenditure, income and output components, plus information on the labour force) for the period from 1995 to 1998 were to be transmitted for the first time by end-April 1999 (with the series for most countries starting with data from 1988), unless a derogation had been granted. Owing to a delay in the publication of new ESA 95 results in some Member States, the euro area aggregates revised in accordance with the new methodology are now expected to be published by Eurostat in June 1999, at which time it will be possible to conduct a first assessment of the impact of the new data on recorded area-wide developments.

For those Member States which have already published new national accounts results, the changes have sometimes been significant. It should be noted, however, that the revisions observed are not only caused by the new rules of the ESA 95, but in most cases also by the incorporation of improved underlying statistical information or, in the case of constant price data, by the re-basing of the price reference year.

In summary, the introduction of the ESA 95 will eventually lead to considerable improvements in the field of national accounts for the EU, and in particular for the euro area, but the transition to the new system will imply revisions to previously published national accounts statistics and may extend over a longer period of time. During that period, some uncertainties in the interpretation of individual data are likely to arise. It is expected, however, that these problems will progressively disappear as the Regulation is fully implemented.

² *The dates mentioned in this paragraph are maximum deadlines set by the Regulation (subject to derogations), although some Member States may publish data earlier on a voluntary basis.*

Available short-term indicators do not as yet confirm a clear turnaround in activity

Only few additional data on monthly indicators have become available in time for this issue of the ECB Monthly Bulletin. In particular, Eurostat figures for industrial production in March and the European Commission Business and Consumer Surveys in May were due to be released only after the cut-off date. Moreover, no additional data

on area-wide employment and unemployment were available from Eurostat in time for this issue of the Monthly Bulletin.

As reported previously, on the basis of Eurostat data, the decline in industrial production extended into early 1999 (see Table 3). However, focusing on the manufacturing sector, the decline saw some deceleration. This development may have been partly supported by favourable weather conditions at the beginning of this year and

Table 3**Industrial production in the euro area***(annual percentage changes, unless otherwise indicated)*

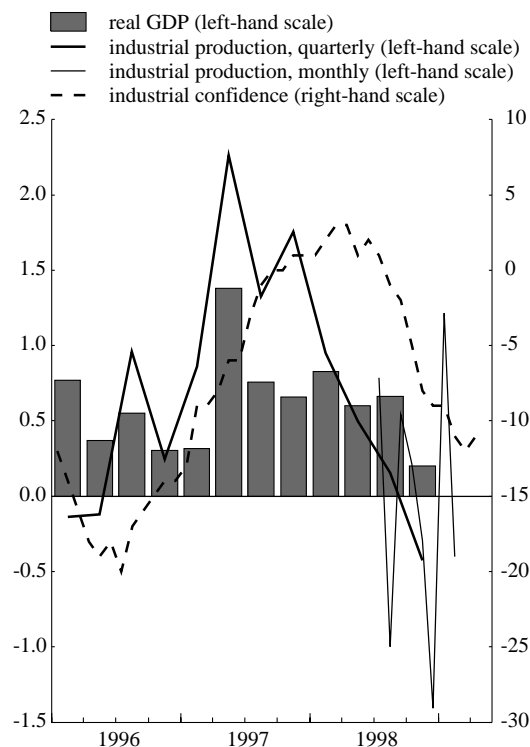
	1997		1998			1999			1998					1999	
	1997	1998	1998	1999	1999	1998	1999	1999	1998	1998	1998	1998	1998	1999	
			Dec.	Jan.	Feb.	Dec.	Jan.	Feb.	Sep.	Oct.	Nov.	Dec.	Jan.		
						month-on-month			3-month moving averages						
Total industry	3.6	3.4	-1.0	1.4	0.0	-1.2	1.8	-0.6	-0.1	-0.1	-0.6	-0.2	-0.2		
Construction	-1.1	-0.5	-3.1	.	.	0.0	.	.	-1.4	-1.5	-1.3	.	.		
Total industry excl. construct.	4.4	3.9	-1.0	1.3	-0.3	-1.4	1.2	-0.4	-0.3	0.2	-0.4	-0.5	-0.9		
Manufacturing	5.0	4.3	-1.5	1.2	-1.0	-1.2	1.8	-1.0	-0.2	-0.5	-1.1	-0.8	-0.7		
by main industrial groupings:															
Intermediate goods	5.4	3.6	-2.3	-0.2	-1.4	-1.4	1.1	-0.4	-0.5	-0.2	-0.6	-0.5	-0.8		
Capital goods	4.9	6.6	1.6	4.0	0.5	-2.0	2.6	-1.5	0.0	-0.1	-0.5	-0.7	-0.9		
Consumer goods	2.7	2.9	-1.3	2.3	0.7	-1.0	1.8	-0.4	-0.2	-0.2	-0.9	-0.6	-0.4		
Durable consumer goods	2.8	6.2	-0.1	3.1	0.5	-2.6	2.2	0.0	0.0	0.5	-0.9	-1.6	-2.0		
Non-durable consumer goods	2.6	1.2	-1.9	1.6	0.4	-0.2	0.6	-0.1	-0.1	-0.1	-0.2	0.1	0.2		

Sources: Eurostat and ECB calculations.

Note: Annual percentage changes are calculated by using data adjusted for variations in the number of working days; percentage changes on the previous month and three-month centred moving averages against the corresponding average three months earlier are calculated by using seasonally and working day adjusted data.

may therefore not fully reflect underlying short-term trends. Data provided by national sources are mostly available up to March, suggesting that the decline in production continued in the first quarter, albeit at a slower pace than before. An important issue is hence whether the improvement in industrial confidence in April (see Table 4), the first in almost a year, constitutes a turning-point and will translate into an upturn in activity.

Data on retail sales volumes in the first quarter of 1999 point to an increase of 2.5% on a year earlier. While this is a somewhat slower rate of growth than in the fourth quarter of 1998, it suggests a broadly sustained growth in consumption at the beginning of this year. However, growth in the first quarter was largely concentrated in March, suggesting that the timing of Easter right at the beginning of April may have been a factor explaining the high March outcome. Clearer evidence for the notion of sustained consumption growth was provided by recent developments in new passenger car registrations. There has been an undiminished pace of growth at around 7% on a year earlier in the first quarter and an even stronger increase in the latest three-month period up to April. Overall, the development of these

Chart 10**Output and industrial confidence in the euro area***(percentage changes against previous period; percentage balances for industrial confidence)*

Sources: Eurostat and European Commission Business and Consumer Surveys.

Note: Seasonally adjusted data; quarterly data for industrial production (total, excluding construction) are calculated from monthly data.

Table 4**Results from EC Business and Consumer Surveys for the euro area***(seasonally adjusted data)*

	1996	1997	1998	1998	1998	1998	1999	1998	1998	1999	1999	1999	1999
				Q2	Q3	Q4	Q1	Nov.	Dec.	Jan.	Feb.	Mar.	Apr.
Economic sentiment index ¹⁾	-2.7	2.5	3.1	4.4	3.0	1.5	0.7	2.0	1.4	1.5	0.8	-0.2	-0.4
Consumer confidence indicator ²⁾	-8	-3	7	7	7	10	12	10	11	12	12	11	9
Industrial confidence indicator ²⁾	-8	4	7	10	7	1	-3	0	-1	-1	-3	-4	-3
Construction confidence indicator ²⁾	-13	-10	4	1	10	8	14	9	9	14	14	14	15
Retail confidence indicator ²⁾	-5	-3	4	2	5	3	3	2	2	6	2	0	5
Capacity utilisation (%) ³⁾	80.3	81.6	83.1	83.6	83.3	82.4	81.9	-	-	81.9	-	-	81.9

Source: European Commission Business and Consumer Surveys.

1) Annual percentage changes; index 1985=100.

2) Percentage balances; data shown are calculated as deviations from the average over the period since January 1985.

3) Data are collected in January, April, July and October of each year. The quarterly figures shown are the average of two successive surveys, i.e. the surveys conducted at the beginning of the quarter in question and at the beginning of the following quarter. Annual data are quarterly averages.

two indicators is consistent with the fact that, although consumer confidence fell slightly below its record level in the months up to April, consumers at the same time expressed a continued willingness to make major purchases.

Revised growth forecasts imply a recovery in the course of 1999

At this point in time there are no indications of a more protracted slowdown following the weakening of activity seen at the end of last year. However, there are no clear signs either that output growth in the economy as a whole may have seen a recovery right at the beginning of this year. This would be

consistent with the picture implied by the available spring economic forecasts, which have recently been published by a number of institutions and which foresee a recovery in growth in the course of the year.

In reaction to the slowdown in output growth at the end of last year, most international and private institutions had scaled down their forecasts of real GDP growth in 1999 and 2000 (see Table 5 for an overview). Compared with the previous forecasts, the revised projections suggest a slowdown in 1999 that is somewhat more pronounced than previously envisaged. On average, growth is forecast to fall from 3% in 1998 to around 2% in 1999, but is projected to recover next year, to between 2½% and 3%.

Table 5**Real GDP growth forecasts for the euro area for 1999 and 2000 ¹⁾**

	Latest forecast	1999		2000	
		forecast (in %)	change (in % points) ²⁾	forecast (in %)	change (in % points) ²⁾
European Commission	Apr. 1999	2.2	-0.4	2.7	-0.1
IMF	Apr. 1999	2.0	-0.4	2.9	-
OECD	May 1999	2.1	-0.4	2.6	-0.1
Consensus Economics ³⁾	May 1999	2.0	-0.1	2.6	0.0

1) Differences in forecasts among forecasting institutions may be due to differing exogenous assumptions and different times of completion.

2) Difference between the latest and the previous forecast in percentage points; European Commission: October 1998, IMF: December 1998, OECD: December 1998 and Consensus Economics: April 1999.

3) Excluding data for Luxembourg, which are unavailable.

While the forecasts may be based partly on different underlying assumptions, they share some common features. Given that high levels of inventories have been run up in the past, substantial downward corrections may be seen as accounting for a large part of the projected slowdown. At the same time, private consumption is generally expected to prevent growth in 1999 from slipping further than projected. This, in turn, is based on the prevailing assumption that consumer confidence will remain sufficiently high to sustain consumption growth in a phase of temporarily low export and investment activity. The projected rebound in growth in the course of 1999 appears to depend on, inter alia, a progressive strengthening in world trade, leading to a recovery in both export and investment growth. Available evidence is broadly in support of these general forecast patterns, as recent developments in the world economy are more favourable and as a number of positive underlying conditions in the euro area have remained in place. In particular, investment conditions should continue to benefit from low interest rates as well as from broadly favourable profit developments.

indicate a slowdown in total employment growth at the end of the year, after a relatively sustained pace of net job creation during the three preceding quarters of 1998 (see Table 6). The slowdown was mainly attributable to developments in the manufacturing sector, where employment growth stalled from the summer onwards as a result of the weakening of activity in this sector. In the services sector, by contrast, employment continued to grow broadly at the same relatively strong pace, owing to ongoing domestic activity, as evidenced by sustained private consumption. Apart from strong consumer demand, employment growth in the services sector and thereby in the economy as a whole has benefited from a number of factors. First, this sector, which is more labour intensive than the manufacturing sector, has been experiencing a structural expansion relative to the manufacturing sector over the past few decades. In addition, part-time work, which has been encouraged by various policy measures in several countries, has continued to expand considerably in the recent past, in particular in the services sector, where this type of contract seems to be well-suited to the organisational business structure.

Moderate slowdown in employment growth

Employment data, which are currently available up to the fourth quarter of last year,

By the cut-off date for this issue of the ECB Monthly Bulletin, only limited national data on actual employment were available for the first months of 1999. This is partly due to the fact that many countries are revising their

Table 6
Employment growth in the euro area
(annual percentage changes, unless otherwise indicated)

	1997	1998	1998				1998				1998	1998	1998	
			Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4				
												Quarterly rates ¹⁾		
												Oct.	Nov.	Dec.
Whole economy ²⁾	0.3	1.2	0.9	1.0	1.3	1.4	0.3	0.4	0.5	0.2	-	-	-	
Total industry	-1.4	0.1	0.0	0.0	0.2	0.2	0.2	0.0	0.0	0.0	0.3	0.2	0.0	
Construction	-0.5	-0.1	-0.1	-1.4	-0.4	1.5	-0.1	-0.5	0.6	1.5	1.4	1.6	1.4	
Total industry excl. construct.	-1.4	0.4	0.2	0.6	0.6	0.1	0.1	0.2	0.0	-0.3	0.3	0.0	-0.1	
Manufacturing	-1.0	0.7	0.6	1.0	0.9	0.4	0.3	0.3	0.0	-0.2	0.6	0.4	0.3	

Sources: National data and Eurostat.

1) Quarterly rates: percentage change over the previous quarter; seasonally adjusted.

2) Excluding Belgium and Ireland; seasonally adjusted.

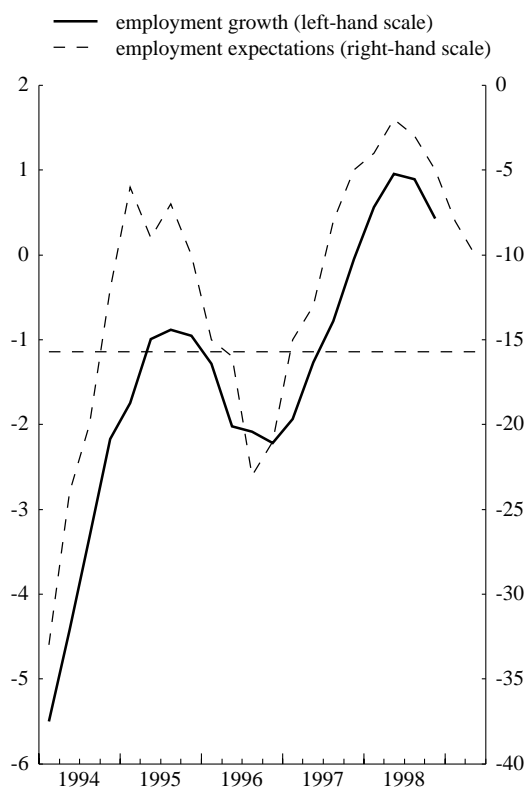
methods of estimation. However, the few national data available suggest that the divergent developments described above continued in the first quarter of this year, with overall employment declining somewhat in manufacturing and net job creation continuing broadly at the same pace in the services sector.

Employment expectations provide contrasting signals

The Business Surveys released by the European Commission provide some further support for this picture. In the manufacturing sector employment expectations (which, in

Chart 11 Employment growth and employment expectations in manufacturing in the euro area

(annual percentage changes; percentage balances for employment expectations; quarterly data)

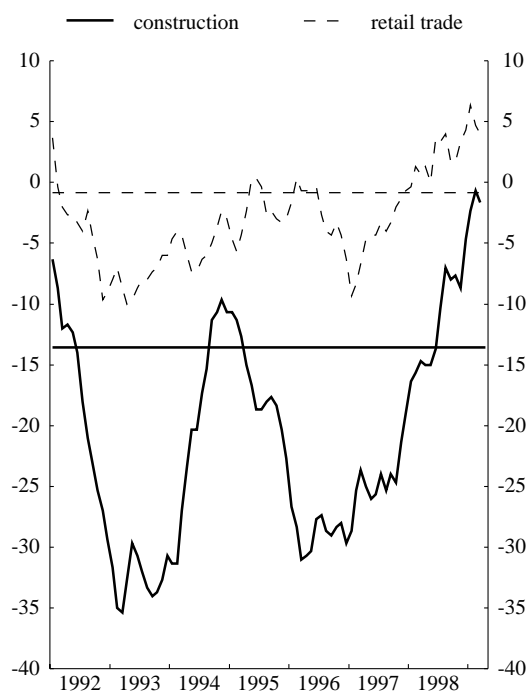


Sources: Eurostat and European Commission Business and Consumer Surveys.

Note: The horizontal line is the average of the employment expectations over the period from 1985.

Chart 12 Employment expectations in the euro area

(percentage balances; three-month centred moving averages)



Source: European Commission Business and Consumer Surveys. Notes: All data are seasonally adjusted. The horizontal lines are averages of the employment expectations over the period from January 1985 for construction and over the period from February 1986 for retail trade.

the past, have proved to have had some leading indicator properties in respect of the actual development of employment) have been on a downward trend since the autumn of 1998 (see Chart 11). Therefore, employment in that sector, which already fell by 0.2% quarter-on-quarter in the fourth quarter of 1998, may decline further during the first months of 1999.

Employment expectations have improved in the construction sector, where they now stand well above their historical average (see Chart 12). This appears to be in line with the increase in employment recorded in this sector at the end of last year. However, this indicator should be viewed with caution, as activity in this sector is subject to large fluctuations stemming from specific factors, such as weather conditions. In the retail trade sector, for which no data on actual employment are yet available for the euro

Table 7**Unemployment in the euro area***(as a percentage of the labour force; seasonally adjusted)*

	1996	1997	1998	1998	1998	1998	1999	1998	1998	1998	1999	1999	1999
				Q2	Q3	Q4	Q1	Oct.	Nov.	Dec.	Jan.	Feb.	Mar.
Total	11.6	11.6	10.9	10.9	10.8	10.6	10.4	10.6	10.6	10.6	10.5	10.4	10.4
Under 25 years ¹⁾	23.9	23.1	20.9	21.1	20.7	20.4	20.0	20.5	20.4	20.2	20.2	20.0	19.9
25 years and over ²⁾	9.8	9.9	9.4	9.5	9.4	9.2	9.1	9.2	9.2	9.2	9.1	9.1	9.1

Source: Eurostat.

Note: According to ILO recommendations.

1) In 1998 this category represented 24.4% of total unemployment.

2) In 1998 this category represented 75.6% of total unemployment.

area as a whole, employment expectations have fluctuated around an upward trend for more than two years. This is in line with the sustained growth in retail sales observed since mid-1997.

The reduction in unemployment has become less broadly based

The standardised rate of unemployment in the euro area stood at 10.4% in March 1999,

a level unchanged from the previous month (see Table 7). According to the national data available, very little progress in unemployment reduction is to be expected in April. After having reached a peak level in July 1997, unemployment has declined gradually, with the decline being more hesitant from last autumn onwards. Apart from the two consecutive declines recorded in January and February 1999, which were partly due to specific factors, such as milder weather conditions than usual and the enhancement of employment schemes, the decrease in unemployment has virtually stalled since then. Furthermore, the reduction in unemployment appears to have been concentrated in certain categories of the unemployed, mainly those targeted by government job schemes and training programmes. Thus, in the six-month period from October 1998 to March 1999, the youth unemployment rate continued to decrease by 0.1 percentage point per month on average, while the unemployment rate of those over 25 years of age barely declined further during the same period. Indications that the decline in unemployment has become progressively less broadly based appear to be confirmed by recent developments at the country level.

Chart 13**Unemployment in the euro area***(monthly data; seasonally adjusted)*

Source: Eurostat.

Prospects for employment growth remain modest

Overall, the prospects for employment growth appear to remain modest. On the

one hand, despite the temporary weakening of economic activity around the turn of the year, the slowdown in employment growth is expected to remain rather moderate in 1999, owing to the progressive switch in the output growth pattern to the more employment-intensive services sector and the expansion of government employment programmes in some countries. On the other hand, as these programmes are expected to be concentrated primarily in 1999, employment growth would not accelerate significantly when the overall

economy recovers in the second half of 1999 and in 2000. On the assumption that the labour force will increase by 0.3% per annum, which is the average rate of growth observed in the 1990s, continued employment growth is expected to lead to a further, but limited, reduction in unemployment this year and next. Overall, according to the available forecasts, unemployment is expected to remain above 10% by the end of 2000. Box 4 describes recent European initiatives in the field of employment.

Box 4

The European Employment Pact

The high level of unemployment and the low rate of employment in Europe are the most challenging issues currently faced by the European Union. In the past two years there has been a marked increase in initiatives at the Community level to address these issues. The conclusions of the last four European Council meetings reflect the progressive implementation of concerted European initiatives to reduce unemployment and promote employment growth in a context of price stability.

A key element of recent initiatives at the Community level has been the emphasis placed on the need for economic reforms, as it is widely accepted that unemployment in Europe is largely structural in nature. At its meeting on the co-ordination of economic policy in EMU in Luxembourg (12 and 13 December 1997) the European Council devoted a special session to the labour market issue. It was agreed that co-ordination was also required in the employment area. The co-ordinated employment strategy lies within the framework of the Broad Economic Policy Guidelines, the Employment Guidelines and the National Action Plans. While the National Action Plans, which are prepared by the Member States, determine specific areas of action for each country, the Employment Guidelines define general principles to improve labour market performance. These principles point in four directions: (1) at improving employability, in particular that of young people and the long-term unemployed; (2) at developing entrepreneurship by making it easier to start up and run businesses; (3) at encouraging the adaptability of businesses and their employees, notably through more flexible working arrangements; and (4) at strengthening equal opportunity policies for women and men, which should permit a higher participation rate for women.

The European Council meeting in Cardiff (15 and 16 June 1998), which addressed the issue of economic reforms, also added a crucial second pillar to the European employment strategy. This process aims at initiating reforms that improve competitiveness and the functioning of the markets for goods, services and capital. Positive employment effects can be expected from a better functioning of markets and the further development of new technologies. The Cardiff process also provides an important opportunity to ensure that structural reforms are as conducive as possible to employment growth.

At its Vienna meeting (11 and 12 December 1998), the European Council decided that a policy for more employment, encompassing both a macroeconomic policy directed towards growth and stability and the implementation of structural reforms, needed to be enhanced by a broad strategy. The European Employment Pact, which was adopted at the summit meeting in Cologne (3 and 4 June 1999) supplements the two pillars stemming from the Luxembourg and Cardiff processes with a third pillar, which consists of a regular macroeconomic dialogue at the EU level between all the economic actors involved, i.e. the governments, the European Commission, the European Central Bank and the social partners.

The regular economic dialogue established by the European Employment Pact provides an opportunity for policy-makers to assess progress towards lower unemployment and higher, non-inflationary employment growth, while, at the same time, respecting their independence and autonomy in their own areas of responsibility. It recognises the tasks and responsibilities of individual policy areas, i.e. the observance of the objectives of the Stability and Growth Pact, the maintenance of price stability and the determination of wages, with employment-promoting pay rises in line with the price stability objective of the European Central Bank. This dialogue could prove to be valuable, since important lessons in this area can be drawn by exchanging views on national experiences. Among these lessons, the analysis of national experiences shows that reforms should be of a comprehensive nature, since countries which are at a more advanced stage of implementing a wide range of reforms have been more successful in reducing unemployment. This should give incentives to other countries to continue and reinforce their efforts in this area. Moreover, as implementing reforms is a lengthy process and benefits take time to materialise, any delay would hamper swift progress in employment creation and the reduction of unemployment.

In this context, the best contribution monetary policy can make to fostering employment growth and reducing unemployment in the medium and long term is to maintain price stability. An environment of price stability reduces the inflation risk premia in long-term interest rates, thereby helping to reduce the cost of financing productive investment. It also facilitates the investment decisions of economic agents (firms, households and governments) by stabilising their expectations. Furthermore, it prevents costs from being incurred when inflation or deflation exacerbates the distortions created by tax and benefits systems. Overall, it creates favourable conditions to support the long-term growth potential, which is necessary to foster employment over the medium term.

4 Fiscal developments

Slower progress in fiscal consolidation envisaged for 1999 and 2000

The fiscal policy prospects for the euro area are characterised by very modest further improvements in public sector finances, according to the latest forecasts provided by international organisations. The average deficit ratio is expected to remain above 1½% of GDP in the year 2000, down from 2.1% in 1998 (see Table 8). This compares with a reduction in the average deficit ratio from 4.1% to 2.1% in the period from 1996 to 1998, during which the Member States were aiming to meet the fiscal convergence criteria. Moreover, current expectations of budgetary improvements are slightly more pessimistic than the targets incorporated in Member States' stability programmes, as submitted around the end of last year. These programmes were partly based on assumptions of economic growth rates in 1999 and 2000 which were higher than those currently considered to be most likely (see

the section on output, demand and labour market developments).

According to European Commission estimates, the cyclically adjusted budget balance ratio in the euro area as a whole will improve by 0.3 percentage point of GDP in 1999 and only marginally in 2000. At the same time, the cyclical position of the euro area economies is expected to hinder deficit reduction in 1999, while providing some support in 2000, as the result of a real GDP growth rate which is expected to fall short of trend growth in 1999, but to pick up again in 2000 (see Chart 14).

In contrast to the outcome for 1998 and the forecasts for 1999-2000, euro area budgetary developments in previous years were predominantly driven by structural consolidation efforts, while the cycle appeared to play only a minor role. In 1998, however, only the strong economic growth – reflected in a real GDP growth rate which

Table 8**Projections of fiscal developments in the euro area***(as a percentage of GDP)*

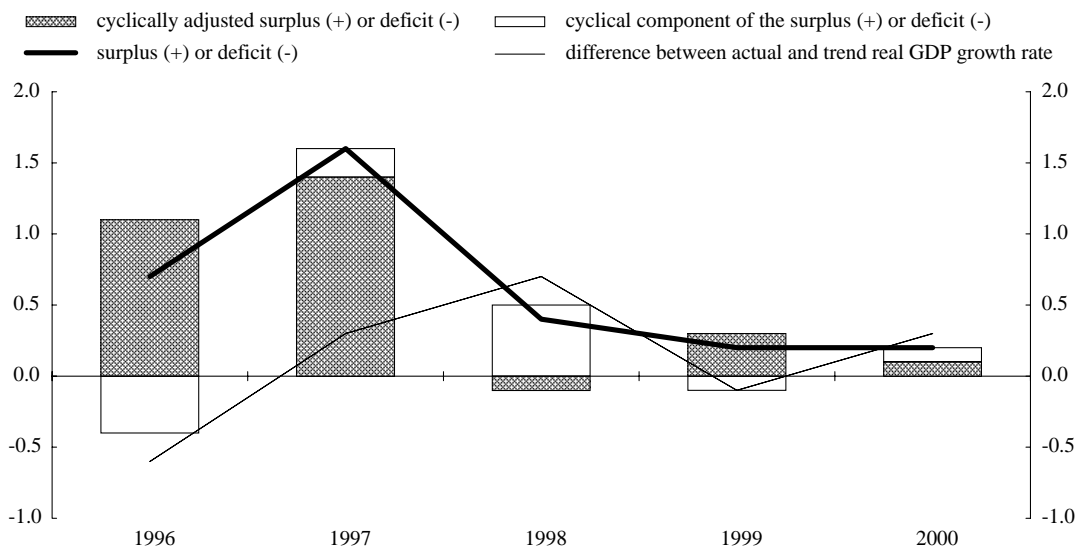
		1998	1999	2000
Budget balance	European Commission ¹⁾	-2.1	-1.9	-1.7
	OECD ²⁾	-2.1	-2.0	-1.7
	Stability programmes ³⁾	- ⁴⁾	-1.8	-1.6
Structural budget balance	European Commission ¹⁾	-2.1	-1.8	-1.7
	OECD ²⁾	-1.6	-1.3	-1.2
	Stability programmes ³⁾	- ⁴⁾	-	-
Primary budget balance	European Commission ¹⁾	+2.4	+2.3	+2.4
	OECD ²⁾	-	-	-
	Stability programmes ³⁾	- ⁴⁾	+2.7	+2.7
Gross debt	European Commission ¹⁾	73.4	72.6	71.2
	OECD ²⁾	-	-	72.4
	Stability programmes ³⁾	- ⁴⁾	72.5	71.3

1) *Economic forecasts, spring 1999.*2) *Economic Outlook, preliminary edition, May 1999.*3) *European Commission estimates on the basis of governments' stability programmes.*4) *Member States' stability programmes are not applicable to 1998.*

was significantly higher than trend GDP growth – brought about some further deficit reduction, whereas the structural component of the deficit ratio even deteriorated marginally. While estimates of the level of the cyclically adjusted budget balance in the euro area provided by different institutions generally differ owing to the application of

different methods, the forecast annual changes and, hence, the expected evolution of fiscal consolidation are broadly consistent across different sources.

The European Commission forecasts that the small decline in the deficit ratio in the euro area in 1999 and 2000 will be fuelled by

Chart 14**Changes in the average euro area budgetary position: structural and cyclical components***(as percentage points of GDP)*Source: *European Commission.*

reductions in the share of government expenditure in GDP, although the fall in the expenditure ratio is expected to be smaller than in previous years (see Chart 15, in which a reduction in expenditure as a percentage of GDP or an increase in the receipts ratio are depicted as a positive contribution to changes in the budget balance ratio). At the same time, government receipts as a percentage of GDP are forecast to decrease in 1999 and 2000, a development already witnessed in 1998, whereas they had increased their share of GDP in previous years. Both relatively small reductions in the expenditure ratio and a further decline in the government revenue ratio explain the only slight improvement in the area-wide deficit ratio projected for 1999 and 2000.

Reductions in the ratio of government interest payments to GDP are expected to contribute substantially to containing expenditure growth this year and next and thereby to reducing deficit ratios. As a result of the forecast modest overall fiscal consolidation, the primary surplus ratio will either merely stabilise or improve only marginally in 1999 and 2000, having deteriorated slightly in 1998. This contrasts

with the fiscal targets set by euro area Member States as part of their stability programmes, which, on an aggregated basis, are characterised by an increase in the area-wide primary surplus ratio over the forecasting horizon.

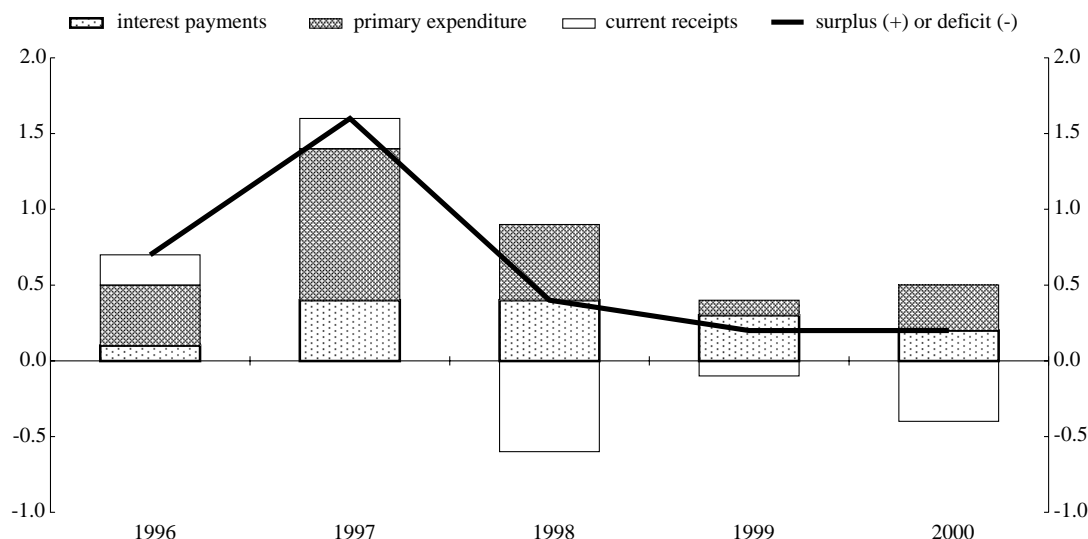
With regard to the composition of government primary expenditure and current revenue, a practically stable share of taxes in GDP is projected, whereas social security contributions as a percentage of GDP are forecast to decrease further, having fallen in 1998, mostly as a result of changes in institutional arrangements in a few countries. Within government primary spending, both current transfers to households and public consumption are forecast to decline slightly in relation to GDP, whereas the ratio of public investment to GDP is expected to remain broadly constant.

Government debt is forecast to continue to shrink slightly relative to GDP in the near future, having declined already in 1997 and 1998. According to the European Commission, the total reduction in the debt ratio in 1999 and 2000 could amount to 2.2 percentage points, which would be

Chart 15

Changes in the average euro area budgetary position: contributions of receipts, primary expenditure and interest payments

(as percentage points of GDP)



Source: European Commission.

virtually equal to the targets expressed in Member States' stability programmes. Other, more recent estimates, however, project a slower decline in the euro area debt ratio.

The average debt ratio in the euro area is still very high, although the pace of reduction of the debt ratio has accelerated somewhat recently, owing to both declining interest rates and faster average growth in economic activity. In addition, for 1999 and 2000, low interest rates and sustained GDP growth are projected to continue to exert downward pressure on the debt ratio. At the same time, however, in 1998 the accelerating beneficial effect on the area-wide debt ratio of higher primary surpluses lost the momentum it had shown in earlier years, and no substantial increase in primary surpluses is currently anticipated for 1999 and 2000. Given that deficit-debt adjustments (e.g. arising from the privatisation of public companies) are expected to have only a minor influence on debt developments, the downward trend in the euro area debt ratio is not currently forecast to speed up over the forecasting horizon. Hence, taking into account the current low levels of interest rates and the close-to-potential rates of GDP growth, the

small primary surpluses on government accounts represent the main factor preventing a quicker decline in this ratio.

Public finances remain vulnerable to adverse developments

Member States' fiscal plans and medium-term strategies, as presented by the end of last year, appear to have been based on overly optimistic assumptions. This provides a clear indication that average euro area budgetary positions are still vulnerable to adverse cyclical developments. Deficits might even approach the limit of 3% of GDP in the event of a pronounced or prolonged slowdown in growth. Moreover, most Member States' budgets do not yet incorporate adequate safety margins to protect public finances on a permanent basis against the financial consequences of other sources of budgetary variability. From a longer-term perspective, government debt ratios, which remain very high, and the ageing of the population both represent longer-term challenges for public finances. This view is also reflected in the European Council's recommendations concerning the broad guidelines of economic policies (see Box 5).

Box 5

Sound and efficient public finances: Section 2.3 of the "Broad guidelines of the economic policies of the Member States and the Community"

According to the Treaty, "*Member States shall regard their economic policies as a matter of common concern and shall co-ordinate them within the Council*" (Article 99.1; ex Article 103.1). In this context, the Council shall "*formulate a draft for the broad guidelines of the economic policies of the Member States and of the Community, and shall report its findings to the European Council*" (Article 99.2; ex Article 103.2). On this basis, the European Council shall "*discuss a conclusion on the broad guidelines of the economic policies of the Member States and of the Community*" and, based on this conclusion, "*the Council shall (...) adopt a recommendation setting out these broad guidelines*".

According to the "Presidency Conclusions", the European Council on 3 and 4 June 1999 welcomed the broad guidelines and recommended their adoption to the ECOFIN Council. These guidelines state that in general the contribution fiscal policies can make to fostering economic growth, employment and stability in the euro area is to undertake "*sustained efforts to bring budgets securely to close to balance or to a surplus over the medium term through a full and determined implementation by Member States of their stability programmes*". More specifically, Section 2.3 of the aforementioned guidelines reads as follows.

"Visible progress in reducing general government budget deficits was made in 1996 and 1997. Yet, budgetary consolidation was generally only modest in 1998 even though economic activity generally expanded at a

strong pace and the budgetary positions of most Member States were not in line with the medium-term objective of the Stability and Growth Pact.

Further budgetary consolidation is therefore needed. This will create the necessary scope to face adverse cyclical developments. In addition, Member States should strive to reduce the vulnerability of budgets to rising interest rates, make government spending and taxation more conducive to growth and employment creation and to prepare for the longer-term budgetary challenges associated with an ageing population.

Within the framework of the Stability and Growth Pact, all Member States submitted stability programmes or convergence programmes that set out the medium-term objective for the budgetary position of close to balance or in surplus and the adjustment path towards this objective. Up to the first few months of 1999, the Council examined all programmes and delivered an opinion on all programmes. In conducting budgetary policies during 1999 and beyond, Member States are urged:

- (i) to achieve budgetary positions of close to balance or in surplus no later than by the end of 2002 in conformity with the stability and convergence programmes;*
- (ii) given the expectation of a mild, temporary slowdown, to meet fully their 1999 budgetary targets; and*
- (iii) provided the economic outlook unfolds better than expected in their stability or convergence programmes, to front-load the budgetary adjustment efforts envisaged in their programmes as of the year 2000 and, where programmes target minimum adjustment, to aspire to more ambitious objectives and update stability/convergence programmes accordingly.*

For budgetary adjustment and restructuring to take place efficiently, it has to take into account the particularities of each Member State's economic, social and institutional conditions. In general, and without threatening the necessary ongoing consolidation process, Member States are urged to:

- (i) improve their budgetary positions through expenditure restraint rather than through tax increases; in this context, to enhance the credibility of budgetary consolidation and to influence private sector expectations positively, Member States would be well advised to introduce or enhance the mechanisms and institutions that help control spending so that taxes could be cut without jeopardising the achievement or maintenance of healthy budgetary positions; and*
- (ii) improve the sustainability and efficiency of their public finances through:*
 - (a) reviewing pension and health care systems in order to be able to cope with the financial burden on welfare spending of the ageing of the population and the need to influence future labour supply, in line with the options already being examined by the Member States;*
 - (b) reversing, where appropriate, the decline in government investment; in this context the Union and the Member States should be guided by the Commission's four-point action plan that was submitted to the Vienna European Council;*
 - (c) giving incentives for investment in human capital and providing for the necessary financing of other active labour market policies that are called for in the Employment Guidelines while taking into account the national budgetary position;*
 - (d) reducing the overall tax burden and especially the tax wedge on the lower paid preferably via reduced spending or through shifts to environmental, energy or consumption taxes; to increase the employment effects of reductions in the fiscal burden on labour and non-wage labour costs, the social*

partners are urged, at their various levels of responsibility and action, to commit themselves to actions aimed at improving the conditions for job creation and investment;

(e) improving the efficiency of their taxation systems; and

(f) pursuing tax co-ordination further so as to ensure a smooth functioning of the Single Market and to avoid harmful tax competition; the Council awaits the outcome of the ongoing discussions on the VAT system, taxes on energy, the taxation of corporate income and the taxation of the interest on savings in line with the conclusions of the European Council held in Vienna in December 1998.

In just the same way as the Member States, the Community also is called upon to continue to maintain strict budgetary discipline. Strict budgetary discipline must be applied to all categories of the financial perspectives, while respecting the inter-institutional agreement on budget discipline and the improvement of the budget procedure.”

5 The global macroeconomic environment, exchange rates and the balance of payments

Risks to the global outlook are more balanced

Following previously reported positive signs, the risks for the world economic outlook have become more balanced. Economic activity in the United States is expected to remain strong in the near term, while growth forecasts for the United Kingdom have been revised upwards. Moreover, there are signs that, as financial turmoil has subsided, several emerging economies have regained access to international capital markets, thereby spurring their growth prospects. Finally, in Japan it appears that economic activity is being sustained mainly by public investment, while signs of a recovery in private sector activity are still mixed.

The somewhat more favourable outlook of the global environment is also reflected in the forecasts of the world economy produced by international organisations, which, after a continuous downward revision of their projections for world output growth in the course of 1998, now consider that the economic outlook may have broadly stabilised (see Table 9). They also tend to support the view that the risk of a global recession has receded and that risks to the forecasts may have become more balanced.

On the whole, the outlook has improved, but downside risks remain.

With reference to the major world economies, economic developments in the *United States* continue to be characterised by strong output growth, low unemployment and subdued wage pressures, although some timid signs of a possible slowdown later in the year started to emerge mainly in the housing market, where activity seems to be slowing somewhat. In the first quarter of 1999 real GDP grew at an estimated seasonally adjusted annualised rate of 4.1%, driven mainly by private consumption and investment, while the contribution to growth of net exports continued to be negative. Weak foreign and buoyant domestic demand resulted in a widening of the trade deficit to USD 55.7 billion in the first quarter of 1999, compared with a deficit of USD 35.4 billion in the corresponding period of last year. Consumer demand, which has been supported by higher equity prices, will most likely maintain its momentum in the near term, as evidenced by the continuing improvement in consumer confidence in May 1999. In the manufacturing sector, which was adversely affected by the Asian crisis, a recovery may be under way, as industrial output rebounded strongly in March and

Table 9**IMF and OECD projections***(annual percentage changes, unless otherwise indicated)*

	IMF projections					
	December 1998 projection		May 1999 projection			
	1998	1999	1998	1999	2000	
Real GDP growth:						
United States	3.6	1.8	3.9	3.3	2.2	
Japan	-2.8	-0.5	-2.8	-1.4	0.3	
United Kingdom	2.6	0.9	2.1	0.7	2.1	
Euro area	2.8	2.4	2.9	2.0	2.9	
Advanced economies	2.0	1.6	2.2	2.0	2.3	
Asia	2.6	4.3	3.8	4.7	5.7	
Countries in transition ¹⁾	-0.8	-1.9	-0.2	-0.9	2.5	
Latin America	2.5	1.5	2.3	-0.5	3.5	
World	2.2	2.2	2.5	2.3	3.4	
Inflation (CPI):						
United States	1.6	2.2	1.6	2.1	2.4	
Japan	0.4	-0.7	0.6	-0.2	-0.2	
United Kingdom	2.6	2.5	2.7	2.7	2.4	
Euro area	1.3	1.4	1.3	1.0	1.4	
Advanced economies	1.6	1.6	1.6	1.4	1.7	
Asia	7.9	6.4	8.0	4.7	4.5	
Countries in transition ¹⁾	21.0	30.2	20.8	40.9	12.4	
Latin America	10.3	8.3	10.5	14.6	9.9	
Oil price (USD/barrel) ²⁾	13.4	14.5	13.1	12.0	13.6	
	OECD projections					
	December 1998 projection			May 1999 projection		
	1998	1999	2000	1998	1999	2000
Real GDP growth:						
United States	3.5	1.5	2.2	3.9	3.6	2.0
Japan	-2.6	0.2	0.7	-2.8	-0.9	0.0
United Kingdom	2.7	0.8	1.5	2.1	0.7	1.6
Switzerland	1.7	1.6	1.8	2.1	1.2	1.8
European Union	2.8	2.2	2.5	2.8	1.9	2.4
Euro area	2.9	2.5	2.7	2.9	2.1	2.6
OECD	2.2	1.7	2.3	2.3	2.2	2.1
Non-OECD	-	-	-	2.4	2.7	4.1
World	-	-	-	2.3	2.4	2.9
GDP deflator:						
United States	1.0	1.2	1.8	1.0	1.1	1.5
Japan	0.7	-0.4	-0.5	0.4	-0.7	-0.6
United Kingdom	2.2	3.1	2.6	2.5	2.7	2.5
Switzerland	0.8	1.4	1.2	1.1	1.0	1.2
European Union	1.8	1.8	1.8	1.8	1.7	1.7
Euro area	1.6	1.5	1.6	1.5	1.4	1.5
Total OECD minus high inflation countries	1.3	1.3	1.5	1.3	1.1	1.3
Oil price (USD/barrel) ³⁾	13.2	13.8	14.2	12.6	14.5	15.3

Source: IMF World Economic Outlook and OECD Economic Outlook.

1) Countries in transition include central and eastern Europe, Russia, Transcaucasus and central Asia.

2) IMF oil price based on the average of UK Brent, Dubai, and West Texas Intermediate crude oil spot prices.

3) OECD oil price based on OECD countries' import prices.

April, after having remained essentially flat in January and February.

The US unemployment rate declined further, reaching a 30-year low of 4.2% in March 1999, while the employment cost index recorded the smallest quarterly increase of the last 18 years in the first quarter of 1999. Labour productivity rose at a seasonally adjusted annualised rate of 4% in the first quarter of 1999, driven by strong output growth and modest increases in hours worked, thereby containing the growth of unit labour costs significantly. In spite of the virtual absence of wage inflation, consumer price inflation recorded a larger than anticipated increase in April, rising to 2.3% (year-on-year) from 1.7% in the previous month. However, core CPI inflation (which excludes the volatile energy and food components) remained almost unchanged, standing at 2.2% (year-on-year) in April, compared with 2.1% in March. The broadly based increase in CPI inflation in April prompted the Federal Reserve to announce, at its Federal Open Market Committee meeting on 18 May, a shift toward a "tightening bias" in its monetary policy, since it interpreted the rise as a sign of some inflationary pressure accumulating in the economy.

Economic prospects in *Japan* remain difficult as the contribution of public demand may soon fade away, and some positive signals from leading indicators do not seem to provide firm evidence of a recovery. In the first quarter of 1999 real household consumption expenditure continued to decline (by 1.5% year-on-year) as did private investment in plant and equipment (by 12.9% year-on-year). In the first quarter of 1999 real exports declined by 3.1% year-on-year, while real imports grew by 4.1% year-on-year, thus rendering negative the net exports' contribution to GDP. The only apparent significant contribution to output growth stemmed from public investment – resulting from the implementation of the November 1998 fiscal stimulus package. The sharp contraction of domestic demand affected the production side of the economy as industrial

production fell by 6.8% and 4.5% year-on-year in the last quarter of 1998 and in the first quarter of 1999 respectively. The consequent stagnation of corporate profits and the deterioration of firms' balance sheets is slowing down the rebound of private investment and is contributing to the sharp increase in unemployment in April 1999.

With regard to recent price developments in the first quarter of 1999, the consumer price index and the wholesale price index declined by 0.1% and 4.0% year-on-year respectively. Against this background, M2+CDs and broad liquidity both grew by around 3.5% on a year-on-year basis in the first quarter of 1999.

In the *United Kingdom* there are increasing signs that the economy may not experience a recession. In the first quarter of 1999 real GDP is estimated to have recorded no change over the fourth quarter of 1998 and to have risen by 0.6% year-on-year. There was a marked worsening in the trade position during the course of 1998, which continued in the first quarter of 1999. Recent data show that the trade deficit for goods deteriorated from GBP 6.3 billion in the last quarter of 1998 to GBP 7.1 billion in the first quarter of 1999. This was comprised of a particularly marked deterioration in the trade balance with other EU countries, partially offset by a small improvement with regard to countries outside the EU. Confidence among manufacturers, which improved significantly earlier this year, stabilised in May, a development that may be linked to the recent further appreciation of the pound sterling. Meanwhile, manufacturing output has also stabilised after a sharp decline in the second half of 1998. Inflation continues to remain close to the official target of a 2.5% increase in the RPIX (the Retail Price Index, excluding mortgage interest payments). In April the RPIX rose by 2.4% year-on-year, while the HICP increased by 1.5% year-on-year. The control of inflation has been assisted by weak import prices, largely due to the strength of the pound sterling, while domestically generated inflationary pressures, notably

from the labour market, have remained more robust.

In *Asia, excluding Japan*, developments still point to a further normalisation in financial markets and the banking industry in the course of the year, suggesting that prospects for economic recovery are consolidating. In *Latin America* some signs of recovery are apparent in *Brazil*, where first quarter GDP growth in 1999, at 1% (quarter-on-quarter), was stronger than initially anticipated. The economic outlook in *Russia* remains gloomy in spite of a few encouraging developments. The political turmoil due to the change in government has faded away, while there are signs that the recession may not be as deep as initially feared. Finally, in *central and eastern Europe* the outlook for 1999 remains broadly unchanged since earlier this year, with the OECD expecting growth in Hungary and Poland to remain robust at 4.1% and 3.5% respectively, while slightly negative growth is envisaged for the Czech Republic.

Significant variability among major exchange rates

In May foreign exchange markets witnessed significant variability among major exchange rates. Most notable have been the renewed weakening of the euro vis-à-vis the US dollar and the significant fluctuations of the Japanese yen with regard to both the euro and the US dollar.

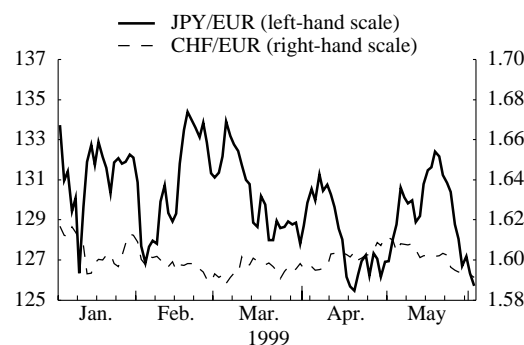
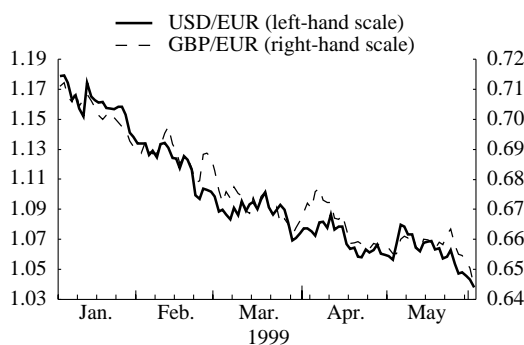
The weakening of the euro against the US dollar occurred mainly in the second half of May, after a temporary appreciation of the euro in early May (see Chart 16). The weakening was mainly driven by economic developments, but political developments also contributed. The economic news included the continued strong performance of the US economy relative to the euro area and the larger than anticipated pick-up in US inflation in April, which led the Federal Reserve to adopt a tightening bias in its monetary policy stance. The resulting widening of the long-term interest rate differential vis-à-vis the

euro area helped to strengthen the US dollar in the short term. The political news adversely affecting the euro included the continuation of the Kosovo military conflict and the decision by European Ministers of Finance to grant Italy a higher budget deficit target than originally envisaged in its stability programme. The latter was interpreted by the markets as a sign of a potential general weakening of the commitment of the euro area Member States to reach the objectives of the Stability and Growth Pact. As a result of all these developments, the euro weakened further and stood at USD 1.04 on 2 June (about 2% below its level at the beginning of May).

Chart 16

Patterns in exchange rates

(daily data)

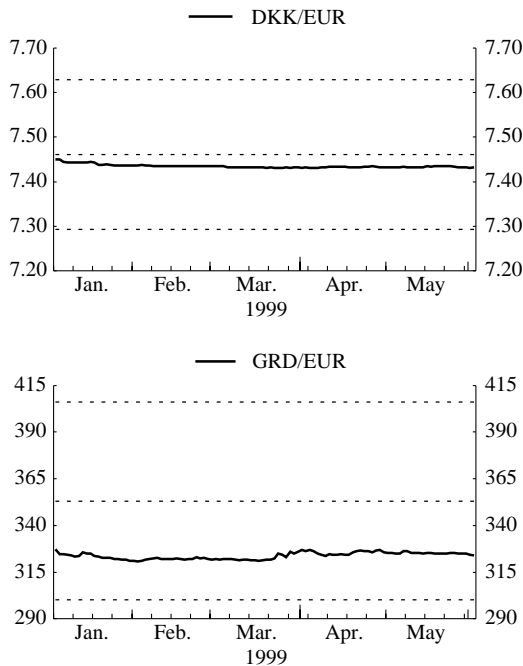


Source: ECB.

The exchange rate of the Japanese yen vis-à-vis the euro continued to fluctuate significantly in May. Up to 19 May the euro appreciated by about 4% against the yen, depreciating later to levels similar to those recorded at the beginning of the month.

Chart 17
Patterns of exchange rates within ERM II

(daily data)



Source: ECB.

Note: The horizontal lines indicate the central parity and the respective fluctuation bands ($\pm 2.25\%$ for DKK and $\pm 15\%$ for GRD).

The initial appreciation of the euro and the US dollar against the Japanese yen was fuelled mainly by fears that the ample supply of liquidity might generate an unsustainable rise in stock and bond market prices. News of contracting bank lending to the corporate sector as well as signs that the Japanese authorities could also favour a weaker yen to support economic growth were cited as reasons for the weakening of the yen. The subsequent slight strengthening of the yen seemed unrelated to any particular news and was largely seen as a partial technical correction of the earlier weakening.

In May the pound sterling continued to benefit from the improved economic outlook for the United Kingdom and remained strong despite the significant relaxation of monetary policy during the past nine months. The euro was quoted at GBP 0.644 on 2 June. As in the past few months, the Swiss franc remained in

a very narrow range of CHF 1.59 to CHF 1.61 vis-à-vis the euro during May.

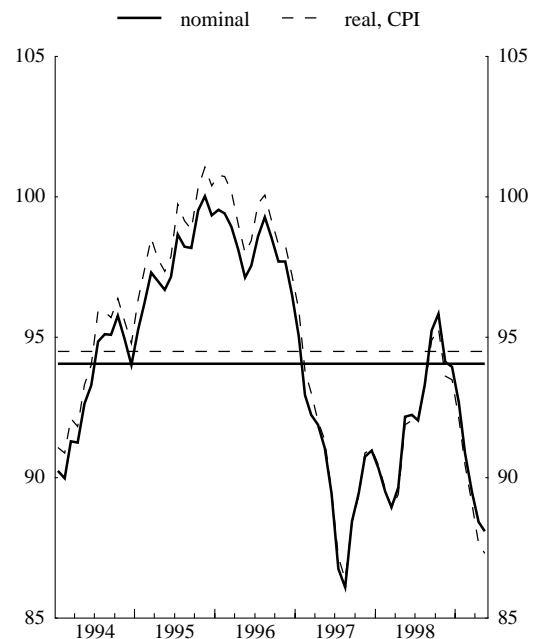
The currencies within ERM II – the Danish krone and the Greek drachma – remained broadly unchanged against the euro, compared with earlier months. The Danish krone traded, on average, at DKK 7.43 and the Greek drachma at GRD 325 in May. The Danish krone was thus practically at its central parity rate within ERM II, while the Greek drachma remained about 9% stronger than its central parity rate implies (see Chart 17).

The effective exchange rate of the euro weakened

In nominal effective terms, i.e. on the basis of the trade-weighted average index provided

Chart 18
Effective exchange rates of the euro area ¹⁾

(monthly averages; index 1990 = 100)



Source: BIS.

1) Data are BIS calculations; for information on the methodology used, see Table 10 in the "Euro area statistics" section of this Bulletin. An upward movement of the index represents an appreciation for the euro area. Horizontal lines are averages over the period shown (January 1994 to May 1999).

by the Bank for International Settlements (BIS), the euro weakened by 1.3% between the beginning of May and 2 June. On that day the nominal effective exchange rate index stood around 8% below its level at the time of the launch of the euro (see Chart 18). Although most attention in foreign exchange markets is on the exchange rate of the euro vis-à-vis the US dollar, the trade-weighted index is more important in macroeconomic terms as it reflects more closely the impact of exchange rate changes through the trade channel on domestic prices in the euro area.

Reduced current account surplus

In March 1999 the current account surplus of the euro area was equal to €5.5 billion, i.e. around €1.6 billion lower than in the corresponding month of 1998 (see Table 10). This was mainly due to the lower surplus in the balance on goods and to the swing from surplus to deficit in the services balance, which more than offset the reduction in the deficit in the current transfers balance. The cumulative current account surplus since the beginning of the year reached €9.2 billion, i.e. around €1.6 billion higher than in 1998.

In March 1999 the surplus in the balance on goods in the euro area amounted to €7.8 billion, i.e. some €2.1 billion lower than in the same period in 1998. For the first quarter of the year the surplus in the balance on goods amounted to €19.1 billion, i.e. €3.8 billion lower than a year earlier. In line with recent developments, exports of goods continued to decline in March (by about 4.4%, compared with March 1998), although at a slower pace than in previous months.

As was the case for exports, euro area imports of goods also dropped in March (by about 1.8%), but at a considerably slower pace than the rate recorded in January and February 1999 (about 8.8% and 6.3% respectively).

The euro area external balance on services recorded a deficit of €1.3 billion in March 1999, i.e. some €1.5 billion lower than in the same period in 1998, in which a surplus was recorded. Since the beginning of the year the deficit in services reached €3.2 billion, while the deficit in net income flows for the same period was €1.2 billion. The current transfers deficit vis-à-vis non-residents was €1.4 billion in March, €2.1 billion lower than in the corresponding period of 1998. The capital account showed a deficit of €0.2 billion in March. In the first quarter of 1999 it recorded net inflows of €2.4 billion. Finally, net lending to the rest of the world, which is the sum of the current and capital accounts, reached €5.2 billion in March. In the first quarter of 1999 the net lending to the rest of the world amounted to €11.6 billion, i.e. €0.7 billion less than in the same period of the preceding year.

Movements in the financial account

In the first three months of 1999 the cumulative net outflows, as recorded in the financial account of the euro area balance of payments, amounted to €21.6 billion. Direct investment transactions and portfolio investments recorded net outflows of €9.9 billion and €41.9 billion respectively. Outflows from transactions related to financial derivatives reached €1.6 billion. Meanwhile, both the other investment account and the reserve assets account reported inflows of €27.7 billion and €4.0 billion respectively. Errors and omissions totalled a positive €10.0 billion in the first quarter of 1999.

In the first quarter of 1999 the outflows of portfolio investment resulted mainly from purchases by euro area residents of foreign bonds and notes amounting to €47.8 billion. This development coincided with a rise in euro-denominated bonds issued by non-residents bearing attractive yields and the relatively wide nominal interest rate differential between US and euro area long-term government bonds that has prevailed during this period.

Table 10**Balance of payments of the euro area ¹⁾***(EUR billions, compared with ECU billions for 1998 (not seasonally adjusted))*

	1999	1999	1999	1999
	Mar.	Jan. - Mar.	Mar.	Jan. - Mar.
	Absolute difference from period a year earlier			
Current account (a)	5.5	9.2	-1.6	1.6
Credit	104.7	292.7	-7.3	-24.9
Debit	99.2	283.5	-5.7	-26.5
Goods	7.8	19.1	-2.1	-3.8
Credit	66.8	177.9	-3.2	-12.9
Debit	58.9	158.9	-1.0	-9.1
Services	-1.3	-3.2	-1.5	-0.6
Credit	17.4	47.9	-2.8	-8.4
Debit	18.6	51.0	-1.3	-7.8
Income	0.3	-1.2	-0.1	1.0
Credit	16.1	44.5	-1.3	-2.5
Debit	15.7	45.6	-1.2	-3.6
Current transfers	-1.4	-5.6	2.1	5.0
Credit	4.5	22.4	-0.1	-1.1
Debit	5.9	28.0	-2.2	-6.1
Capital account (b)	-0.2	2.4	-1.7	-2.3
Credit	0.8	4.4	-1.1	-1.5
Debit	1.0	2.0	0.6	0.9
Net lending to the rest of the world (a) + (b)	5.2	11.6	-3.3	-0.7
Financial account	-40.2	-21.6	-42.6	-20.0
Direct investment	-2.6	-9.9	-1.1	1.3
Assets	-11.1	-28.1	10.5	18.3
Liabilities	8.5	18.3	-11.6	-17.0
Portfolio investment	-33.2	-41.9	-3.3	12.8
Assets	-27.6	-64.6	14.7	49.5
Liabilities	-5.6	22.7	-17.9	-36.7
Financial derivatives	0.8	-1.6	-0.5	-1.8
Other investment	-7.0	27.7	-39.4	-37.5
Assets	-14.0	-52.8	-11.3	-21.6
Liabilities	7.0	80.5	-28.1	-15.9
Reserve assets	1.8	4.0	1.6	5.3
Errors and omissions	34.9	10.0	45.9	20.7

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

In addition, in the first three months of 1999 euro area residents purchased foreign equities totalling €15.2 billion, while non-residents sold equities issued by euro area residents amounting to €13.5 billion. Altogether, this resulted in outflows of €28.7 billion. Whereas equity flows were almost in balance during January and February 1999, strong sales of domestic equities by

non-residents were observed in March. As a consequence, net outflows related to equity transactions amounted to €28.1 billion in March alone. A few large transactions have been reported as contributing to the outflow recorded in March.

The inflows reported in the other investment account in the first quarter of 1999 mainly

reflect a deterioration in the net external position of euro area Monetary Financial Institutions (MFIs), excluding the Eurosystem, mostly in the short-term items of their balance sheets. The increase in the short-

term net external liabilities of euro area MFIs appears to be mainly linked to residents' investment abroad in the first three months of 1999.



Euro area statistics



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I Monetary policy statistics

Table I.1
Consolidated financial statement of the Eurosystem
(EUR millions)
1. Assets

		Gold and gold	Claims on non-	Claims on euro	Claims on non-	Lending to	Main	Longer-term	Fine-tuning
		receivables	euro area	area residents in	euro area	financial sector				refinancing	refinancing	reverse
		1	residents in	foreign currency	residents	counterparties in	operations	operations	operations
			foreign currency		in euro	the euro area			
			2	3	4	5	6	7	8
1999	5 Feb.	99,589	231,709	7,454	6,702	177,831	130,994	44,993	0
	12	99,589	231,409	8,104	6,176	173,248	126,879	44,993	0
	19	99,589	232,211	8,448	5,277	173,527	126,830	44,993	0
	26	99,589	228,797	9,338	4,430	186,437	139,938	45,001	0
	5 Mar.	99,589	228,538	8,591	4,890	190,857	144,836	45,001	0
	12	99,589	227,441	9,834	3,990	188,013	141,819	45,001	0
	19	99,589	228,150	9,027	4,445	165,292	119,020	45,001	0
	26	99,589	228,549	8,925	3,780	192,221	146,030	45,005	0
	2 Apr.	105,323	242,761	10,618	3,492	187,687	140,975	44,994	0
	9	105,323	243,199	10,331	3,789	152,226	105,607	44,994	0
	16	105,323	241,250	11,488	4,146	180,495	133,600	44,994	0
	23	105,323	240,702	11,963	4,033	168,543	117,043	44,994	0
	30	105,323	240,747	11,683	4,002	174,322	128,023	44,999	0
	7 May	105,323	239,350	12,366	4,018	166,184	119,944	44,984	0
	14	105,323	238,483	12,091	4,088	166,060	119,953	44,981	0
	21	105,323	240,921	11,904	4,265	167,728	120,953	44,981	0
	28	105,323	237,639	12,383	4,350	185,070	138,992	45,008	0

2. Liabilities

		Banknotes in	Liabilities to					Debt certificates	
		circulation	financial sector	Current accounts	Deposit facility	Fixed-term	Fine-tuning	Deposits	issued
		1	counterparties	(covering the		deposits	reverse	related to	
			in the euro area	minimum			operations	margin calls	
			in euro	reserves system)					
			2	3	4	5	6	7	8
1999	5 Feb.	328,262	109,138	108,127	1,010	0	0	1	11,650
	12	327,341	106,048	105,821	226	0	0	1	11,650
	19	324,490	97,297	95,419	1,870	0	0	8	11,650
	26	325,207	99,970	99,261	705	0	0	4	11,650
	5 Mar.	328,763	115,173	114,900	210	0	0	63	11,650
	12	328,646	108,092	107,621	436	0	0	35	11,650
	19	327,281	87,857	84,427	3,410	0	0	20	11,650
	26	327,128	100,416	100,274	130	0	0	12	11,650
	2 Apr.	335,331	104,850	104,298	536	0	0	16	10,158
	9	333,367	79,332	79,117	213	0	0	2	10,158
	16	330,839	120,752	120,462	283	0	0	7	10,158
	23	328,984	90,190	89,605	580	0	0	5	10,158
	30	332,280	104,395	104,241	119	0	0	35	10,158
	7 May	335,708	101,663	101,459	197	0	0	7	10,158
	14	337,375	99,361	99,229	118	0	0	14	10,158
	21	335,245	102,373	99,795	2,561	0	0	17	10,158
	28	335,148	109,331	109,194	134	0	0	3	10,158

Source: ECB.

							Total	
Structural reverse operations	Marginal lending facility	Credits related to margin calls	Other lending	Securities of euro area residents in euro	General government debt in euro	Other assets		
9	10	11	12	13	14	15	16	
0	592	101	997	22,549	60,185	81,428	687,447	5 Feb.
0	210	102	1,064	23,255	60,185	78,270	680,236	12
0	592	95	1,017	23,868	60,185	78,786	681,891	19
0	423	102	973	24,281	60,185	79,584	692,641	26
0	97	62	861	24,638	60,185	80,785	698,073	5 Mar.
0	161	95	937	25,365	60,185	78,637	693,054	12
0	188	118	965	25,036	60,185	76,559	668,283	19
0	171	149	866	26,107	60,185	80,040	699,396	26
0	665	178	875	26,640	60,186	81,041	717,748	2 Apr.
0	710	72	843	26,511	60,186	77,903	679,468	9
0	1,019	128	754	25,871	60,186	76,831	705,590	16
0	5,591	138	777	26,181	60,186	74,786	691,717	23
0	500	47	753	26,088	60,186	75,945	698,296	30
0	481	52	723	26,047	60,186	78,650	692,124	7 May
0	366	55	705	26,030	60,186	75,266	687,527	14
0	950	65	779	25,945	60,186	74,813	691,085	21
0	479	63	528	25,873	60,180	74,249	705,060	28

								Total	
Liabilities to other euro area residents in euro	Liabilities to non-euro area residents in euro	Liabilities to euro area residents in foreign currency	Liabilities to non-euro area residents in foreign currency	Counterpart of special drawing rights allocated by the IMF	Revaluation accounts	Capital and reserves	Other liabilities		
9	10	11	12	13	14	15	16	17	
44,017	8,161	810	5,827	5,767	59,658	51,279	62,878	687,447	5 Feb.
43,556	7,840	733	6,395	5,767	59,658	51,279	59,969	680,236	12
54,905	8,052	746	7,172	5,767	59,658	51,279	60,875	681,891	19
62,143	7,739	777	6,385	5,767	59,658	51,280	62,065	692,641	26
49,724	7,141	778	6,910	5,767	59,658	51,280	61,229	698,073	5 Mar.
53,503	7,820	828	6,860	5,767	59,658	51,281	58,949	693,054	12
49,493	8,100	856	6,729	5,767	59,658	51,281	59,611	668,283	19
64,280	7,663	856	7,780	5,767	59,658	51,281	62,917	699,396	26
48,234	8,468	917	7,381	6,043	78,685	54,146	63,535	717,748	2 Apr.
39,644	7,936	940	7,684	6,043	78,479	54,147	61,738	679,468	9
38,048	7,830	930	7,389	6,043	78,479	54,147	50,975	705,590	16
57,279	7,617	969	7,629	6,043	78,479	54,638	49,731	691,717	23
44,993	7,207	994	7,931	6,043	78,479	54,639	51,177	698,296	30
36,822	6,993	998	7,925	6,043	78,479	54,666	52,669	692,124	7 May
35,681	7,557	896	7,199	6,043	78,479	54,694	50,084	687,527	14
35,029	8,111	948	8,847	6,042	78,479	54,694	51,159	691,085	21
43,906	7,751	938	8,838	6,043	78,479	54,809	49,659	705,060	28

Table 1.2**ECB interest rates on standing facilities***(levels in percentages per annum; changes in percentage points)*

	Deposit facility		Marginal lending facility	
	Level 1	Change 2	Level 3	Change 4
1999 1 Jan.	2.00	-	4.50	-
4 ¹⁾	2.75	0.75	3.25	-1.25
22	2.00	-0.75	4.50	1.25
9 Apr.	1.50	-0.50	3.50	-1.00

Source: ECB.

1) On 22 December 1998 the ECB announced that, as an exceptional measure between 4 January 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 regime by market participants.

Table 1.3**Eurosystem monetary policy operations allotted through tenders¹⁾***(EUR millions; interest rates in percentages per annum)*

Main refinancing operations							
Date of settlement	Bids (amount)	Allotment (amount)	Fixed rate tenders	Variable rate tenders		Running for [...] days	
			Fixed rate	Marginal rate	Weighted average rate		
	1	2	3	4	5	6	
1999 3 Feb.	757,724	62,000	3.00			14	
10	911,302	65,000	3.00			14	
17	896,138	62,000	3.00			14	
24	991,109	78,000	3.00			14	
3 Mar.	1,100,797	67,000	3.00			14	
10	950,369	75,000	3.00			14	
17	335,249	44,000	3.00			14	
24	372,647	102,000	3.00			14	
31	118,683	39,000	3.00			14	
7 Apr.	67,353	67,353	3.00			14	
14	781,721	67,000	2.50			14	
21	612,275	50,000	2.50			14	
28	754,825	78,000	2.50			14	
5 May	655,789	42,000	2.50			14	
12	708,881	78,000	2.50			14	
19	638,583	43,000	2.50			14	
26	784,380	96,000	2.50			14	
2 June	698,358	43,000	2.50			14	
Longer-term refinancing operations							
Date of settlement	Bids (amount)	Allotment (amount)	Fixed rate tenders	Variable rate tenders		Running for [...] days	
			Fixed rate	Marginal rate	Weighted average rate		
	1	2	3	4	5	6	
1999 14 Jan.	79,846	15,000		3.13		42	
14	39,343	15,000		3.10		70	
14	46,152	15,000		3.08		105	
25 Feb.	77,300	15,000		3.04		91	
25 Mar.	53,659	15,000		2.96	2.97	98	
29 Apr.	66,911	15,000		2.53	2.54	91	
27 May	72,294	15,000		2.53	2.54	91	
Other tender operations							
Date of settlement	Type of operation	Bids (amount)	Allotment (amount)	Fixed rate tenders	Variable rate tenders		Running for [...] days
				Fixed rate	Marginal rate	Weighted average rate	
	1	2	3	4	5	6	7

1999

Source: ECB.

1) The amounts shown may differ slightly from those in Table 1.1 (Assets), columns 6 to 8, due to operations allotted but not executed.

Table 1.4**Minimum reserve statistics****1. Reserve base of credit institutions subject to reserve requirements^{1) 2)}***(EUR billions; end of period)*

Reserve base as at:	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	Money market paper	Deposits (over 2 years' agreed maturity and notice period)	Repos	Debt securities over 2 years' agreed maturity
	1	2	3	4	5	6	7
1999 Jan.	8,694.1	4,834.4	83.7	145.0	1,196.8	510.6	1,923.6
Feb.	8,730.4	4,800.9	86.9	148.8	1,203.5	543.8	1,946.5
Mar.	8,780.0	4,805.9	88.6	150.2	1,218.3	550.9	1,966.1
Apr. ^(p)	8,839.2	4,829.7	93.9	157.5	1,222.4	546.6	1,989.2

Source: ECB.

- 1) Liabilities vis-à-vis other credit institutions subject to the ESCB's minimum reserve system, the ECB and participating national central banks are excluded from the reserve base. If a credit institution cannot provide evidence of the amount of its issues of debt securities with a maturity up to 2 years and of money market paper held by the institutions mentioned above, it may deduct 10% of these liabilities from its reserve base.
- 2) Maintenance periods start on the 24th of the month and run to the 23rd of the following month; the required reserve is calculated from the reserve base as at the end of the preceding month.

2. Reserve maintenance¹⁾*(EUR billions; interest rates as annual percentages)*

Maintenance period ending in:	Required reserves ²⁾	Actual reserves ³⁾	Excess reserves ⁴⁾	Deficiencies ⁵⁾	Interest rate on minimum reserves ⁶⁾
	1	2	3	4	5
1999 Feb.	98.3	99.3	1.1	0.1	3.00
Mar.	100.6	101.5	0.9	0.1	3.00
Apr.	100.1	100.7	0.6	0.0	2.84
May	100.2	101.0	0.8	0.0	2.50
June ^(p)	101.0				

Source: ECB.

- 1) This table contains full data for completed maintenance periods and required reserves for the current maintenance period.
- 2) The amount of 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 as at the end of each calendar month; subsequently, each credit institution deducts from this figure a lump-sum allowance of EUR 100,000. The resulting reserve requirements are then aggregated at the euro area level.
- 3) Aggregate average daily holdings of credit institutions required to hold a positive amount of reserves on their reserve accounts over the maintenance period.
- 4) Average actual reserve holdings over the maintenance period in excess of the required reserves, computed on the basis of those credit institutions that have fulfilled the reserve requirement.
- 5) Average shortfalls of actual reserve holdings from required reserves over the maintenance period, computed on the basis of those credit institutions that have not fulfilled the reserve requirement.
- 6) This rate equals the average, over the maintenance period, of the ECB's rate (weighted according to the number of calendar days) on the Eurosystem's main refinancing operations (see Table 1.3).

Table 1.5**Banking system's liquidity position ¹⁾***(EUR billions; period averages of daily positions)*

Maintenance period ending in:	Liquidity-providing factors					Liquidity-absorbing factors				Credit institutions' current accounts ⁴⁾	Base money ⁵⁾
	Monetary policy operations of the Eurosystem					Deposit facility	Banknotes in circulation	Central government deposits with the Eurosystem	Other factors (net) ³⁾		
	Eurosystem's net assets in gold and foreign currency	Main refinancing operations	Longer-term refinancing operations	Other operations ²⁾	Marginal lending facility						
1	2	3	4	5	6	7	8	9	10	11	
1999 Feb.	328.2	104.6	34.2	30.6	3.8	1.3	329.3	41.1	29.5	100.2	430.8
Mar.	323.6	136.4	45.0	0.0	0.4	1.4	326.9	49.9	25.0	102.2	430.5
Apr.	338.4	130.1	45.0	0.0	0.7	0.3	331.0	42.9	38.9	101.1	432.4
May	342.5	121.6	45.0	0.0	0.8	0.4	333.8	36.3	38.1	101.3	435.5

Source: ECB.

- 1) The banking system's liquidity position is defined as the current account holdings in euro of credit institutions in the euro area with the Eurosystem. Amounts are derived from the consolidated financial statement of the Eurosystem.
- 2) Includes monetary policy operations initiated by national central banks in Stage Two and outstanding at the start of Stage Three (excluding outright operations and the issuance of debt certificates).
- 3) Remaining items in the consolidated financial statement of the Eurosystem.
- 4) Equal to the difference between the sum of liquidity-providing factors (items 1 to 5) and the sum of liquidity-absorbing factors (items 6 to 9).
- 5) Calculated as the sum of the deposit facility (item 6), banknotes in circulation (item 7) and credit institutions' current account holdings (item 10) or, alternatively, as the difference between the sum of liquidity-providing factors (items 1 to 5) and the sum of government deposits (item 8) and other factors (net) (item 9).



2 Monetary and financial developments in the euro area

Table 2.1

Aggregated balance sheet of the Eurosystem^{1) 2)}

(EUR billions (not seasonally adjusted; end of period))

1. Assets

		Loans to euro area residents				Holdings of securities other than shares issued by euro area residents				Holdings of shares/other equity issued by euro area residents			External assets ³⁾	Fixed assets	Remaining assets	Total
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1998	Jan.	234.9	213.3	21.2	0.4	111.7	1.0	109.3	1.5	2.9	0.3	2.6	294.3	7.2	43.0	694.0
	Feb.	257.7	235.9	21.2	0.7	108.2	1.0	105.8	1.5	2.9	0.4	2.5	294.6	7.3	44.3	715.1
	Mar.	242.7	221.3	21.2	0.2	106.6	1.2	104.2	1.3	3.0	0.4	2.6	294.0	7.5	41.3	695.1
	Apr.	237.2	215.6	21.2	0.4	102.5	1.4	100.2	0.9	3.0	0.4	2.6	298.4	7.6	45.7	694.5
	May	239.3	217.8	21.2	0.3	101.9	1.6	99.4	0.9	3.0	0.4	2.6	301.7	7.7	48.8	702.4
	June	325.0	303.7	21.1	0.2	105.4	4.8	99.7	0.8	3.2	0.6	2.6	288.4	7.8	49.8	779.7
	July	338.2	316.9	21.1	0.2	87.8	1.1	85.9	0.8	4.8	2.1	2.8	292.5	8.0	51.9	783.3
	Aug.	339.9	318.5	21.1	0.2	88.1	0.9	86.3	0.9	4.8	2.0	2.8	290.4	8.0	56.9	788.1
	Sep.	326.8	305.5	21.1	0.2	82.7	1.0	81.0	0.7	4.8	2.0	2.8	288.0	8.0	52.1	762.4
	Oct.	326.6	305.3	21.1	0.2	73.3	0.9	71.7	0.7	4.8	1.9	2.9	297.9	8.1	51.7	762.3
	Nov.	322.2	300.7	21.1	0.4	78.0	1.0	76.3	0.6	4.8	1.9	2.9	305.1	8.1	53.4	771.5
	Dec.	225.1	204.5	20.4	0.1	87.8	1.1	86.2	0.5	5.5	1.8	3.6	317.2	8.0	49.1	692.6
1999	Jan.	451.0	430.4	20.4	0.2	89.2	1.3	87.3	0.7	8.2	4.1	4.1	416.7	9.8	56.4	1,031.3
	Feb.	504.5	483.9	20.4	0.2	90.7	1.5	88.6	0.5	8.3	4.2	4.1	364.6	9.9	56.3	1,034.3
	Mar.	513.1	492.5	20.4	0.2	94.0	1.5	91.9	0.6	8.4	4.2	4.1	425.5	9.4	52.2	1,102.6
	Apr. ^(p)	494.4	473.8	20.4	0.2	93.1	1.2	91.2	0.7	8.4	4.3	4.1	434.9	9.7	52.8	1,093.4

2. Liabilities

		Currency in circulation	Deposits of euro area residents	MFIs	Central government	Other general government/other euro area residents	Money market paper	Debt securities issued	Capital and reserves	External liabilities ³⁾	Remaining liabilities	Total
		1	2	3	4	5	6	7	8	9	10	11
1998	Jan.	339.9	136.3	83.4	50.7	2.2	13.9	16.3	109.2	16.1	62.3	694.0
	Feb.	339.9	159.2	93.7	61.5	4.0	13.3	16.5	107.4	15.1	63.7	715.1
	Mar.	340.5	137.9	88.4	46.8	2.7	11.3	17.2	106.6	15.3	66.3	695.1
	Apr.	343.8	131.3	84.8	44.3	2.2	12.0	16.9	105.6	16.4	68.4	694.4
	May	346.1	141.8	90.9	47.0	4.0	13.1	15.3	105.3	15.9	64.8	702.4
	June	345.4	208.0	149.3	54.2	4.5	13.5	14.1	113.4	20.8	64.4	779.7
	July	350.4	199.9	132.8	64.0	3.0	13.9	14.3	112.1	24.0	68.8	783.3
	Aug.	344.6	208.8	135.5	69.7	3.5	12.4	13.5	112.0	21.6	75.1	788.1
	Sep.	341.5	195.9	124.4	67.1	4.5	11.2	12.8	108.2	23.2	69.7	762.4
	Oct.	342.3	198.2	129.2	64.7	4.3	11.7	11.8	108.5	22.6	67.2	762.3
	Nov.	344.1	210.5	147.3	56.8	6.4	12.5	11.6	105.1	20.0	67.8	771.5
	Dec.	359.0	146.8	89.0	54.9	2.9	7.2	6.7	97.0	18.6	57.3	692.6
1999	Jan.	343.8	383.2	326.7	50.3	6.2	6.3	5.3	123.4	99.3	70.0	1,031.3
	Feb.	342.4	451.5	389.8	55.0	6.7	6.3	5.3	123.0	49.9	55.9	1,034.3
	Mar.	348.3	454.3	391.4	55.1	7.9	4.9	5.3	137.9	97.7	54.3	1,102.6
	Apr. ^(p)	349.6	440.0	394.8	38.8	6.4	4.9	5.3	138.9	104.8	50.0	1,093.4

Source: ECB.

- 1) The ECB was established on 1 June 1998. The data shown for the Eurosystem relate to the ECB (as from June 1998) and the national central banks of Member States in the euro area.
- 2) Data have been revised in the light of new information.
- 3) From January 1999 including temporary gross positions of the Eurosystem with the national central banks of Member States not participating in the euro area related to the operation of the TARGET system. These positions amounted to approximately EUR 75 billion at end-January, EUR 27 billion at end-February, EUR 77 billion at end-March and EUR 84 billion at end-April.

Table 2.2**Aggregated balance sheet of the euro area MFIs, excluding the Eurosystem ¹⁾***(EUR billions (not seasonally adjusted; end of period))***1. Assets**

		Loans to euro area residents				Holdings of securities other than shares issued by euro area residents				Money market paper	Holdings of shares/other equity issued by euro area residents			External assets	Fixed assets	Re-remaining assets	Total
		1	2	3	4	5	6	7	8		9	10	11					12	13	14	15	16
1998	Jan.	8,501.3	2,974.4	806.4	4,720.6	1,911.0	648.2	1,074.0	188.9	104.8	351.2	102.2	249.0	1,597.3	236.4	826.4	13,528.4
	Feb.	8,538.7	2,986.8	807.9	4,744.0	1,932.1	651.8	1,086.2	194.1	106.3	363.7	106.6	257.1	1,623.6	236.7	831.4	13,632.5
	Mar.	8,561.6	2,979.8	806.0	4,775.8	1,957.2	654.9	1,103.7	198.6	105.1	384.4	110.9	273.5	1,676.7	238.0	811.3	13,734.4
	Apr.	8,617.1	2,999.7	810.9	4,806.5	1,978.1	664.3	1,114.8	199.1	105.7	396.1	114.0	282.1	1,634.0	238.2	830.8	13,800.1
	May	8,618.2	2,994.0	799.7	4,824.4	2,000.0	670.8	1,126.5	202.7	105.7	404.0	116.4	287.7	1,632.9	247.0	845.6	13,853.5
	June	8,752.6	3,070.5	805.8	4,876.4	2,014.5	681.3	1,137.6	195.5	104.1	401.0	118.2	282.8	1,674.8	240.2	736.3	13,923.5
	July	8,732.2	3,013.8	801.4	4,917.0	2,035.7	697.5	1,137.2	201.0	104.0	392.2	117.2	275.1	1,632.7	235.3	779.7	13,911.9
	Aug.	8,756.1	3,035.8	803.9	4,916.4	2,041.4	703.8	1,136.1	201.6	103.7	386.4	118.2	268.3	1,641.1	236.3	768.9	13,934.0
	Sep.	8,820.5	3,049.0	806.9	4,964.6	2,047.5	709.6	1,135.8	202.2	102.2	379.7	109.6	270.1	1,624.9	237.0	782.1	13,993.9
	Oct.	8,943.6	3,131.9	812.8	4,998.9	2,070.4	709.9	1,154.6	205.9	101.9	386.8	115.7	271.1	1,621.2	239.0	782.1	14,145.1
	Nov.	9,072.1	3,209.2	819.6	5,043.3	2,071.8	719.4	1,151.8	200.6	108.9	401.2	116.7	284.5	1,666.1	241.2	795.2	14,356.6
	Dec.	9,047.7	3,130.2	821.3	5,096.2	2,031.9	731.1	1,107.3	193.6	101.5	423.0	121.8	301.2	1,587.6	243.3	795.0	14,230.1
1999	Jan.	9,266.9	3,344.5	821.2	5,101.1	2,060.0	738.6	1,115.0	206.3	103.8	431.5	102.0	329.5	1,631.5	244.0	947.5	14,685.2
	Feb.	9,164.8	3,233.0	821.7	5,110.1	2,075.7	746.6	1,126.2	202.8	108.2	442.6	107.7	334.9	1,586.9	242.9	967.2	14,588.2
	Mar.	9,218.6	3,235.6	818.7	5,164.3	2,082.0	762.5	1,122.8	196.7	95.4	468.9	114.5	354.5	1,640.9	243.7	895.0	14,644.5
	Apr. ^(p)	9,261.9	3,263.0	812.0	5,186.8	2,092.1	772.8	1,119.4	199.9	102.5	480.6	113.7	367.0	1,628.8	245.4	858.5	14,669.9

2. Liabilities

		Currency in circulation	Deposits of euro area residents				Other general government/other euro area residents				Money market fund shares/units	Debt securities issued	Money market paper	Capital and reserves	External liabilities	Re-remaining liabilities	Total
			1	2	3	4	5	6	7	8								9	10	11	12	13	14	15	16
1998	Jan.	0.4	7,782.1	3,029.5	95.9	4,656.6	1,179.8	1,917.8	1,341.8	217.1	253.7	1,946.6	145.2	690.8	1,436.0	1,273.7	13,528.4
	Feb.	0.4	7,829.7	3,066.1	98.4	4,665.2	1,181.7	1,922.1	1,345.1	216.3	255.7	1,969.9	147.2	696.0	1,469.8	1,263.9	13,632.5
	Mar.	0.4	7,836.4	3,077.0	92.8	4,666.7	1,210.8	1,897.2	1,346.4	212.2	255.5	1,987.2	149.5	710.3	1,521.2	1,273.7	13,734.4
	Apr.	0.4	7,867.3	3,079.7	97.2	4,690.3	1,225.3	1,912.4	1,346.0	206.6	258.3	2,001.5	156.3	702.6	1,492.4	1,321.3	13,800.1
	May	0.4	7,890.0	3,092.8	88.2	4,709.0	1,242.3	1,910.6	1,347.9	208.2	261.2	2,014.1	150.9	712.2	1,485.2	1,339.4	13,853.4
	June	0.4	7,999.4	3,174.8	94.0	4,730.5	1,289.8	1,890.8	1,346.5	203.4	259.8	2,043.2	145.9	718.7	1,496.1	1,260.0	13,923.5
	July	0.4	7,961.8	3,163.3	92.4	4,706.1	1,250.8	1,893.9	1,345.9	215.5	259.8	2,063.8	152.8	720.1	1,472.9	1,280.4	13,911.9
	Aug.	0.4	7,982.1	3,183.7	95.4	4,702.9	1,241.8	1,905.4	1,347.6	208.2	264.7	2,074.7	152.9	720.1	1,475.8	1,263.3	13,933.9
	Sep.	0.4	8,013.6	3,212.6	96.3	4,704.7	1,260.9	1,889.5	1,346.6	207.7	260.3	2,074.8	153.2	718.4	1,484.9	1,288.4	13,993.9
	Oct.	0.4	8,105.1	3,285.9	97.0	4,722.2	1,266.2	1,887.8	1,349.8	218.3	258.4	2,077.7	160.2	722.5	1,532.4	1,288.3	14,145.0
	Nov.	0.4	8,213.4	3,370.6	98.2	4,744.6	1,306.2	1,887.6	1,352.5	198.3	259.6	2,093.6	168.6	724.3	1,600.1	1,296.6	14,356.6
	Dec.	0.4	8,233.8	3,283.0	101.3	4,849.5	1,379.1	1,907.0	1,385.4	178.0	241.1	2,091.0	165.3	727.5	1,516.1	1,254.9	14,230.1
1999	Jan.	0.4	8,369.3	3,427.0	87.5	4,854.8	1,399.7	1,972.7	1,309.8	172.5	272.0	2,125.5	174.1	738.2	1,601.6	1,404.2	14,685.2
	Feb.	0.4	8,270.6	3,339.4	91.2	4,840.0	1,372.9	1,970.0	1,312.5	184.7	286.5	2,150.8	179.1	742.9	1,600.8	1,357.0	14,588.2
	Mar.	0.5	8,314.0	3,372.4	85.8	4,855.9	1,384.0	1,982.7	1,309.7	179.6	279.7	2,175.9	178.5	749.6	1,618.8	1,327.6	14,644.5
	Apr. ^(p)	0.5	8,315.6	3,362.6	84.9	4,868.1	1,402.3	1,979.8	1,313.0	173.0	290.1	2,203.0	189.1	759.5	1,635.3	1,276.9	14,669.9

Source: ECB.

1) Data have been revised in the light of new information.

Table 2.3**Consolidated balance sheet of the euro area MFIs, including the Eurosystem^{1) 2)}***(EUR billions (not seasonally adjusted; end of period))***1. Assets: levels outstanding**

		Loans to euro area residents			Holdings of securities other than shares issued by euro area residents			Holdings of shares/other equity issued by other euro area residents	External assets ⁴⁾	Fixed assets	Remaining assets	Total
		1	2	3	4	5	6	7	8	9	10	11
1998	Jan.	5,548.5	827.5	4,721.0	1,373.6	1,183.2	190.4	251.6	1,891.6	243.6	840.5	10,149.4
	Feb.	5,573.8	829.1	4,744.7	1,387.6	1,192.0	195.6	259.6	1,918.2	244.0	847.1	10,230.3
	Mar.	5,603.2	827.2	4,776.0	1,407.7	1,207.9	199.8	276.1	1,970.7	245.5	823.5	10,326.7
	Apr.	5,639.0	832.1	4,806.9	1,414.9	1,215.0	199.9	284.7	1,932.4	245.8	847.0	10,363.9
	May	5,645.6	820.9	4,824.7	1,429.4	1,225.9	203.5	290.3	1,934.6	254.7	865.1	10,419.7
	June	5,703.4	826.9	4,876.6	1,433.7	1,237.3	196.4	285.4	1,963.3	248.0	755.8	10,389.6
	July	5,739.7	822.5	4,917.2	1,424.9	1,223.1	201.8	277.9	1,925.2	243.3	801.4	10,412.5
	Aug.	5,741.6	825.0	4,916.7	1,424.8	1,222.4	202.4	271.1	1,931.5	244.3	795.6	10,408.9
	Sep.	5,792.8	828.0	4,964.8	1,419.6	1,216.7	202.9	272.9	1,912.9	245.0	804.2	10,447.5
	Oct.	5,833.1	833.9	4,999.1	1,432.9	1,226.3	206.6	273.9	1,919.1	247.1	804.4	10,510.4
	Nov.	5,884.4	840.7	5,043.7	1,429.4	1,228.1	201.3	287.4	1,971.2	249.3	818.3	10,640.1
	Dec.	5,938.0	841.6	5,096.4	1,387.6	1,193.5	194.1	304.9	1,904.8	251.3	808.4	10,594.9
1999	Jan.	5,942.9	841.7	5,101.3	1,409.3	1,202.3	207.0	333.5	2,048.2	253.9	973.2	10,961.1
	Feb.	5,952.4	842.2	5,110.3	1,418.2	1,214.9	203.3	339.0	1,951.5	252.7	993.6	10,907.5
	Mar.	6,003.6	839.1	5,164.5	1,411.9	1,214.7	197.2	358.6	2,066.5	253.1	916.2	11,010.0
	Apr. ^(p)	6,019.5	832.5	5,187.0	1,411.2	1,210.6	200.6	371.1	2,063.7	255.1	881.2	11,001.7

2. Liabilities: levels outstanding

		Currency in circulation	Deposits of central government	Deposits of other general government/other euro area residents	Over-night	With agreed maturity	Redeemable at notice	Repurchase agreements	Money market fund shares/units and money market paper	Debt securities issued	Capital and reserves	External liabilities ⁴⁾	Re-maining liabilities	Excess of inter-MFI liabilities	Total
		1	2	3	4	5	6	7	8	9	10	11	12	13	14
1998	Jan.	311.4	146.6	4,658.8	1,182.1	1,917.8	1,341.8	217.1	308.0	1,313.8	697.5	1,452.0	1,336.0	-74.8	10,149.4
	Feb.	311.7	160.0	4,669.2	1,185.6	1,922.1	1,345.1	216.3	309.8	1,333.7	696.5	1,484.9	1,327.6	-62.9	10,230.3
	Mar.	311.8	139.6	4,669.4	1,213.6	1,897.2	1,346.4	212.2	311.2	1,348.3	705.7	1,536.6	1,340.0	-35.8	10,326.7
	Apr.	314.8	141.6	4,692.5	1,227.5	1,912.4	1,346.0	206.6	320.9	1,352.7	693.8	1,508.8	1,389.7	-50.8	10,363.9
	May	317.2	135.1	4,713.0	1,246.3	1,910.6	1,347.9	208.2	319.4	1,357.1	700.8	1,501.2	1,404.2	-28.2	10,419.7
	June	315.5	148.2	4,735.0	1,294.3	1,890.8	1,346.5	203.4	315.1	1,371.1	713.4	1,516.9	1,324.4	-50.1	10,389.6
	July	320.6	156.4	4,709.1	1,253.8	1,893.9	1,345.9	215.5	322.3	1,379.5	713.1	1,496.9	1,349.1	-34.6	10,412.5
	Aug.	314.9	165.2	4,706.4	1,245.3	1,905.4	1,347.6	208.2	326.2	1,383.4	712.0	1,497.4	1,338.4	-35.1	10,408.9
	Sep.	311.9	163.3	4,709.2	1,265.4	1,889.5	1,346.6	207.7	322.5	1,377.0	715.0	1,508.1	1,358.1	-17.6	10,447.5
	Oct.	313.4	161.7	4,726.5	1,270.5	1,887.8	1,349.8	218.3	328.5	1,378.6	713.3	1,555.0	1,355.5	-22.2	10,510.4
	Nov.	314.3	155.0	4,751.0	1,312.5	1,887.6	1,352.5	198.4	331.8	1,384.8	710.7	1,620.1	1,364.4	8.0	10,640.1
	Dec.	323.8	156.2	4,852.4	1,382.1	1,907.0	1,385.4	178.0	312.0	1,365.5	700.9	1,534.7	1,312.3	37.2	10,594.9
1999	Jan.	313.6	137.9	4,861.0	1,406.0	1,972.7	1,309.8	172.5	348.5	1,390.8	755.6	1,700.8	1,474.2	-21.3	10,961.1
	Feb.	313.0	146.2	4,846.8	1,379.6	1,970.0	1,312.5	184.7	363.8	1,408.0	754.0	1,650.6	1,413.0	12.2	10,907.5
	Mar.	317.8	140.8	4,863.7	1,391.8	1,982.7	1,309.7	179.6	367.6	1,417.2	768.8	1,716.5	1,381.9	35.6	11,010.0
	Apr. ^(p)	319.9	123.7	4,874.5	1,408.6	1,979.8	1,313.0	173.0	381.5	1,434.2	780.4	1,740.0	1,326.9	20.6	11,001.7

Source: ECB.

- 1) The ECB was established on 1 June 1998. The data shown for the Eurosystem relate to the ECB (as from June 1998) and the national central banks of Member States in the euro area.
- 2) Data have been revised in the light of new information, in particular following corrections to certain flows data published on 31 May.
- 3) Calculated from monthly differences in levels adjusted for reclassifications, other revaluations, exchange rate variations and any other changes which do not arise from transactions.
- 4) From January 1999 including temporary gross positions of the Eurosystem with the national central banks of Member States not participating in the euro area related to the operation of the TARGET system. These positions amounted to approximately EUR 75 billion at end-January, EUR 27 billion at end-February, EUR 77 billion at end-March and EUR 84 billion at end-April.

(EUR billions (not seasonally adjusted))

3. Assets: flows ³⁾

		Loans to euro area residents			Holdings of securities other than shares issued by euro area residents			Holdings of shares/other equity issued by other euro area residents	External assets ⁴⁾	Fixed assets	Remaining assets	Total
		General government	Other euro area residents	General government	Other euro area residents	General government	Other euro area residents					
		1	2	3	4	5	6	7	8	9	10	11
1998	Feb.	28.5	2.4	26.1	14.1	8.8	5.3	8.0	33.2	0.4	6.2	90.4
	Mar.	31.0	-1.9	32.9	19.2	15.1	4.2	16.5	40.5	1.5	-23.6	85.1
	Apr.	39.2	5.0	34.2	7.8	7.4	0.3	8.6	-6.5	0.3	23.2	72.6
	May	7.9	-11.1	19.0	14.7	11.0	3.7	5.6	14.9	9.0	17.9	69.9
	June	66.8	5.9	60.9	2.9	10.7	-7.8	-6.0	9.8	-6.7	-104.5	-37.8
	July	39.9	-4.3	44.1	-11.7	-17.3	5.6	-6.8	-17.2	-4.7	46.0	45.5
	Aug.	1.5	2.4	-0.9	-0.4	-0.9	0.5	-6.7	-3.1	1.0	-6.0	-13.7
	Sep.	57.7	3.3	54.4	-4.8	-5.6	0.8	1.9	46.6	0.6	8.4	110.5
	Oct.	40.1	5.9	34.3	12.0	8.5	3.5	0.9	-1.5	2.2	0.3	54.0
	Nov.	53.4	6.7	46.7	-3.7	1.7	-5.5	13.5	26.2	2.4	13.6	105.4
	Dec.	63.3	1.1	62.2	-40.9	-33.7	-7.2	17.4	-57.5	2.1	-9.6	-25.1
1999	Jan.	65.0	0.9	64.1	16.7	16.9	-0.2	9.7	112.2	0.1	151.7	355.4
	Feb.	7.0	0.3	6.7	8.3	12.2	-3.9	5.5	-134.0	-1.1	20.4	-93.9
	Mar.	45.5	-3.7	49.2	9.7	8.1	1.7	19.3	66.4	0.4	-87.6	53.6
	Apr. ^(p)	15.7	-6.7	22.4	-1.4	-4.7	3.3	12.5	-18.2	2.0	-35.0	-24.5

4. Liabilities: flows ³⁾

		Currency in circulation	Deposits of central government	Deposits of other general government/ other euro area residents	Over-night	With agreed maturity	Redeemable at notice	Repurchase agreements	Money market fund shares/units and money market paper	Debt securities issued	Capital and reserves	External liabilities ⁴⁾	Re-maining liabilities	Excess of inter-MFI liabilities	Total
		1	2	3	4	5	6	7	8	9	10	11	12	13	14
1998	Feb.	0.4	13.3	10.9	3.7	4.7	3.2	-0.8	1.8	20.6	0.5	37.9	-7.6	12.6	90.4
	Mar.	0.0	-20.4	-0.9	27.5	-25.6	1.3	-4.1	1.3	14.7	12.5	42.5	8.1	27.2	85.1
	Apr.	3.0	2.0	25.8	14.8	16.9	-0.4	-5.6	10.1	8.2	-11.2	-3.8	53.6	-15.1	72.6
	May	2.4	-6.5	21.5	19.2	-1.2	1.9	1.6	-1.3	6.9	7.4	1.3	15.7	22.5	69.9
	June	-1.7	13.1	20.8	47.4	-20.4	-1.4	-4.8	-4.4	14.5	15.5	5.1	-77.6	-23.2	-37.8
	July	5.2	8.2	-23.8	-39.7	4.3	-0.6	12.1	7.4	11.5	-1.0	-4.0	25.0	17.0	45.5
	Aug.	-5.7	8.8	-3.7	-8.9	10.8	1.7	-7.3	3.8	2.3	-0.1	-7.5	-11.1	-0.5	-13.7
	Sep.	-3.1	-1.8	8.9	22.2	-12.1	-0.8	-0.4	-3.0	0.0	3.8	62.4	26.0	17.3	110.5
	Oct.	1.5	-1.6	16.4	4.6	-2.1	3.2	10.6	6.0	-1.7	-1.4	43.0	-3.3	-4.8	54.0
	Nov.	0.9	-6.7	22.3	41.1	-1.6	2.6	-19.9	3.0	4.7	-1.9	42.7	10.2	30.3	105.4
	Dec.	9.5	1.2	103.8	70.1	21.3	32.9	-20.5	-19.2	-19.6	-7.7	-76.3	-46.6	29.8	-25.1
1999	Jan.	-9.4	-6.3	34.5	23.7	-2.4	14.6	-1.4	13.6	26.9	11.3	158.7	169.8	-43.7	355.4
	Feb.	-0.6	8.3	-24.3	-27.5	-11.5	2.5	12.1	14.9	13.6	-0.7	-83.4	-62.1	40.3	-93.9
	Mar.	4.8	-5.3	14.0	10.8	11.1	-2.9	-5.1	-0.4	11.5	14.4	39.2	-41.6	17.2	53.6
	Apr. ^(p)	2.1	-17.1	9.5	16.4	-3.6	3.3	-6.6	13.2	15.8	12.1	10.3	-55.3	-15.1	-24.5

M3			Memo: Non-monetary liabilities of MFIs							
Total	³⁾	³⁾						Total		
12	13	14	Deposits		Debt securities over 2 years	Capital and reserves	19	20		
			With agreed maturity over 2 years	Redeemable at notice over 3 months	18					
			15	16	17					
4,250.9			1,227.7	1,010.0	217.7	1,239.0	697.5	3,164.2	1998	Jan.
4,258.3			1,235.2	1,017.7	217.5	1,254.0	696.5	3,185.7		Feb.
4,267.0			1,235.8	1,019.1	216.8	1,262.5	705.7	3,203.9		Mar.
4,302.4			1,235.2	1,020.5	214.7	1,266.2	693.8	3,195.2		Apr.
4,325.4			1,235.3	1,022.3	213.0	1,267.5	700.8	3,203.6		May
4,344.6			1,232.2	1,020.2	212.0	1,282.5	713.4	3,228.0		June
4,336.7			1,232.6	1,021.8	210.8	1,285.2	713.1	3,230.9		July
4,323.0			1,236.5	1,026.6	209.9	1,294.6	712.0	3,243.0		Aug.
4,312.1			1,234.7	1,025.3	209.3	1,295.8	715.0	3,245.5		Sep.
4,343.4			1,230.4	1,021.3	209.1	1,294.1	713.3	3,237.8		Oct.
4,373.1			1,226.7	1,017.2	209.5	1,302.9	710.7	3,240.3		Nov.
4,447.5			1,237.4	1,022.8	214.6	1,297.0	700.9	3,235.2		Dec.
4,492.1			1,215.4	1,092.3	123.1	1,335.3	755.6	3,306.3	1999	Jan.
4,479.7			1,225.2	1,103.3	121.8	1,350.6	754.0	3,329.7		Feb.
4,493.8			1,228.1	1,107.2	120.9	1,368.3	768.8	3,365.2		Mar.
4,524.9			1,229.5	1,110.8	118.7	1,380.5	780.4	3,390.5		Apr. ^(p)

M3			Memo: Non-monetary liabilities of MFIs							
Total	Annual percentage change ⁴⁾	3-month moving average (centered)						Total		
12	13	14	Deposits		Debt securities over 2 years	Capital and reserves	19	20		
			With agreed maturity over 2 years	Redeemable at notice over 3 months	18					
			15	16	17					
8.0	4.6	4.7	7.6	7.8	-0.2	15.6	0.5	23.7	1998	Feb.
7.6	4.7	4.9	0.5	1.2	-0.8	8.5	12.5	21.5		Mar.
38.3	5.2	5.0	-0.1	1.9	-2.0	7.2	-11.2	-4.1		Apr.
24.3	5.0	5.1	0.2	1.9	-1.7	3.6	7.4	11.2		May
18.0	4.9	4.9	-3.3	-2.3	-1.0	15.5	15.5	27.7		June
-5.6	4.8	4.8	0.7	1.9	-1.2	5.6	-1.0	5.3		July
-14.8	4.5	4.6	3.6	4.5	-0.9	7.9	-0.1	11.4		Aug.
-4.4	4.4	4.6	-0.9	-0.4	-0.6	7.1	3.8	9.9		Sep.
30.2	4.8	4.6	-4.4	-4.2	-0.2	-4.8	-1.4	-10.6		Oct.
27.3	4.5	4.7	-4.0	-4.4	0.4	7.6	-1.9	1.6		Nov.
76.4	4.7	4.9	11.4	5.9	5.5	-6.1	-7.7	-2.4		Dec.
34.4	5.6	5.1	3.7	4.7	-1.0	28.2	11.3	43.2	1999	Jan.
-16.0	5.1	5.3	2.4	3.7	-1.3	12.3	-0.7	14.0		Feb.
13.8	5.2	5.0	2.7	3.5	-0.8	13.3	14.4	30.4		Mar.
25.6	4.9	-	1.2	3.4	-2.2	14.9	12.1	28.1		Apr. ^(p)

Table 2.5**Currency analysis of certain liabilities and assets of the euro area MFIs***(EUR billions (not seasonally adjusted; end of period))***Liabilities outstanding****1. Deposits placed by euro area residents**

		MFIs								Non-MFIs							
		All currencies	Euro ¹⁾	Other EU currencies	Other currencies	USD	JPY	CHF	Other	All currencies	Euro ¹⁾	Other EU currencies	Other currencies	USD	JPY	CHF	Other
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1998	Dec.	3,371.8	2,978.6	43.4	349.8	244.8	27.2	51.4	26.5	5,008.6	4,863.1	19.5	125.4	90.0	13.1	13.2	9.1
1999	Mar. ^(p)	3,720.7	3,302.5	49.1	369.2	259.3	27.4	54.2	28.3	5,004.8	4,853.7	23.5	127.6	88.1	14.3	14.7	10.5

2. Deposits placed by non-residents of the euro area

		Banks ²⁾								Non-banks							
		All currencies	Euro ¹⁾	Other EU currencies	Other currencies	USD	JPY	CHF	Other	All currencies	Euro ¹⁾	Other EU currencies	Other currencies	USD	JPY	CHF	Other
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1998	Dec.	1,166.2	481.1	120.4	564.7	436.2	50.8	51.6	26.2	367.7	154.3	32.5	180.9	130.7	26.0	11.7	12.5
1999	Mar. ^(p)	1,290.2	556.7	135.1	598.3	465.7	47.3	54.7	30.7	421.1	177.0	39.2	204.9	149.0	29.0	12.7	14.2

3. Debt securities and money market paper issued by euro area MFIs

		Debt securities								Money market paper							
		All currencies	Euro ¹⁾	Other EU currencies	Other currencies	USD	JPY	CHF	Other	All currencies	Euro ¹⁾	Other EU currencies	Other currencies	USD	JPY	CHF	Other
		1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1998	Dec.	2,097.6	1,885.2	25.9	186.6	107.3	34.4	30.9	13.9	172.5	158.5	0.6	13.4	11.3	0.9	1.1	0.1
1999	Mar. ^(p)	2,177.9	1,980.6	25.7	174.9	105.6	26.7	28.2	14.4	183.3	167.6	0.8	15.0	12.8	0.8	1.3	0.2

Source: ECB.

1) Including items expressed in the national denominations of the euro.

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

Assets outstanding

4. Loans to euro area residents

	MFIs								Non-MFIs							
	All currencies	Euro ¹⁾	Other EU currencies	Other currencies	USD	JPY	CHF	Other	All currencies	Euro ¹⁾	Other EU currencies	Other currencies	USD	JPY	CHF	Other
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1998 Dec.	3,334.7	.	.	.	.	.	.	.	5,938.0	5,764.1	26.3	147.6	80.3	15.1	49.1	3.1
1999 Mar. ^(p)	3,728.1	.	.	.	.	.	.	.	6,003.7	5,801.9	28.9	172.9	94.0	18.6	53.9	6.5

5. Holdings of securities other than shares issued by euro area residents

	MFIs								Non-MFIs							
	All currencies	Euro ¹⁾	Other EU currencies	Other currencies	USD	JPY	CHF	Other	All currencies	Euro ¹⁾	Other EU currencies	Other currencies	USD	JPY	CHF	Other
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1998 Dec.	732.1	688.8	18.1	25.3	16.9	3.8	1.8	2.9	1,387.6	1,346.1	10.9	30.6	16.4	9.2	2.8	2.3
1999 Mar. ^(p)	764.1	728.7	6.4	26.1	18.9	3.9	1.2	2.1	1,411.9	1,376.0	9.7	32.3	18.0	10.9	2.5	0.9

6. Loans to non-residents of the euro area

	Banks ²⁾								Non-banks							
	All currencies	Euro ¹⁾	Other EU currencies	Other currencies	USD	JPY	CHF	Other	All currencies	Euro ¹⁾	Other EU currencies	Other currencies	USD	JPY	CHF	Other
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1998 Dec.	973.6	380.0	77.1	516.4	378.6	73.9	26.2	37.7	380.2	152.5	27.0	200.8	172.8	8.7	14.4	4.9
1999 Mar. ^(p)	974.5	431.3	86.7	456.6	328.5	60.8	26.0	41.3	376.2	134.8	26.4	214.9	187.2	7.5	14.5	5.4

7. Holdings of securities issued by non-residents of the euro area

	Banks ²⁾								Non-banks							
	All currencies	Euro ¹⁾	Other EU currencies	Other currencies	USD	JPY	CHF	Other	All currencies	Euro ¹⁾	Other EU currencies	Other currencies	USD	JPY	CHF	Other
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
1998 Dec.	64.4	18.8	4.8	40.9	27.8	5.0	0.9	7.2	310.4	47.0	32.0	231.5	178.4	33.1	4.1	18.4
1999 Mar. ^(p)	80.1	18.8	10.9	50.4	36.8	5.0	0.9	7.8	401.8	51.9	34.2	315.7	254.3	30.9	4.5	26.1

Table 2.6**Outstanding MFI loans to households and non-financial corporations by type and maturity at issue***(EUR billions (not seasonally adjusted; end of period))*

	Non-financial corporations ¹⁾	Non-financial corporations ¹⁾			Households ¹⁾	Consumer credit ²⁾			Lending for house purchase ²⁾			Non-profit institutions serving households ¹⁾
		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	10	11	12
1998 Dec.	2,277.2	813.4	321.3	1,142.6	2,483.1	84.9	128.2	199.9	28.2	48.6	1,409.9	37.2
1999 Mar. ^(p)	2,268.0	815.6	347.6	1,104.7	2,535.3	85.8	149.7	185.8	15.4	72.2	1,458.1	35.5

Source: ECB.

1) Corresponding ESA 95 sector codes: non-financial corporations, S11; households, S14; non-profit institutions serving households, S15.

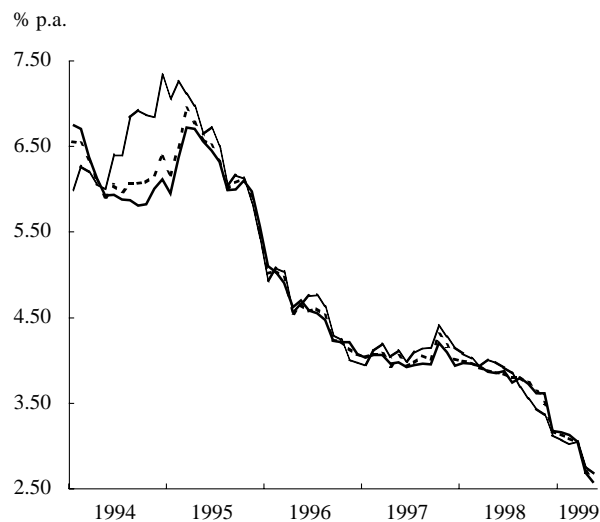
2) The definitions of consumer credit and lending for house purchase are not fully consistent across the euro area. Column 5 includes other lending to households.

Table 2.7**Money market interest rates¹⁾***(percentages per annum)²⁾*

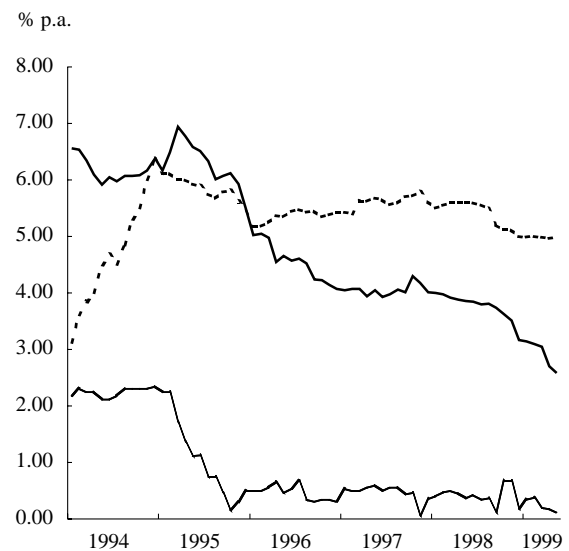
	Euro area ^{3) 4)}					United States ⁵⁾	Japan ⁵⁾
	Overnight deposits 1	1-month deposits 2	3-month deposits 3	6-month deposits 4	12-month deposits 5	3-month deposits 6	3-month deposits 7
1994	5.24	6.12	6.38	6.83	7.34	6.37	2.34
1995	5.62	5.57	5.49	5.62	5.42	5.44	0.50
1996	4.04	4.08	4.08	4.06	3.98	5.43	0.31
1997	3.98	3.94	4.01	4.05	4.15	5.62	0.36
1998	3.09	3.18	3.17	3.14	3.13	5.00	0.18
1998 May	3.79	3.85	3.86	3.89	3.98	5.59	0.37
June	3.76	3.88	3.84	3.85	3.91	5.59	0.43
July	3.77	3.74	3.80	3.82	3.85	5.56	0.34
Aug.	3.78	3.80	3.81	3.72	3.69	5.50	0.37
Sep.	3.81	3.73	3.73	3.64	3.55	5.20	0.12
Oct.	3.66	3.61	3.63	3.53	3.44	5.12	0.68
Nov.	3.40	3.62	3.51	3.43	3.36	5.12	0.68
Dec.	3.09	3.18	3.17	3.14	3.13	5.00	0.18
1999 Jan.	3.14	3.16	3.14	3.10	3.07	4.99	0.35
Feb.	3.12	3.13	3.09	3.04	3.03	5.00	0.38
Mar.	2.93	3.05	3.05	3.02	3.05	4.99	0.20
Apr.	2.71	2.69	2.70	2.70	2.76	4.97	0.18
May	2.55	2.57	2.58	2.60	2.68	4.98	0.12
1999 7 May	2.51	2.57	2.58	2.61	2.69	4.93	0.12
14	2.51	2.56	2.57	2.59	2.67	5.01	0.13
21	2.61	2.57	2.58	2.60	2.69	5.00	0.06
28	2.51	2.57	2.58	2.60	2.69	5.03	0.11

Euro area money market rates*(monthly)*

— 1-month rate - - - - - 3-month rate
 — 12-month rate

**3-month money market rates***(monthly)*

— euro area - - - - - United States — Japan



Sources: Reuters and ECB.

1) Interbank deposit bid rates to December 1998; offered rates thereafter.

2) End-of-period rates to December 1998; period averages thereafter.

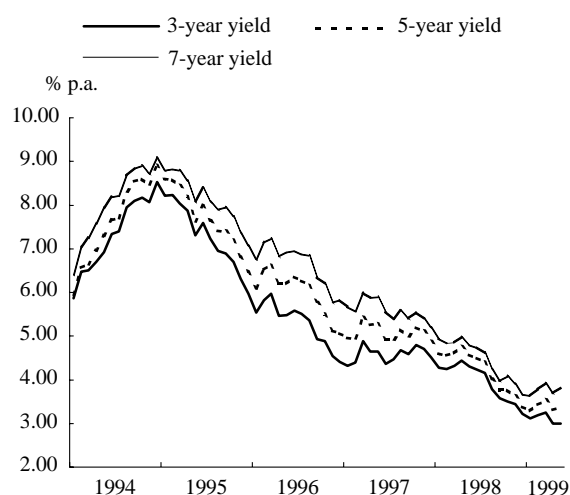
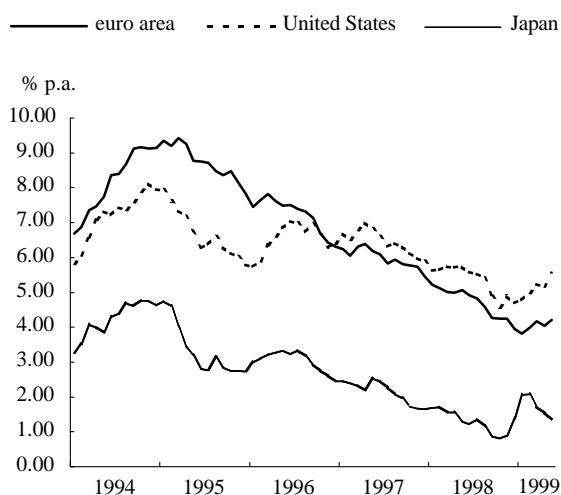
3) Before January 1999 synthetic euro area rates were calculated on the basis of national rates weighted by GDP.

4) From January 1999 column 1 shows the euro overnight interest average (EONIA); other euro area money market rates from January 1999 are euro interbank offered rates (EURIBOR).

5) From February 1999, London interbank offered rate (LIBOR).

Table 2.8**Government bond yields¹⁾***(percentages per annum)*

	Euro area ²⁾					United States	Japan
	2 years 1	3 years 2	5 years 3	7 years 4	10 years 5	10 years 6	10 years 7
1994	8.08	8.52	8.91	9.08	8.18	7.21	4.24
1995	5.69	5.97	6.48	7.06	8.73	6.69	3.32
1996	4.17	4.41	5.06	5.82	7.23	6.54	3.03
1997	4.33	4.51	4.87	5.20	5.99	6.45	2.15
1998	3.16	3.22	3.38	3.67	4.71	5.33	1.30
1998 May	4.13	4.30	4.58	4.79	5.06	5.73	1.30
June	4.08	4.24	4.50	4.73	4.91	5.58	1.22
July	4.04	4.16	4.41	4.62	4.82	5.53	1.36
Aug.	3.68	3.78	4.01	4.24	4.59	5.41	1.17
Sep.	3.55	3.58	3.77	3.98	4.27	4.87	0.88
Oct.	3.39	3.51	3.77	4.09	4.25	4.58	0.82
Nov.	3.33	3.44	3.62	3.90	4.24	4.89	0.89
Dec.	3.16	3.22	3.38	3.67	3.95	4.69	1.39
1999 Jan.	2.98	3.11	3.30	3.64	3.82	4.78	2.07
Feb.	3.05	3.19	3.43	3.78	3.98	4.99	2.09
Mar.	3.08	3.25	3.53	3.92	4.18	5.23	1.72
Apr.	2.83	3.00	3.31	3.70	4.04	5.18	1.55
May	2.82	3.00	3.37	3.81	4.21	5.54	1.36
1999 7 May	2.79	2.98	3.32	3.78	4.16	5.54	1.32
14	2.81	3.02	3.40	3.87	4.29	5.62	1.23
21	2.80	3.00	3.38	3.78	4.20	5.52	1.33
28	2.84	3.05	3.44	3.88	4.29	5.62	1.49

Euro area government bond yields*(monthly)***10-year government bond yields***(monthly)*

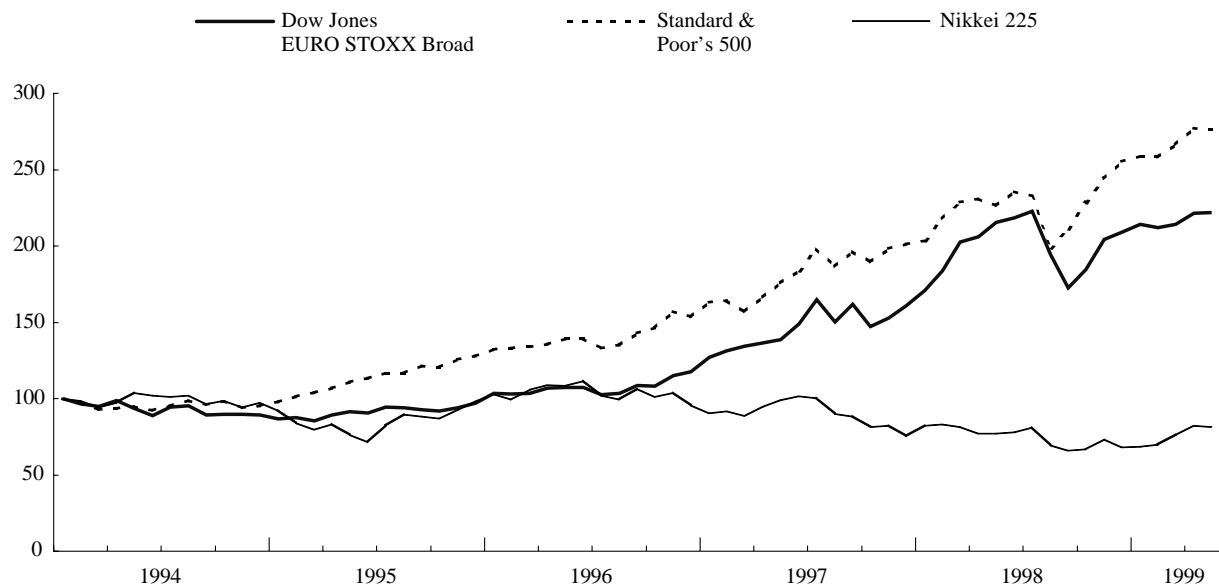
Sources: Reuters, ECB, Federal Reserve and Bank of Japan.

1) To December 1998, 2, 3, 5, and 7-year euro area yields are end-of-period values and 10-year yields are period averages. Thereafter, all yields are period averages.

2) To December 1998, euro area yields are calculated on the basis of harmonised national government bond yields weighted by GDP. Thereafter, the weights are the nominal outstanding amounts of government bonds in each maturity band.

Table 2.9**Stock market indices***(index levels, in points)¹⁾*

	Dow Jones EURO STOXX indices											United States	Japan		
	Benchmark		Main economic sector indices											Standard & Poor's 500	Nikkei 225
	Broad	50	Basic materials	Consumer cyclical	Consumer non-cyclical	Energy	Financial	Conglomerates	Industrial	Technology	Utilities				
1	2	3	4	5	6	7	8	9	10	11	12	13			
1994	127.33	1,320.59	145.88	107.82	143.90	125.92	109.29	125.91	132.31	128.66	122.60	455.19	19,299.47		
1995	138.37	1,506.82	137.78	111.06	181.13	145.46	117.66	133.05	136.18	145.57	152.09	614.57	19,417.95		
1996	167.75	1,850.32	145.11	120.25	274.94	180.64	137.84	156.11	171.05	153.17	192.40	743.25	20,147.27		
1997	229.86	2,531.99	166.33	159.82	324.06	249.22	188.87	210.33	204.75	248.37	225.11	962.37	15,917.07		
1998	298.37	3,342.32	147.10	156.74	485.39	232.87	250.29	218.78	283.76	353.38	329.50	1,229.23	13,842.17		
1998 May	307.44	3,357.77	211.08	207.22	401.14	280.40	276.07	248.87	302.71	378.82	285.79	1,108.42	15,514.28		
1998 June	311.58	3,406.82	198.55	204.62	430.65	275.47	270.69	244.59	299.67	387.80	294.99	1,108.39	15,231.29		
1998 July	318.06	3,480.63	182.52	195.81	436.13	255.90	291.41	226.39	301.26	417.31	305.08	1,156.58	16,370.17		
1998 Aug.	277.73	3,050.59	151.13	167.11	413.58	217.55	240.10	194.28	262.30	360.33	279.30	1,074.62	15,243.98		
1998 Sep.	246.31	2,670.97	131.62	137.37	379.55	230.22	187.86	182.29	240.51	279.90	277.86	1,020.64	14,140.69		
1998 Oct.	263.49	2,887.11	138.21	147.48	419.19	223.71	206.17	197.45	250.98	300.39	295.80	1,098.67	13,564.51		
1998 Nov.	291.73	3,232.44	147.95	153.01	442.91	237.51	236.66	208.39	270.40	339.22	306.30	1,176.46	14,883.70		
1998 Dec.	298.37	3,342.32	147.10	156.74	485.39	232.87	250.29	218.78	283.76	353.38	329.50	1,229.23	13,842.17		
1999 Jan.	306.01	3,486.40	146.59	152.92	498.08	226.40	254.13	229.20	301.23	367.41	339.23	1,246.89	13,859.26		
1999 Feb.	302.69	3,450.87	149.74	152.16	496.17	225.01	246.99	229.33	312.25	366.43	330.00	1,244.93	14,168.83		
1999 Mar.	305.52	3,524.19	153.81	155.94	480.73	254.11	249.73	229.77	311.75	374.45	318.57	1,284.56	15,459.81		
1999 Apr.	316.39	3,671.80	172.06	162.67	493.62	276.64	257.18	238.42	334.72	403.94	306.87	1,335.79	16,689.65		
1999 May	317.05	3,669.07	176.93	167.47	482.10	291.29	253.77	257.12	344.94	413.34	300.15	1,330.72	16,533.26		
1999 7 May	318.13	3,683.34	180.84	167.92	480.15	298.82	254.17	251.96	335.63	403.43	296.96	1,345.00	16,946.52		
1999 14	314.89	3,643.82	177.60	167.11	473.93	286.44	250.39	262.44	338.99	421.29	305.14	1,337.80	16,810.39		
1999 21	319.68	3,691.31	175.84	166.82	488.09	288.73	258.58	258.87	354.30	420.38	302.66	1,330.29	16,292.98		
1999 28	311.49	3,602.45	169.40	165.75	476.58	286.76	248.01	256.62	348.56	406.59	292.30	1,281.41	15,972.68		

Dow Jones EURO STOXX Broad, Standard & Poor's 500 and Nikkei 225 re-based*(base month: January 1994 = 100; monthly)*

Source: Reuters.

1) End-of-period values to December 1998; period averages thereafter.

Table 2.10

Retail bank interest rates

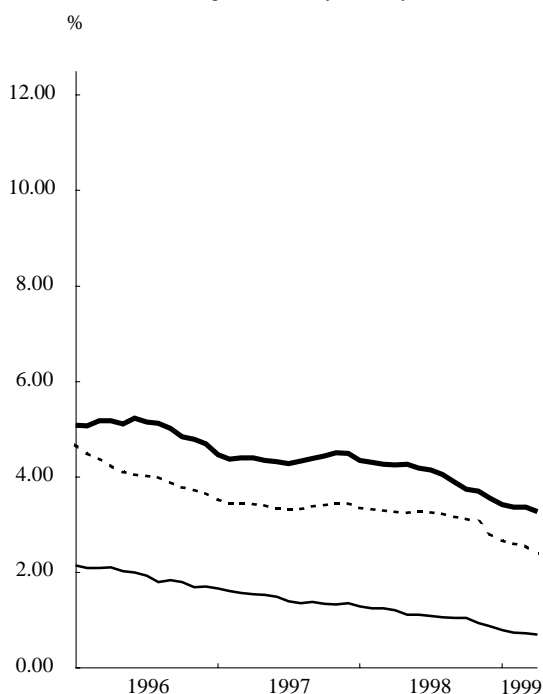
(percentages per annum; period averages)

	Deposit interest rates						Lending interest rates			
	Overnight	With agreed maturity			Redeemable at notice		To enterprises		To households	
			Up to 1 year	Up to 2 years	Over 2 years	Up to 3 months	Over 3 months	Up to 1 year	Over 1 year	Consumer lending	For house purchase
	1	2	3	4	5	6	7	8	9	10
1996	1.94	4.09	4.69	5.04	3.05	3.16	8.85	.	11.55	7.44
1997	1.46	3.41	3.63	4.40	2.80	3.09	7.58	6.64	10.60	6.62
1998	1.10	3.20	3.22	4.06	2.61	3.25	6.73	5.80	10.04	5.87
1998 Apr.	1.20	3.28	3.30	4.26	2.71	3.30	6.93	5.98	10.11	6.05
May	1.12	3.24	3.26	4.27	2.71	3.33	6.85	5.94	10.07	6.04
June	1.12	3.27	3.28	4.18	2.58	3.34	6.76	5.90	10.07	5.98
July	1.08	3.26	3.26	4.15	2.56	3.29	6.65	5.84	10.01	5.86
Aug.	1.05	3.23	3.24	4.05	2.55	3.30	6.60	5.77	10.02	5.79
Sep.	1.05	3.17	3.18	3.88	2.53	3.21	6.59	5.65	9.99	5.65
Oct.	1.04	3.12	3.13	3.74	2.49	3.14	6.51	5.52	9.79	5.48
Nov.	0.94	3.06	3.05	3.70	2.48	3.12	6.39	5.44	9.67	5.43
Dec.	0.87	2.81	2.81	3.56	2.44	3.03	6.21	5.12	9.61	5.28
1999 Jan.	0.79	2.67	2.67	3.42	2.36	2.86	6.01	5.03	9.59	5.10
Feb.	0.74	2.60	2.60	3.37	2.33	2.78	5.91	4.99	9.52	5.02
Mar.	0.73	2.57	2.56	3.37	2.30	2.79	5.83	4.98	9.49	5.06
Apr.	0.70	2.40	2.40	3.27	2.27	2.61	5.70	4.93	9.39	4.97

Deposit interest rates

(monthly)

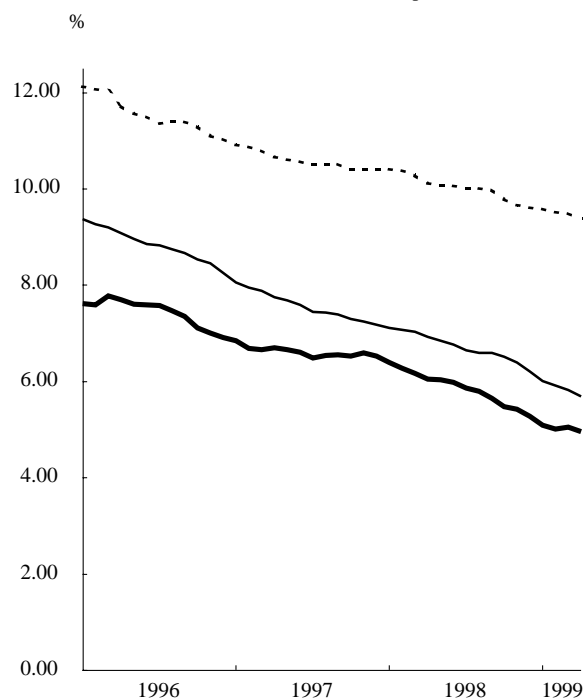
- overnight
- - - - agreed maturity up to 1 year
- agreed maturity over 2 years



Lending interest rates

(monthly)

- up to 1 year to enterprises
- - - - consumer lending
- to households for house purchase



Source: ECB.

These euro area retail bank interest rates should be used with caution and for statistical purposes only, primarily to analyse their development over time rather than their level. They are calculated as the weighted average of national interest rates provided by the national central banks. The national rates represent those rates that are currently available from national sources and which are judged to fit the standard categories. These national rates have been aggregated to derive information for the euro area, in some cases relying on proxies and working assumptions due to the heterogeneity observed in the national financial instruments across MU Member States. Furthermore, the national interest rates are not harmonised in terms of their coverage (new business and/or outstanding amounts), the nature of the data (nominal or effective) or the compilation method. The country weights for the euro area retail bank interest rates are derived from MFI balance sheet statistics or close proxies. The weights reflect the country-specific proportions of the relevant instruments within the euro area, measured as outstanding amounts. The weights are adjusted monthly, so that interest rates and weights always refer to the same month.

4 HICP and other prices in the euro area

Table 4.1

Harmonised Index of Consumer Prices

(annual percentage changes, unless otherwise indicated)

	Total (index, 1996 = 100)	Total								Services
		Goods	Food ¹⁾				Industrial goods			
			Food ¹⁾	Processed food ¹⁾	Unprocessed food	Industrial goods	Non-energy industrial goods	Energy		
									Weight in the total (%) ²⁾	
	100.0	100.0	63.7	22.4	13.4	9.0	41.3	32.5	8.8	36.3
	1	2	3	4	5	6	7	8	9	10
1995	97.9	2.5	.	2.4	2.5	2.4	1.6	1.7	1.4	3.4
1996	100.0	2.2	1.8	1.9	1.9	1.8	1.8	1.6	2.6	2.9
1997	101.6	1.6	1.1	1.4	1.4	1.4	1.0	0.5	2.8	2.4
1998	102.7	1.1	0.6	1.6	1.4	2.0	0.1	0.9	-2.6	2.0
1998 Q1	102.2	1.1	0.7	1.6	1.3	2.0	0.2	0.6	-1.4	2.0
Q2	102.8	1.3	1.0	2.1	1.6	2.8	0.4	0.9	-1.4	2.0
Q3	102.9	1.1	0.7	1.7	1.4	2.1	0.1	1.0	-3.2	2.0
Q4	102.8	0.8	0.2	1.1	1.2	0.8	-0.2	0.9	-4.4	2.0
1999 Q1	103.1	0.8	0.3	1.3	1.2	1.4	-0.2	0.8	-3.8	1.7
1998 Apr.	102.6	1.4	1.0	2.1	1.4	3.0	0.4	0.8	-1.0	2.1
May	102.8	1.3	1.0	2.1	1.7	2.6	0.4	0.9	-1.4	2.0
June	102.9	1.4	1.0	2.1	1.6	2.9	0.4	1.0	-1.7	2.0
July	102.9	1.3	0.9	1.9	1.6	2.5	0.3	1.0	-1.9	2.0
Aug.	102.9	1.1	0.6	1.9	1.5	2.4	0.0	1.0	-3.8	2.0
Sep.	102.9	1.0	0.4	1.4	1.3	1.5	-0.1	1.0	-3.9	2.0
Oct.	102.8	0.9	0.3	1.2	1.3	1.1	-0.1	1.0	-4.0	2.1
Nov.	102.8	0.8	0.2	1.0	1.2	0.6	-0.2	0.9	-4.4	2.0
Dec.	102.9	0.8	0.1	1.0	1.1	0.9	-0.4	0.9	-4.8	1.9
1999 Jan.	102.8	0.8	0.2	1.2	1.3	1.1	-0.3	0.8	-4.4	1.8
Feb.	103.1	0.8	0.2	1.4	1.3	1.5	-0.4	0.7	-4.3	1.7
Mar.	103.4	1.0	0.5	1.4	1.2	1.7	0.0	0.7	-2.8	1.8
Apr.	103.7	1.1	0.8	1.2	1.2	1.2	0.5	0.6	0.3	1.7



Source: Eurostat. Data before 1995 are estimates based on national definitions and are not fully comparable with HICPs starting in 1995.

1) Including alcoholic beverages and tobacco.

2) Referring to index period 1999.

Table 4.2**Selected other price and cost indicators***(annual percentage changes, unless otherwise indicated)***1. Industry and commodity prices**

	Industrial producer prices									World market prices of raw materials ¹⁾	
	Total excluding construction (index, 1995 = 100)	Total excluding construction	Manu- facturing	Inter- mediate goods	Capital goods	Consumer goods	Durable consumer goods	Non- durable consumer goods	Con- struction ²⁾	Total	Total excluding energy
	1	2	3	4	5	6	7	8	9	10	11
1995	100.0	3.6	3.9	5.0	1.8	2.2	1.9	2.4	.	0.3	2.1
1996	100.4	0.4	1.0	-1.1	1.2	1.7	1.7	1.7	1.2	6.4	-6.9
1997	101.4	1.1	0.6	1.1	0.2	0.8	0.1	1.2	1.4	10.0	13.0
1998	100.6	-0.8	-0.6	-2.0	0.4	0.4	0.0	0.6	0.3	-21.2	-12.5
1998 Q1	101.4	0.5	0.6	-0.1	0.3	1.0	-0.2	1.6	0.4	-14.1	-0.1
1998 Q2	101.0	-0.2	0.0	-0.9	0.4	0.6	0.0	0.9	0.4	-16.6	-10.7
1998 Q3	100.4	-1.3	-1.1	-2.6	0.6	0.3	0.2	0.4	0.0	-24.3	-18.2
1998 Q4	99.5	-2.3	-2.1	-4.2	0.2	-0.1	0.1	-0.3	0.3	-30.0	-20.5
1999 Q1	98.8	-2.6	-2.0	-4.7	0.1	-0.2	0.1	-0.3	.	-17.5	-16.0
1998 May	101.1	-0.2	-0.1	-0.9	0.4	0.5	0.0	0.7	-	-18.6	-12.8
1998 June	100.8	-0.5	-0.3	-1.3	0.4	0.5	0.0	0.8	-	-18.9	-13.3
1998 July	100.6	-0.8	-0.6	-1.9	0.6	0.6	0.3	0.7	-	-21.1	-14.4
1998 Aug.	100.4	-1.4	-1.2	-2.9	0.6	0.4	0.3	0.4	-	-26.3	-19.0
1998 Sep.	100.2	-1.6	-1.5	-3.1	0.4	0.0	0.0	0.0	-	-25.4	-20.9
1998 Oct.	99.8	-2.0	-1.8	-3.7	0.3	-0.1	0.0	-0.2	-	-30.6	-23.6
1998 Nov.	99.5	-2.4	-2.1	-4.2	0.2	-0.2	0.1	-0.4	-	-28.6	-18.4
1998 Dec.	99.1	-2.6	-2.2	-4.6	0.2	-0.1	0.1	-0.3	-	-30.8	-19.4
1999 Jan.	98.8	-2.7	-2.2	-4.8	0.1	-0.2	0.1	-0.3	-	-23.2	-17.2
1999 Feb.	98.7	-2.7	-2.1	-4.9	0.1	-0.1	0.1	-0.2	-	-20.6	-16.1
1999 Mar.	98.9	-2.3	-1.7	-4.3	0.0	-0.1	0.2	-0.3	-	-8.3	-14.7
1999 Apr.	.	.	.	.	.	.	.	.	-	0.3	-12.6
1999 May	.	.	.	.	.	.	.	.	-	5.1	-7.7

2. Deflators of gross domestic product and indicators of labour costs

	Deflators of GDP ³⁾ (s.a.)						Unit labour costs in whole economy	Compensation per employee in whole economy	Earnings per employee in manufacturing
	GDP (index, 1995 = 100)	GDP	Private consumption	Government consumption	Gross fixed capital formation				
	12	13	14	15	16				
1995	100.0	2.8	2.6	3.0	2.1	1.7	3.5	3.7	
1996	102.0	2.0	2.3	2.5	0.7	1.8	3.4	3.5	
1997	103.4	1.4	1.8	2.1	1.0	0.4	2.6	3.0	
1998	105.1	1.6	1.2	1.8	0.3	.	.	.	
1996 Q2	101.8	2.2	2.6	2.3	0.7	2.0	3.3	3.2	
1996 Q3	102.2	1.8	2.3	2.2	0.4	1.7	3.5	3.6	
1996 Q4	102.7	1.6	2.1	2.3	0.2	1.5	3.3	2.8	
1997 Q1	102.9	1.5	2.0	2.1	0.6	1.8	2.9	3.1	
1997 Q2	103.1	1.3	1.6	2.4	0.8	0.3	2.9	3.4	
1997 Q3	103.6	1.3	1.8	2.0	1.2	-0.1	2.3	2.7	
1997 Q4	104.1	1.4	1.7	2.0	1.2	-0.4	2.2	2.8	
1998 Q1	104.5	1.5	1.4	1.6	0.7	-2.2	1.0	2.2	
1998 Q2	104.8	1.6	1.4	1.6	0.4	-0.6	1.2	2.8	
1998 Q3	105.1	1.5	1.1	2.1	-0.2	-0.6	1.3	2.6	
1998 Q4	105.6	1.5	1.0	1.7	-0.4	.	.	.	

Sources: Eurostat, except columns 10 and 11 (HWWA – Institut für Wirtschaftsforschung, Hamburg), columns 12 to 16 (ECB calculations based on deflators in national currency) and columns 17 to 19 (ECB calculations based on non-harmonised national data).

1) To December 1998, in ECU; from January 1999, in euro.

2) Residential buildings, based on non-harmonised data.

3) ESA 95 data were not available in time for inclusion in this issue.

5 Real economy indicators in the euro area

Table 5.1

Output and demand indicators

1. Gross domestic product and its components

(ECU billions, seasonally adjusted, at 1990 prices)¹⁾

	GDP	Domestic demand	Private consumption	Government consumption	Gross fixed capital formation	Exports ²⁾	Imports ²⁾
	1	2	3	4	5	6	7
1995	4,487.2	4,392.7	2,748.9	710.1	914.8	1,522.7	1,428.2
1996	4,561.4	4,440.6	2,803.4	718.3	921.7	1,594.1	1,473.4
1997	4,676.1	4,530.4	2,848.5	717.5	940.8	1,749.8	1,604.1
1998	4,811.8	4,692.1	2,930.2	725.2	978.8	1,844.5	1,724.8
1997 Q4	1,183.2	1,146.2	718.6	178.2	239.3	455.2	418.2
1998 Q1	1,193.0	1,164.3	724.9	181.3	243.9	453.5	424.8
Q2	1,200.2	1,169.2	728.3	182.0	242.0	464.5	433.6
Q3	1,208.1	1,175.0	735.1	181.6	246.1	468.5	435.3
Q4	1,210.5	1,182.1	741.5	180.3	246.6	458.5	430.1

(annual percentage changes)¹⁾

	GDP	Domestic demand	Private consumption	Government consumption	Gross fixed capital formation	Exports ²⁾	Imports ²⁾
	8	9	10	11	12	13	14
1995	2.1	2.0	1.8	0.1	3.0	8.0	8.1
1996	1.7	1.1	2.0	1.2	0.8	4.7	3.2
1997	2.5	2.0	1.6	-0.1	2.1	9.8	8.9
1998	2.9	3.6	2.9	1.1	4.0	5.4	7.5
1997 Q4	3.1	2.7	2.2	-0.7	2.7	11.2	10.6
1998 Q1	3.7	4.1	2.7	0.9	5.7	10.0	11.8
Q2	2.9	3.2	2.3	1.3	3.2	7.8	9.2
Q3	2.8	3.7	3.1	1.0	4.1	3.8	6.5
Q4	2.3	3.1	3.2	1.1	3.1	0.7	2.8

2. Selected other real economy indicators

(annual percentage changes, unless otherwise indicated)

	Industrial production ³⁾									Retail sales at constant prices	New passenger car registrations
	Total excluding construction (index (s.a.), 1995 = 100)	Total excluding construction	Manufacturing	Intermediate goods	Capital goods	Durable consumer goods	Non-durable consumer goods	Construction			
	15	16	17	18	19	20	21	22	23	24	
1995	100.0	3.4	3.5	2.5	7.3	-1.3	1.7	-0.4	2.0	0.3	
1996	100.4	0.4	0.1	-0.2	1.6	0.2	-0.3	-2.4	1.1	6.6	
1997	104.8	4.4	5.0	5.4	4.9	2.8	2.6	-1.1	0.8	3.9	
1998	108.9	3.9	4.3	3.6	6.6	6.2	1.2	-0.5	2.6	7.7	
1998 Q1	108.5	6.4	7.4	7.3	9.0	7.5	1.6	3.8	2.7	12.8	
Q2	109.0	4.6	5.2	4.5	7.2	6.9	2.2	-0.2	1.7	3.2	
Q3	109.2	3.7	4.0	2.8	6.6	6.5	1.7	-1.5	2.8	7.4	
Q4	108.7	1.1	0.9	-0.1	4.0	4.3	-0.7	-3.4	3.0	7.5	
1999 Q1	.	.	.	.	.	.	.	.	2.5	7.1
1998 Apr.	108.6	3.5	4.2	3.7	6.0	4.5	1.2	-2.4	0.8	-1.9	
May	109.6	6.8	7.8	6.3	10.5	11.1	4.1	2.6	1.8	6.9	
June	108.9	3.5	3.9	3.5	5.4	5.4	1.5	-0.7	2.6	5.3	
July	109.7	4.0	4.4	3.2	7.3	6.4	2.4	-0.3	3.4	7.2	
Aug.	108.6	4.0	4.5	3.2	6.9	7.6	2.2	-0.8	2.3	7.1	
Sep.	109.2	3.1	3.2	2.2	5.6	5.9	0.7	-3.1	2.5	7.9	
Oct.	109.5	2.2	2.5	0.9	5.9	8.0	-0.1	-3.3	1.8	1.2	
Nov.	109.1	1.8	1.6	1.0	4.4	4.2	-0.2	-3.8	4.0	15.3	
Dec.	107.6	-1.0	-1.5	-2.3	1.6	-0.1	-1.9	-3.1	3.2	7.3	
1999 Jan.	108.9	1.3	1.2	-0.2	4.0	3.1	1.6	.	0.3	5.1	
Feb.	108.5	-0.3	-1.0	-1.4	0.5	0.5	0.4	.	1.6	5.6	
Mar.	.	.	.	.	.	.	.	.	5.5	10.0
Apr.	.	.	.	.	.	.	.	.	.	11.2

Sources: Eurostat, except column 23 (ECB calculation based on non-harmonised national data) and column 24 (ACEA/A.A.A. – European Automobile Manufacturers' Association).

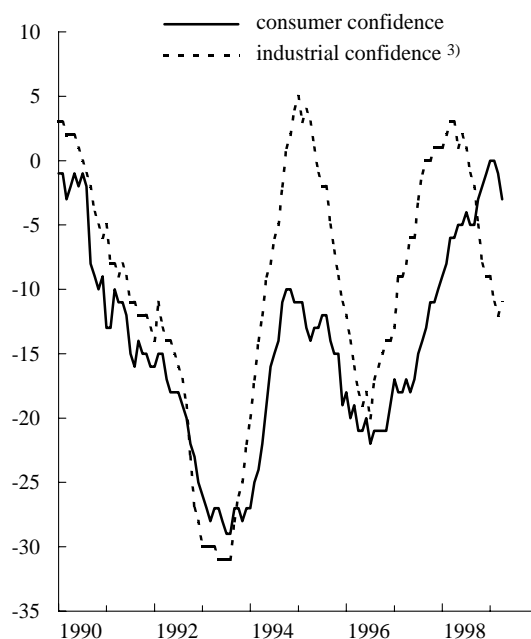
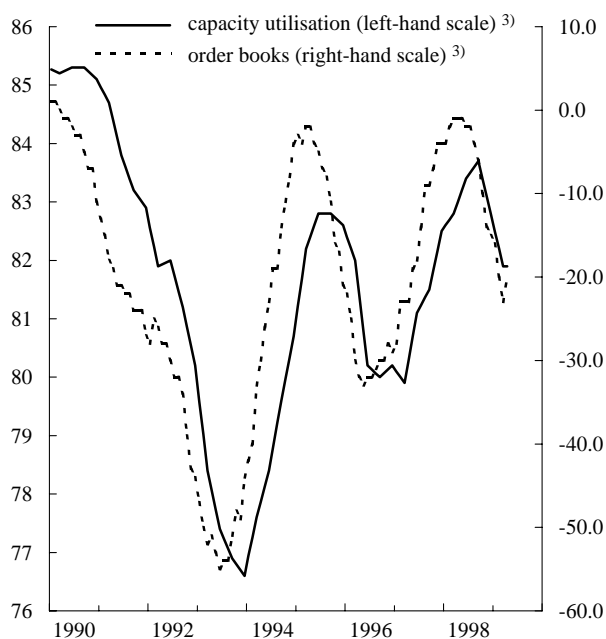
1) Components exclude changes in inventories. ESA 95 data were not available in time for inclusion in this issue.

2) Exports and imports cover goods and services and include internal cross-border trade in the euro area.

3) Adjusted for variations in the number of working days.

Table 5.2**Labour market indicators***(seasonally adjusted)*

	Employment				Unemployment ²⁾		Labour productivity	
	Whole economy ¹⁾		Manufacturing		Millions	% of labour force	Whole economy ¹⁾ (annual percentage changes)	Manufacturing (annual percentage changes)
	Index, 1995 = 100	Annual percentage changes	Index, 1995 = 100	Annual percentage changes				
	1	2	3	4	5	6	7	8
1995	100.0	0.4	100.0	-1.1	14.382	11.4	1.8	4.7
1996	100.2	0.2	98.1	-1.9	14.808	11.6	1.6	2.1
1997	100.5	0.3	97.1	-1.0	14.888	11.6	2.3	6.1
1998	101.7	1.2	97.8	0.7	14.053	10.9	.	3.6
1998 Q1	101.1	0.9	97.6	0.6	14.414	11.2	3.4	6.8
Q2	101.5	1.0	97.9	1.0	14.147	10.9	1.8	4.2
Q3	101.9	1.3	97.9	0.9	13.946	10.8	1.8	3.1
Q4	102.2	1.4	97.8	0.4	13.707	10.6	.	0.5
1999 Q1	.	.	.	.	13.466	10.4	.	.
1998 Mar.	-	-	97.7	0.7	14.329	11.1	-	6.6
Apr.	-	-	97.8	0.9	14.221	11.0	-	3.3
May	-	-	97.9	1.0	14.160	10.9	-	6.7
June	-	-	97.9	1.0	14.060	10.9	-	2.9
July	-	-	97.9	0.9	13.994	10.8	-	3.5
Aug.	-	-	97.9	0.9	13.967	10.8	-	3.5
Sep.	-	-	97.9	0.8	13.877	10.7	-	2.4
Oct.	-	-	97.8	0.6	13.767	10.6	-	1.9
Nov.	-	-	97.7	0.4	13.684	10.6	-	1.2
Dec.	-	-	97.7	0.3	13.670	10.6	-	-1.8
1999 Jan.	-	-	.	.	13.516	10.5	-	.
Feb.	-	-	.	.	13.463	10.4	-	.
Mar.	-	-	.	.	13.418	10.4	-	.

Chart 5.3**Opinion surveys****Consumer and industrial confidence indicators***(percentage balances; monthly, seasonally adjusted)***Capacity utilisation and order books***(capacity utilisation, percentages, quarterly; order books, percentage balances, monthly; seasonally adjusted)*

Sources: ECB calculations based on available national non-harmonised data (columns 1, 2, 7), Eurostat (columns 3 to 6, 8) and European Commission Business and Consumer Surveys (chart data).

1) Quarterly results are based on available data from those countries which compile monthly or quarterly statistics.

2) Calculated according to ILO recommendations.

3) Manufacturing; data on capacity utilisation are collected in January, April, July and October.

6 Saving, investment and financing in the euro area

Table 6

Saving, investment and financing

(as a percentage of GDP, unless otherwise indicated)

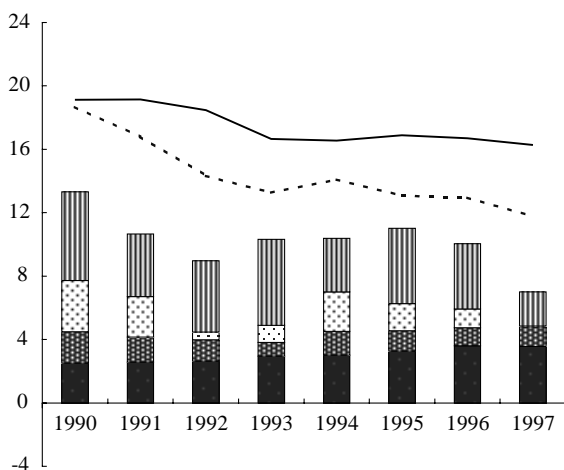
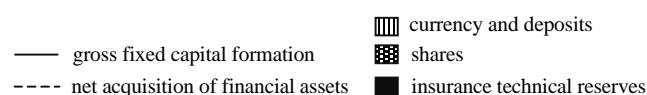
	Euro area saving and investment ¹⁾			Investment of private non-financial sectors ^{1) 2)}							
	Gross saving	Gross fixed capital formation	Net lending to the rest of the world	Gross fixed capital formation	Non-financial corporations	Net acquisition of financial assets	Currency and deposits	Securities other than shares	Long-term securities	Shares	Insurance technical reserves
	1	2	3	4	5	6	7	8	9	10	11
1990	23.6	22.8	0.1	19.1	13.8	18.7	5.6	4.4	3.2	2.0	2.5
1991	21.9	23.0	-1.3	19.1	14.3	16.8	4.0	3.0	2.6	1.6	2.5
1992	20.9	22.2	-1.0	18.4	13.7	14.3	4.5	1.7	0.5	1.3	2.6
1993	20.0	20.2	0.5	16.6	12.3	13.2	5.4	0.6	1.1	0.9	2.9
1994	20.4	19.8	0.3	16.5	12.3	14.1	3.4	2.3	2.5	1.5	3.0
1995	21.3	20.0	1.0	16.9	12.6	13.1	4.7	2.0	1.7	1.3	3.2
1996	20.9	19.7	1.4	16.7	12.4	12.9	4.1	0.3	1.2	1.1	3.6
1997	21.7	19.2	2.1	16.3	12.0	11.7	2.2	-0.4	0.1	1.2	3.5

	Financing of private non-financial sectors ^{1) 2)}								Net financial investment (col. 6 - 14)	Financial investment as a % of gross investment (col. 6 / (4+6))	Net incurrence of liabilities as a % of financing (col. 14 / (12+14))
	Gross saving	Households	Net incurrence of liabilities	Securities other than shares	Long-term securities	Shares	Loans	Long-term loans			
	12	13	14	15	16	17	18	19	20	21	22
1990	22.0	12.0	14.3	0.6	0.3	2.1	9.6	4.5	4.4	49.4	39.3
1991	21.0	12.1	13.2	0.4	0.3	1.7	8.9	4.8	3.6	46.7	38.5
1992	20.7	12.1	10.7	0.7	0.6	1.6	6.9	4.7	3.6	43.7	34.0
1993	20.4	11.5	7.7	1.3	1.4	1.7	3.9	4.6	5.6	44.3	27.3
1994	20.4	10.6	9.9	1.1	1.2	1.9	3.9	3.7	4.1	46.0	32.8
1995	21.4	10.7	5.6	-1.7	-1.8	1.7	4.7	2.9	7.5	43.6	20.6
1996	20.7	10.5	8.5	0.2	0.1	1.9	4.6	3.5	4.5	43.7	29.0
1997	20.1	9.9	7.6	0.0	0.0	1.4	4.7	3.1	4.2	42.0	27.3

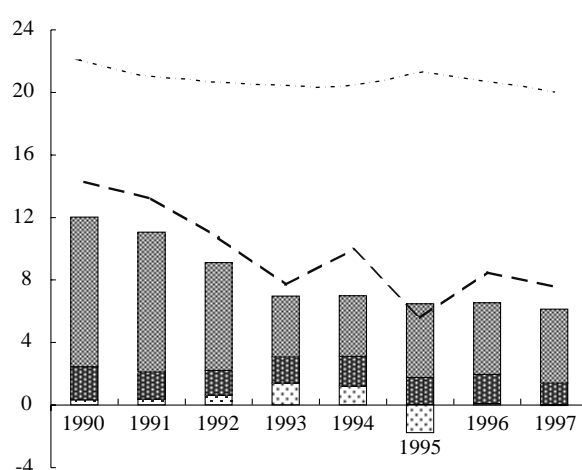
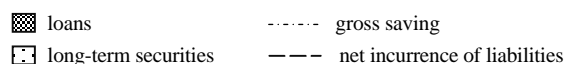
Investment and financing of private non-financial sectors ^{1) 2)}

(as a percentage of GDP)

Investment



Financing



Source: ECB.

1) Selected items of financing and investment.

2) Private non-financial sectors comprise non-financial corporations, households and non-profit institutions serving households.

7 General government fiscal position in the euro area and in the euro area countries

Table 7

General government fiscal position

(as a percentage of GDP)

1. Euro area ^{1) 2)} – receipts and expenditure

	Receipts							Expenditure							
	Total	Current receipts	Direct taxes	Indirect taxes	Social contributions	Sales	Capital receipts	Total	Current expenditure	Compensation of employees	Intermediate consumption	Interest	Transfers to households	Capital expenditure	Investment
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
1991	48.0	47.5	12.3	12.9	17.3	2.5	0.4	52.4	47.7	11.8	5.5	4.9	21.3	4.6	3.0
1992	49.2	48.4	12.3	13.0	17.7	2.7	0.8	53.8	49.3	12.1	5.5	5.5	22.2	4.5	3.0
1993	49.9	49.4	12.5	13.2	18.2	2.8	0.5	55.5	51.0	12.3	5.7	5.7	23.1	4.5	2.9
1994	49.2	48.6	12.0	13.4	18.1	2.7	0.5	54.3	50.1	12.0	5.5	5.4	23.1	4.2	2.7
1995	49.1	48.5	12.1	13.3	18.1	2.8	0.6	54.0	49.7	11.8	5.3	5.7	23.1	4.3	2.6
1996	49.3	48.8	12.1	13.4	18.3	2.8	0.5	53.4	49.7	11.9	5.4	5.5	23.2	3.7	2.4
1997	49.7	49.0	12.2	13.5	18.3	2.7	0.7	52.2	48.6	11.6	5.2	5.0	23.1	3.6	2.3
1998	49.1	48.5	12.5	14.1	17.2	2.7	0.5	51.2	47.4	11.3	5.1	4.5	22.6	3.7	2.3

2. Euro area ^{1) 2)} – saving, deficit and debt

	Gross saving	Deficit (-) / surplus (+)				Primary deficit/surplus	Deficit/debt adjustment ³⁾	Change in debt ⁴⁾				Gross nominal consolidated debt			
		Total	Central government	Local government	Social security			Total	Currency deposits and loans	Short-term securities	Medium/long-term securities	Total	Currency deposits and loans	Short-term securities	Medium/long-term securities
		16	17	18	19			20	21	22	23	24	25	26	27	28	29	30
1991	-0.2	-4.4	-4.5	-0.2	0.3	0.5	0.7	5.1	1.3	0.0	3.9	58.3	18.5	8.5	31.2
1992	-0.9	-4.6	-4.3	-0.2	-0.1	0.9	2.2	6.8	1.7	0.9	4.2	61.9	19.2	8.9	33.8
1993	-1.6	-5.5	-5.3	-0.2	0.0	0.2	2.5	8.1	1.5	-0.3	6.9	68.4	20.2	8.4	39.8
1994	-1.5	-5.1	-4.9	-0.2	0.0	0.3	0.8	5.9	0.2	0.6	5.1	70.8	19.4	8.5	42.9
1995	-1.3	-5.0	-4.6	-0.1	-0.3	0.7	2.3	7.3	2.0	-0.2	5.5	74.8	20.6	7.9	46.4
1996	-0.9	-4.1	-3.9	0.0	-0.2	1.3	-0.2	3.9	0.3	0.2	3.4	76.1	20.2	7.8	48.1
1997	0.4	-2.5	-2.6	0.0	0.0	2.5	-0.3	2.2	-0.1	-1.0	3.2	75.4	19.3	6.6	49.5
1998	1.1	-2.1	-2.3	0.2	0.1	2.4	-0.6	1.5	-0.4	-0.7	2.6	73.6	18.1	5.6	49.9

3. Euro area countries – deficit (-) / surplus (+)

	BE	DE	ES	FR	IE	IT	LU	NL	AT	PT	FI
	1	2	3	4	5	6	7	8	9	10	11
1991	-6.3	-3.3	-4.4	-2.1	-2.3	-10.1	1.9	-2.9	-3.0	-6.0	-1.1
1992	-7.1	-2.8	-4.0	-3.9	-2.4	-9.6	0.7	-3.9	-2.0	-3.0	-5.7
1993	-7.3	-3.5	-6.8	-5.8	-2.3	-9.6	1.6	-3.2	-4.3	-6.1	-7.3
1994	-4.9	-2.6	-6.2	-5.8	-1.5	-9.2	2.7	-3.8	-5.0	-6.0	-6.0
1995	-4.0	-3.3	-7.1	-4.9	-2.1	-7.7	1.8	-4.0	-5.1	-5.7	-4.6
1996	-3.1	-3.4	-4.5	-4.1	-0.3	-6.6	2.8	-2.0	-3.7	-3.3	-3.1
1997	-1.9	-2.7	-2.6	-3.0	1.1	-2.7	2.9	-0.9	-1.9	-2.5	-1.2
1998	-1.3	-2.1	-1.8	-2.9	2.3	-2.7	2.1	-0.9	-2.1	-2.3	1.0

4. Euro area countries – gross nominal consolidated debt

	BE	DE	ES	FR	IE	IT	LU	NL	AT	PT	FI
	12	13	14	15	16	17	18	19	20	21	22
1991	128.4	40.9	44.6	35.8	92.6	102.0	4.0	79.0	58.2	67.3	23.1
1992	130.6	43.6	47.0	39.9	89.5	109.4	4.9	79.9	58.1	59.9	41.5
1993	137.6	47.5	58.8	45.4	93.1	120.0	5.9	81.1	62.8	63.2	58.0
1994	135.1	49.9	61.3	48.6	86.5	125.7	5.5	77.8	65.6	63.8	59.6
1995	132.2	58.3	64.2	52.8	78.9	125.3	5.8	79.0	69.4	65.9	58.1
1996	128.0	60.8	68.6	55.7	69.4	124.6	6.3	77.0	69.8	64.9	57.8
1997	123.4	61.5	67.5	58.1	61.3	122.4	6.4	71.2	64.3	61.7	54.9
1998	117.3	61.0	65.6	58.5	52.1	118.7	6.7	67.7	63.1	57.8	49.6

Sources: ECB for euro area aggregated data; European Commission (DG II and Eurostat) for data relating to euro area countries' deficit/surplus and debt.

1) Transactions among the euro area countries are not consolidated.

2) Euro area excluding Luxembourg.

3) Difference between the annual change in nominal gross consolidated debt and the deficit as a percentage of GDP.

4) Annual change in nominal gross consolidated debt expressed as a percentage of GDP: $[debt(t) - debt(t-1)] / GDP(t)$.

8 Balance of payments of the euro area and the Eurosystem's reserve position

Table 8.1

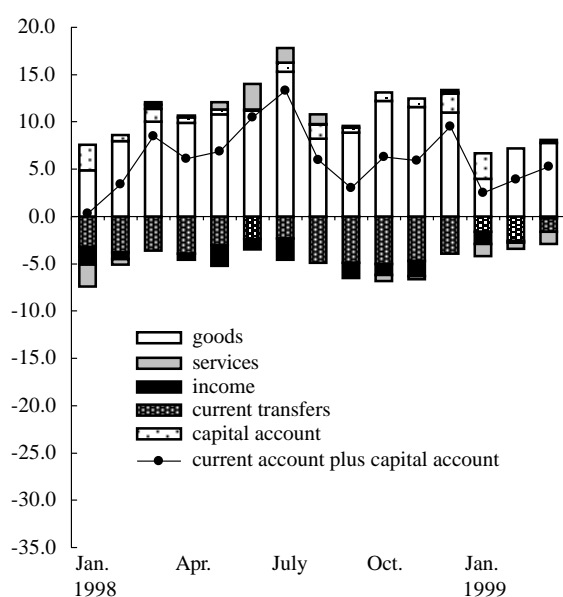
Summary balance of payments

(EUR billions (ECU billions to end-1998); net flows)

	Current account					Capital account	Financial account ¹⁾						Errors and omissions ²⁾
	Total	Goods	Services	Income	Current transfers		Total ²⁾	Direct investment	Portfolio investment ²⁾	Financial derivatives ²⁾	Other investment ²⁾³⁾	Reserve assets ²⁾⁴⁾	
	1	2	3	4	5	6	7	8	9	10	11	12	13
1998	67.0	122.1	3.1	-12.6	-45.5	12.6	7.9	-100.2	-90.8	-8.3	198.9	8.3	-87.6
1998 Q1	7.6	22.9	-2.6	-2.2	-10.5	4.7	-1.6	-11.2	-54.7	0.3	65.2	-1.3	-10.7
1998 Q2	22.3	31.8	3.7	-4.0	-9.3	1.2	4.1	-14.8	-1.7	-4.1	24.6	0.0	-27.5
1998 Q3	19.3	32.4	2.7	-3.8	-12.1	3.0	-3.3	-23.1	12.3	1.2	3.5	2.8	-19.0
1998 Q4	17.9	34.9	-0.6	-2.8	-13.6	3.7	8.7	-51.1	-46.7	-5.6	105.5	6.7	-30.3
1999 Q1	9.2	19.1	-3.2	-1.2	-5.6	2.4	-21.6	-9.9	-41.9	-1.6	27.7	4.0	10.0
1998 Jan.	-2.4	4.9	-2.3	-1.9	-3.2	2.7	13.5	-5.1	-2.0	-1.8	20.0	2.5	-13.9
1998 Feb.	2.8	8.0	-0.6	-0.7	-3.8	0.6	-17.6	-4.5	-22.8	0.7	12.9	-3.9	14.2
1998 Mar.	7.1	10.0	0.3	0.4	-3.6	1.4	2.5	-1.5	-29.9	1.4	32.3	0.2	-11.0
1998 Apr.	5.5	9.9	0.2	-0.7	-3.9	0.6	-29.0	-8.2	-21.9	-0.9	2.9	-0.9	22.9
1998 May	6.4	10.8	0.8	-2.2	-3.0	0.5	19.5	-1.3	9.1	-1.5	12.3	0.9	-26.4
1998 June	10.4	11.2	2.7	-1.1	-2.4	0.1	13.6	-5.2	11.1	-1.8	9.5	0.0	-24.1
1998 July	12.3	15.3	1.5	-2.3	-2.3	1.0	23.8	-8.6	14.6	-1.4	17.8	1.3	-37.1
1998 Aug.	4.5	8.2	1.0	0.1	-4.9	1.5	8.6	-7.9	8.5	2.3	8.3	-2.5	-14.6
1998 Sep.	2.5	8.9	0.2	-1.6	-4.9	0.5	-35.7	-6.6	-10.8	0.3	-22.6	4.0	32.6
1998 Oct.	5.4	12.2	-0.6	-1.2	-5.0	0.9	-12.3	-16.6	-33.4	-3.0	44.1	-3.3	6.0
1998 Nov.	5.0	11.6	-0.3	-1.6	-4.7	0.9	4.7	-33.8	1.8	-2.4	45.1	-6.1	-10.5
1998 Dec.	7.5	11.0	0.3	0.1	-3.9	2.0	16.3	-0.7	-15.1	-0.2	16.2	16.1	-25.8
1999 Jan.	-0.2	4.0	-1.3	-1.3	-1.6	2.7	11.8	-5.2	8.1	-2.1	13.6	-2.4	-14.3
1999 Feb.	3.9	7.2	-0.6	-0.2	-2.6	0.0	6.7	-2.0	-16.8	-0.2	21.2	4.6	-10.6
1999 Mar.	5.5	7.8	-1.3	0.3	-1.4	-0.2	-40.2	-2.6	-33.2	0.8	-7.0	1.8	34.9

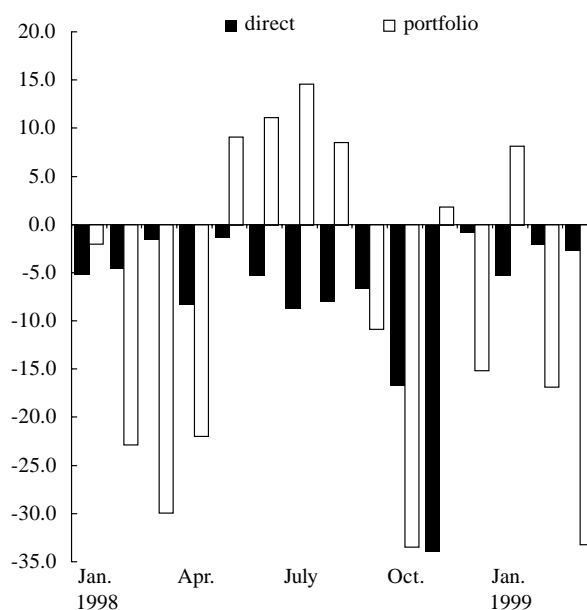
Current and capital accounts

(EUR billions (ECU billions to end-1998); net flows)



Direct and portfolio investment

(EUR billions (ECU billions to end-1998); net flows)



Source: ECB.

1) Inflows (+); outflows (-).

2) Series for which data from January 1999 are not closely comparable with earlier observations.

3) Flows before January 1999 include estimations.

4) Increase in reserve assets (-), decrease in reserve assets (+).

Table 8.2**Current and capital accounts***(EUR billions (ECU billions to end-1998); gross flows)*

	Current account										Capital account	
	Total		Goods		Services		Income		Current transfers		Credit 11	Debit 12
	Credit 1	Debit 2	Credit 3	Debit 4	Credit 5	Debit 6	Credit 7	Debit 8	Credit 9	Debit 10		
1998	1,277.8	1,210.7	779.4	657.3	247.6	244.4	190.2	202.9	60.6	106.1	17.6	5.0
1998 Q1	317.6	310.1	190.8	167.9	56.3	58.9	47.0	49.2	23.5	34.1	5.9	1.2
Q2	325.7	303.5	199.0	167.2	64.1	60.4	50.3	54.2	12.3	21.6	2.4	1.2
Q3	316.0	296.7	190.8	158.3	67.4	64.7	45.5	49.3	12.2	24.3	4.1	1.1
Q4	318.4	300.5	198.8	163.9	59.7	60.4	47.4	50.1	12.5	26.1	5.2	1.5
1999 Q1	292.7	283.5	177.9	158.9	47.9	51.0	44.5	45.6	22.4	28.0	4.4	2.0
1998 Jan.	104.7	107.1	58.6	53.7	18.5	20.8	14.6	16.5	13.0	16.2	3.1	0.4
Feb.	101.0	98.1	62.3	54.3	17.6	18.2	15.1	15.8	6.0	9.8	0.9	0.4
Mar.	112.0	104.9	69.9	60.0	20.2	19.9	17.3	16.9	4.6	8.1	1.8	0.4
Apr.	106.4	101.0	66.5	56.6	20.2	20.0	16.2	16.9	3.5	7.4	1.0	0.4
May	104.4	98.0	64.3	53.5	20.7	19.9	15.2	17.3	4.2	7.2	0.9	0.4
June	114.9	104.5	68.2	57.1	23.2	20.5	18.9	20.0	4.6	7.0	0.5	0.4
July	116.0	103.7	70.6	55.3	24.1	22.6	16.2	18.5	5.0	7.3	1.4	0.4
Aug.	94.6	90.1	55.3	47.1	22.3	21.3	13.4	13.3	3.6	8.5	1.8	0.3
Sep.	105.4	102.9	64.8	55.9	21.0	20.9	15.9	17.5	3.6	8.5	0.9	0.4
Oct.	106.8	101.4	68.2	56.0	20.4	21.0	14.6	15.8	3.6	8.6	1.3	0.4
Nov.	101.5	96.5	65.2	53.5	18.1	18.4	14.2	15.8	4.1	8.8	1.3	0.5
Dec.	110.1	102.5	65.4	54.4	21.2	20.9	18.6	18.5	4.8	8.7	2.6	0.6
1999 Jan.	94.3	94.5	53.0	49.0	14.5	15.8	14.2	15.5	12.6	14.2	3.1	0.5
Feb.	93.7	89.8	58.1	50.9	16.0	16.6	14.3	14.4	5.3	7.9	0.5	0.5
Mar.	104.7	99.2	66.8	58.9	17.4	18.6	16.1	15.7	4.5	5.9	0.8	1.0

Source: ECB.

Table 8.4**Direct and portfolio investment accounts ¹⁾***(EUR billions (ECU billions to end-1998); net flows)*

	Direct investment		Portfolio investment									
			Total		Equity		Debt instruments					
	Abroad	In the euro area	Assets	Liabilities ²⁾	Assets	Liabilities ²⁾	Assets			Liabilities ²⁾		
							Total	Bonds and notes	Money market instruments	Total	Bonds and notes	Money market instruments
1	2	3	4	5	6	7	8	9	10	11	12	
1998	-177.9	77.7	-307.1	216.3	-82.4	68.5	-224.7	-206.9	-17.9	147.8	119.4	28.3
1998 Q1	-46.4	35.2	-114.1	59.4	-29.6	14.8	-84.5	-74.9	-9.5	44.6	39.9	4.6
Q2	-39.6	24.9	-83.3	81.6	-25.6	24.8	-57.6	-55.1	-2.5	56.7	44.3	12.4
Q3	-25.3	2.2	-55.0	67.3	-9.8	-0.4	-45.2	-42.5	-2.7	67.7	50.5	17.3
Q4	-66.6	15.4	-54.7	8.0	-17.3	29.2	-37.4	-34.3	-3.1	-21.2	-15.2	-6.0
1999 Q1	-28.1	18.3	-64.6	22.7	-15.2	-13.5	-49.4	-47.8	-1.6	36.2	33.2	3.0
1998 Jan.	-9.8	4.7	-20.8	18.7	-5.7	4.7	-15.1	-16.3	1.2	14.0	11.3	2.7
Feb.	-15.0	10.5	-51.1	28.3	-11.4	3.2	-39.7	-33.0	-6.7	25.1	26.0	-1.0
Mar.	-21.6	20.1	-42.3	12.4	-12.5	6.9	-29.7	-25.7	-4.0	5.5	2.6	2.9
Apr.	-20.7	12.5	-34.0	12.1	-8.0	1.2	-26.0	-30.9	4.9	10.9	10.6	0.3
May	-12.3	10.9	-19.6	28.7	-6.7	5.5	-12.9	-10.0	-2.9	23.2	15.8	7.5
June	-6.6	1.4	-29.7	40.8	-10.9	18.2	-18.7	-14.2	-4.6	22.6	17.9	4.7
July	-2.8	-5.8	-23.0	37.6	-3.2	9.1	-19.8	-20.9	1.1	28.6	17.0	11.6
Aug.	-4.0	-4.0	-14.5	23.0	0.5	-5.4	-15.0	-14.1	-0.9	28.4	22.4	6.0
Sep.	-18.6	12.0	-17.5	6.7	-7.1	-4.1	-10.4	-7.4	-2.9	10.8	11.1	-0.3
Oct.	-11.7	-5.0	-6.9	-26.6	-1.4	-6.1	-5.5	-8.0	2.5	-20.4	-24.8	4.3
Nov.	-41.1	7.3	-30.3	32.1	-9.0	33.0	-21.3	-15.7	-5.6	-0.9	1.1	-2.0
Dec.	-13.8	13.1	-17.6	2.5	-7.0	2.4	-10.6	-10.6	0.0	0.1	8.4	-8.3
1999 Jan.	-11.6	6.3	-17.2	25.3	-6.3	5.9	-10.9	-7.4	-3.5	19.3	23.5	-4.1
Feb.	-5.4	3.4	-19.8	3.0	-3.1	2.8	-16.7	-18.5	1.8	0.1	-5.8	5.9
Mar.	-11.1	8.5	-27.6	-5.6	-5.8	-22.3	-21.8	-21.9	0.1	16.7	15.5	1.3

Source: ECB.

1) Inflows (+); outflows (-).

2) Series for which data from January 1999 are not closely comparable with earlier observations.

Table 8.5**Other investment account ^{1) 2)}***(EUR billions (ECU billions to end-1998); net flows)*

	Total		Eurosystem		General government		MFIs (excluding the Eurosystem)						Other sectors	
	Assets 1	Liabilities 2	Assets 3	Liabilities 4	Assets 5	Liabilities 6	Total		Long-term		Short-term		Assets 13	Liabilities 14
							Assets 7	Liabilities 8	Assets 9	Liabilities 10	Assets 11	Liabilities 12		
1998	-37.0	235.8	-0.7	2.5	-1.4	-8.2	-18.1	211.0	-38.3	36.6	20.3	174.4	-16.8	30.5
1998 Q1	-31.2	96.4	0.4	-0.1	-1.9	-2.4	-9.6	88.7	-7.6	11.1	-1.9	77.6	-20.1	10.2
Q2	-1.5	26.2	-1.0	0.5	-2.9	-1.0	-1.8	20.7	-13.7	7.7	11.9	13.1	4.2	5.9
Q3	-79.3	82.8	0.4	-0.6	0.4	-1.9	-73.6	78.7	-14.7	1.4	-58.8	77.3	-6.5	6.6
Q4	75.0	30.4	-0.5	2.7	3.1	-2.8	66.9	22.8	-2.3	16.4	69.1	6.4	5.6	7.8
1999 Q1	-52.8	80.5	-2.4	0.0	-3.3	-5.0	-32.1	71.0	-19.9	21.1	-12.2	49.9	-14.9	14.5
1998 Jan.	-14.4	34.3	0.1	0.2	-2.4	-1.6	3.1	32.8	-4.4	3.6	7.5	29.2	-15.2	2.9
Feb.	-14.1	27.0	0.3	-0.3	-0.8	-1.3	-6.6	24.6	-4.3	7.3	-2.3	17.4	-7.0	4.0
Mar.	-2.7	35.0	0.0	0.1	1.2	0.5	-6.0	31.3	1.1	0.2	-7.1	31.1	2.1	3.3
Apr.	6.7	-3.8	0.0	0.3	0.5	0.2	12.9	-7.2	-4.1	4.0	17.0	-11.3	-6.6	2.9
May	-0.7	12.9	0.0	-0.3	-1.2	-0.6	-5.9	13.5	-3.9	0.8	-1.9	12.7	6.4	0.4
June	-7.6	17.0	-0.9	0.6	-2.2	-0.6	-8.8	14.5	-5.6	2.9	-3.2	11.6	4.4	2.6
July	-3.2	20.9	0.2	-0.1	0.3	-3.4	6.4	21.9	-3.3	0.9	9.7	21.1	-10.0	2.5
Aug.	-10.2	18.5	0.1	-0.1	0.5	0.5	-22.8	17.4	-6.1	-1.6	-16.7	19.0	12.0	0.7
Sep.	-65.9	43.3	0.1	-0.4	-0.3	0.9	-57.1	39.4	-5.3	2.1	-51.9	37.3	-8.5	3.4
Oct.	5.5	38.7	0.0	0.4	0.2	0.4	14.8	33.6	-1.0	4.6	15.7	29.0	-9.5	4.3
Nov.	10.2	34.9	-0.1	-2.7	1.1	1.5	2.5	33.1	0.5	2.3	2.1	30.9	6.7	3.0
Dec.	59.4	-43.2	-0.4	5.0	1.8	-4.7	49.6	-43.9	-1.8	9.6	51.4	-53.5	8.4	0.5
1999 Jan.	-59.2	72.8	2.7	0.0	-0.5	-5.6	-58.5	75.1	-13.2	8.2	-45.3	67.0	-3.0	3.2
Feb.	20.4	0.7	-4.9	0.0	-2.1	-0.7	39.4	-3.2	-0.7	-3.0	40.2	-0.2	-12.0	4.6
Mar.	-14.0	7.0	-0.3	0.0	-0.8	1.3	-13.0	-1.0	-5.9	15.9	-7.1	-16.8	0.1	6.7

Source: ECB.

1) Inflows (+); outflows (-).

2) Data from January 1999 are not closely comparable with earlier observations. Flows before January 1999 include estimations.

Table 8.6**Reserves and related assets of the Eurosystem ¹⁾***(EUR billions; end-of-period positions, unless otherwise indicated)*

		Reserve assets							Memo:
		Total	Monetary gold	In fine troy ounces (millions)	Special drawing rights	Reserve position in the IMF	Foreign exchange	Other claims	Related assets
									Claims on euro area residents denominated in foreign currency
		1	2	3	4	5	6	7	8
1999	1 Jan.	330.2	99.6	405	5.8	22.7	201.5	0.7	7.6
	Jan.	337.5	101.6	405	5.6	22.7	206.0	1.7	7.4
	Feb.	340.2	105.6	405	2.6	22.8	208.5	0.7	9.4
	Mar.	348.9	105.3	405	3.4	23.6	214.7	1.8	10.1
	Apr.	352.6	109.6	405	5.0	24.2	212.1	1.7	11.7

*Source: ECB.**1) The figures are not fully comparable with those of Table 1.1 owing to differences in coverage and valuation.*

9 External trade in goods of the euro area

Table 9

1. Exports ¹⁾

(EUR billions (ECU billions to end-1998); f.o.b. value)

	Total	Food, drink, tobacco	Raw materials	Energy	Chemicals	Other manu- factured articles	Machinery, transport equipment	Other	Export trade indices 1995 = 100		
									Value ²⁾	Volume ²⁾	Unit value
	1	2	3	4	5	6	7	8	9	10	11
1995	622.5	46.8	14.5	11.1	79.5	182.8	271.3	16.4	100.0	100.0	100.0
1996	669.7	48.6	13.7	13.0	85.1	194.3	293.5	21.6	107.6	104.7	102.8
1997	762.4	52.8	16.3	14.4	98.9	216.3	342.5	21.2	122.5	115.9	105.7
1998	790.6	53.1	15.7	12.4	104.1	219.0	367.1	19.2	127.0	.	.
1996 Q3	162.6	11.9	3.3	3.1	21.7	48.4	69.3	4.9	104.5	101.9	102.5
Q4	182.2	13.3	3.6	3.5	21.7	52.0	82.0	6.0	117.1	114.8	102.0
1997 Q1	170.7	12.0	3.8	3.7	22.6	48.7	74.6	5.4	109.7	104.2	105.3
Q2	191.7	13.3	4.1	3.6	25.1	53.9	86.4	5.4	123.2	117.2	105.1
Q3	193.4	13.0	4.2	3.4	25.6	55.7	86.5	4.9	124.3	116.6	106.6
Q4	206.6	14.4	4.2	3.7	25.6	58.1	95.0	5.5	132.8	125.6	105.7
1998 Q1	193.9	13.1	4.1	3.4	26.5	54.3	87.5	5.0	124.6	115.6	107.8
Q2	203.5	13.9	3.9	3.3	26.9	56.0	94.5	5.0	130.8	122.4	106.8
Q3	194.5	12.7	3.9	2.9	25.7	54.5	90.0	4.6	125.0	117.3	106.5
Q4	198.7	13.4	3.8	2.8	24.9	54.2	95.2	4.6	127.7	.	.
1997 Nov.	66.3	4.6	1.3	1.2	8.2	18.8	30.4	1.8	127.8	121.1	105.6
Dec.	67.1	4.5	1.3	1.3	8.1	18.1	32.0	1.9	129.4	122.3	105.8
1998 Jan.	58.4	4.0	1.3	1.2	8.4	16.2	25.8	1.6	112.6	104.7	107.6
Feb.	63.6	4.3	1.4	1.0	8.6	18.0	28.8	1.6	122.7	113.8	107.8
Mar.	71.9	4.8	1.5	1.2	9.6	20.1	32.9	1.8	138.5	128.3	108.0
Apr.	67.9	4.7	1.3	1.1	9.2	18.8	30.9	1.8	130.9	122.4	106.9
May	65.7	4.5	1.3	1.1	8.7	18.1	30.5	1.6	126.7	118.5	106.9
June	69.9	4.7	1.3	1.1	9.1	19.1	33.1	1.6	134.8	126.3	106.7
July	72.7	4.5	1.3	1.1	9.2	20.9	34.0	1.6	140.2	131.1	106.9
Aug.	56.2	4.0	1.2	0.9	7.7	15.4	25.4	1.4	108.3	102.2	105.9
Sep.	65.6	4.3	1.3	0.9	8.8	18.2	30.6	1.6	126.5	118.6	106.6
Oct.	68.3	4.5	1.3	1.0	8.6	19.3	32.0	1.5	131.7	124.7	105.6
Nov.	66.1	4.5	1.3	0.9	8.1	17.9	31.9	1.6	127.4	121.7	104.7
Dec.	64.3	4.4	1.2	0.9	8.2	16.9	31.2	1.5	123.9	.	.
1999 Jan.	54.3	.	.	.	.	.	.	.	104.8	.	.
Feb.	59.6	.	.	.	.	.	.	.	114.8	.	.

Source: Eurostat; the commodity breakdown is in accordance with the SITC Rev. 3.

1) Owing to differences in definitions, coverage and time of recording, trade data (as compiled by Eurostat) are not fully comparable with the goods item in the balance of payments statistics compiled by the ECB (Table 8.2).

2) ECB calculations based on Eurostat data.

2. Imports ¹⁾

(EUR billions (ECU billions to end-1998); c.i.f. value)

	Total	Food, drink, tobacco	Raw materials	Energy	Chemicals	Other manu- factured articles	Machinery, transport equipment	Other	Import trade indices 1995 = 100		
									Value ²⁾	Volume ²⁾	Unit value
	1	2	3	4	5	6	7	8	9	10	11
1995	562.7	46.0	39.8	62.1	52.1	163.7	177.4	21.6	100.0	100.0	100.0
1996	593.9	46.7	36.5	73.8	53.8	166.1	191.3	25.7	105.5	102.9	102.6
1997	674.0	49.6	41.3	81.2	61.9	188.0	228.2	23.7	119.8	110.3	108.6
1998	707.8	50.3	41.0	61.9	67.3	199.8	264.6	23.0	125.8	.	.
1996 Q3	140.9	11.2	8.3	17.8	12.7	41.8	43.5	5.7	100.2	98.1	102.1
Q4	157.9	12.1	9.0	22.2	13.7	41.4	51.3	8.1	112.2	108.8	103.2
1997 Q1	159.1	11.4	9.6	21.2	14.6	44.5	51.5	6.3	113.1	106.0	106.7
Q2	168.0	12.6	11.0	18.6	16.0	46.5	57.3	5.9	119.4	111.4	107.2
Q3	166.6	12.2	10.0	20.0	15.2	48.9	55.6	4.7	118.4	106.9	110.8
Q4	180.3	13.5	10.6	21.4	16.1	48.1	63.8	6.9	128.2	116.9	109.6
1998 Q1	180.5	12.6	10.8	17.5	17.6	51.2	64.6	6.2	128.3	119.6	107.3
Q2	178.7	12.5	11.1	15.9	17.2	50.0	65.8	6.1	127.0	121.4	104.6
Q3	170.6	12.2	9.6	14.7	16.2	50.1	62.5	5.2	121.3	119.3	101.7
Q4	178.0	12.8	9.5	13.8	16.2	48.4	71.7	5.5	126.5	.	.
1997 Nov.	58.0	4.2	3.5	6.8	5.2	15.4	20.8	2.1	123.7	112.4	110.0
Dec.	58.8	4.4	3.4	7.0	5.1	15.3	21.0	2.6	125.5	116.3	107.9
1998 Jan.	57.9	4.1	3.5	6.2	5.6	16.4	20.1	2.0	123.5	114.7	107.6
Feb.	58.2	4.0	3.5	5.7	5.5	16.6	20.7	2.2	124.2	115.2	107.8
Mar.	64.4	4.6	3.8	5.6	6.5	18.2	23.7	2.0	137.3	129.0	106.4
Apr.	60.0	4.3	3.7	5.4	5.7	16.6	22.3	2.0	127.9	121.3	105.5
May	57.1	4.0	3.5	5.5	5.6	15.7	20.9	1.8	121.7	116.0	104.9
June	61.6	4.2	3.9	4.9	5.9	17.7	22.7	2.3	131.4	127.1	103.4
July	59.1	4.3	3.6	4.9	5.9	17.7	20.9	1.9	126.1	123.5	102.1
Aug.	50.0	3.7	2.8	4.7	4.7	14.7	17.9	1.5	106.7	105.5	101.1
Sep.	61.5	4.2	3.3	5.0	5.7	17.7	23.7	1.9	131.1	128.8	101.8
Oct.	61.7	4.3	3.3	5.0	5.7	17.2	24.3	2.0	131.6	132.5	99.3
Nov.	59.0	4.2	3.1	4.4	5.3	16.0	24.3	1.8	125.8	130.6	96.3
Dec.	57.3	4.4	3.1	4.4	5.2	15.3	23.2	1.8	122.3	.	.
1999 Jan.	53.8	.	.	.	.	.	.	.	114.7	.	.
Feb.	55.1	.	.	.	.	.	.	.	117.5	.	.

Source: Eurostat; the commodity breakdown is in accordance with the SITC Rev. 3.

1) Owing to differences in definitions, coverage and time of recording, trade data (as compiled by Eurostat) are not fully comparable with the goods item in the balance of payments statistics compiled by the ECB (Table 8.2). Much of the difference arises from the treatment of insurance and freight in the recording of imports.

2) ECB calculations based on Eurostat data.

Table 9**3. Trade balance ¹⁾***(EUR billions (ECU billions to end-1998); exports (f.o.b.) - imports (c.i.f.))*

	Total	Food, drink, tobacco	Raw materials	Energy	Chemicals	Other manufactured articles	Machinery, transport equipment	Other
	1	2	3	4	5	6	7	8
1995	59.7	0.8	-25.3	-51.0	27.4	19.0	93.9	-5.2
1996	75.8	2.0	-22.7	-60.9	31.3	28.1	102.1	-4.2
1997	88.4	3.2	-25.0	-66.8	37.0	28.3	114.3	-2.6
1998	82.8	2.9	-25.4	-49.5	36.8	19.2	102.5	-3.8
1996 Q3	21.7	0.7	-5.0	-14.7	9.0	6.6	25.8	-0.8
Q4	24.2	1.2	-5.5	-18.7	8.0	10.6	30.7	-2.1
1997 Q1	11.6	0.6	-5.8	-17.5	8.0	4.2	23.0	-0.9
Q2	23.7	0.7	-7.0	-15.0	9.1	7.4	29.1	-0.6
Q3	26.8	0.9	-5.9	-16.6	10.4	6.8	30.9	0.2
Q4	26.3	1.0	-6.4	-17.7	9.5	9.9	31.3	-1.3
1998 Q1	13.4	0.5	-6.7	-14.1	9.0	3.1	22.9	-1.2
Q2	24.8	1.4	-7.2	-12.6	9.7	6.0	28.6	-1.1
Q3	23.8	0.5	-5.8	-11.7	9.5	4.4	27.6	-0.6
Q4	20.7	0.5	-5.7	-11.1	8.6	5.7	23.4	-0.9
1997 Nov.	8.3	0.4	-2.1	-5.6	3.0	3.4	9.6	-0.3
Dec.	8.3	0.1	-2.1	-5.8	3.0	2.8	11.0	-0.7
1998 Jan.	0.5	-0.1	-2.3	-5.0	2.8	-0.2	5.7	-0.4
Feb.	5.4	0.4	-2.2	-4.7	3.1	1.4	8.1	-0.6
Mar.	7.5	0.2	-2.3	-4.4	3.1	1.9	9.1	-0.2
Apr.	7.9	0.4	-2.4	-4.3	3.4	2.2	8.7	-0.1
May	8.7	0.5	-2.3	-4.5	3.1	2.3	9.6	-0.2
June	8.3	0.5	-2.6	-3.8	3.2	1.4	10.4	-0.8
July	13.6	0.2	-2.2	-3.8	3.4	3.3	13.1	-0.2
Aug.	6.1	0.3	-1.6	-3.8	3.1	0.7	7.6	-0.1
Sep.	4.1	0.0	-2.0	-4.1	3.1	0.5	6.9	-0.3
Oct.	6.6	0.2	-2.0	-4.0	2.9	2.2	7.7	-0.5
Nov.	7.1	0.3	-1.9	-3.5	2.8	1.9	7.7	-0.2
Dec.	6.9	-0.1	-1.8	-3.5	3.0	1.6	8.0	-0.3
1999 Jan.	0.5	.	.	.	.	.	.	.
Feb.	4.5	.	.	.	.	.	.	.

Source: Eurostat; the commodity breakdown is in accordance with the SITC Rev. 3.

1) Owing to differences in definitions, coverage and time of recording, trade data (as compiled by Eurostat) are not fully comparable with the goods item in the balance of payments statistics compiled by the ECB (Table 8.1). Much of the difference arises from the treatment of insurance and freight in the recording of imports.

10 Exchange rates

Table 10

Exchange rates ¹⁾

(period averages; units of national currency per ECU or euro (bilateral); index 1990 = 100 (effective))

		Bilateral ECU or euro exchange rates								
		US dollar 1	Japanese yen 2	Swiss franc 3	Pound sterling 4	Swedish krona 5	Danish krone 6	Greek drachma 7	Norwegian krone 8	Canadian dollar 9
1995		1.308	123.0	1.546	0.829	9.33	7.33	303.0	8.29	1.795
1996		1.270	138.1	1.568	0.814	8.51	7.36	305.5	8.20	1.731
1997		1.134	137.1	1.644	0.692	8.65	7.48	309.3	8.02	1.569
1998		1.121	146.4	1.622	0.676	8.92	7.50	330.7	8.47	1.665
1998	Q1	1.087	139.2	1.604	0.660	8.71	7.53	319.1	8.20	1.554
	Q2	1.100	149.5	1.643	0.665	8.60	7.52	339.9	8.28	1.592
	Q3	1.118	156.3	1.642	0.676	8.95	7.50	332.7	8.54	1.690
	Q4	1.177	140.6	1.600	0.702	9.38	7.44	331.5	8.82	1.814
1999	Q1	1.122	130.7	1.599	0.687	8.98	7.44	322.7	8.60	1.696
1998	May	1.109	149.7	1.639	0.677	8.54	7.50	340.3	8.26	1.603
	June	1.101	154.4	1.645	0.667	8.71	7.52	334.8	8.34	1.613
	July	1.098	154.3	1.661	0.668	8.77	7.52	328.7	8.37	1.630
	Aug.	1.102	159.4	1.646	0.675	8.96	7.50	331.6	8.51	1.688
	Sep.	1.154	155.3	1.617	0.687	9.12	7.48	337.9	8.74	1.756
	Oct.	1.194	144.2	1.596	0.705	9.37	7.44	336.5	8.88	1.842
	Nov.	1.164	140.1	1.612	0.701	9.31	7.44	329.1	8.68	1.793
	Dec.	1.172	137.4	1.594	0.702	9.45	7.45	328.8	8.91	1.807
1999	Jan.	1.161	131.3	1.605	0.703	9.08	7.44	323.6	8.65	1.765
	Feb.	1.121	130.8	1.598	0.689	8.91	7.44	322.0	8.65	1.679
	Mar.	1.088	130.2	1.595	0.671	8.94	7.43	322.5	8.51	1.651
	Apr.	1.070	128.2	1.602	0.665	8.91	7.43	325.5	8.32	1.594
	May	1.063	129.7	1.603	0.658	8.97	7.43	325.2	8.23	1.553
% ch. vs. ²⁾ prev. month		-0.7	1.2	0.1	-1.0	0.7	0.0	-0.1	-1.0	-2.6

		Bilateral ECU or euro exchange rates							Effective exchange rate (EER) of the euro area ³⁾	
		Australian dollar 10	New Zealand dollar 11	Hong Kong dollar 12	Korean won 13	Singapore dollar 14	Taiwan dollar 15	Mexican peso 16	Nominal 17	Real 18
1995		1.765	1.993	10.01	999.7	1.833	34.28	8.35	97.8	98.7
1996		1.623	1.847	9.68	1,007.9	1.765	34.39	9.52	98.3	99.1
1997		1.528	1.715	8.75	1,073.2	1.678	32.50	8.95	90.4	90.7
1998		1.787	2.097	8.69	1,568.9	1.876	37.64	10.30	92.3	92.1
1998	Q1	1.630	1.879	8.42	1,745.8	1.817	36.07	9.17	89.6	89.7
	Q2	1.754	2.063	8.53	1,537.0	1.810	37.09	9.55	91.3	91.1
	Q3	1.867	2.199	8.67	1,486.8	1.935	38.71	10.62	93.5	93.4
	Q4	1.887	2.236	9.16	1,516.6	1.942	38.64	11.84	94.6	94.1
1999	Q1	1.770	2.087	8.69	1,342.6	1.911	36.60	11.18	91.0	90.6
1998	May	1.762	2.062	8.60	1,552.4	1.817	37.13	9.53	92.2	91.9
	June	1.824	2.151	8.53	1,539.8	1.866	38.06	9.83	92.2	92.0
	July	1.776	2.116	8.51	1,423.6	1.878	37.79	9.78	92.0	92.1
	Aug.	1.868	2.196	8.55	1,450.4	1.939	38.33	10.34	93.3	93.3
	Sep.	1.962	2.289	8.97	1,592.4	1.994	40.10	11.83	95.2	94.9
	Oct.	1.932	2.284	9.31	1,615.7	1.969	39.81	12.21	95.8	95.3
	Nov.	1.834	2.180	9.05	1,511.9	1.913	38.08	11.64	94.1	93.6
	Dec.	1.893	2.241	9.11	1,426.3	1.941	38.02	11.65	94.0	93.5
1999	Jan.	1.839	2.159	8.99	1,362.5	1.950	37.43	11.83	92.7	92.1
	Feb.	1.751	2.062	8.68	1,330.2	1.905	36.41	11.21	90.9	90.5
	Mar.	1.726	2.045	8.43	1,336.2	1.881	36.04	10.60	89.5	89.1
	Apr.	1.668	1.972	8.30	1,292.2	1.834	35.22	10.10	88.4	87.7
	May	1.605	1.925	8.24	1,271.9	1.820	34.81	9.97	88.1	87.3
% ch. vs. ²⁾ prev. month		-3.8	-2.4	-0.7	-1.6	-0.8	-1.2	-1.2	-0.4	-0.4
% ch. vs. ²⁾ prev. year									-4.4	-5.0

Source: ECB.

1) To December 1998, rates for the ECU (source BIS); from January 1999, rates for the euro.

2) A percentage change in the latest monthly observation is shown compared with the previous month and (only for the effective exchange rate) the same month of the previous year, respectively. A positive change denotes an appreciation of the euro.

3) BIS calculations; to December 1998, based on weighted averages of the euro area countries' effective exchange rates; from January 1999, based on weighted averages of bilateral euro exchange rates (original BIS figures have been rescaled to 1990 = 100). Weights are based on 1990 manufactured goods trade with the trading partners whose currencies are shown in the table and capture third-market effects. Real rates are calculated using national CPIs. Where CPI data are not yet available, estimates are used.

II Economic and financial developments in the other EU Member States

Table 11

Economic and financial developments

(annual percentage changes, unless otherwise indicated)

	HICP	General government deficit (-) / surplus (+) as a % of GDP	General government debt as a % of GDP	Long-term government bond yield ¹⁾ as a % per annum	Exchange rate ²⁾ as national currency per ECU or euro	Current and new capital account ³⁾ as a % of GDP	Unit labour costs ⁴⁾	Real GDP	Industrial production index ⁵⁾	Standardised unemployment rate as a % of labour force (s.a.)	Broad money ⁶⁾	3-month interest rate ¹⁾ as a % per annum
	1	2	3	4	5	6	7	8	9	10	11	12
Denmark												
1995	-	-2.4	72.1	8.27	7.33	.	1.7	3.0	4.4	7.2	-2.0	6.20
1996	2.1	-0.9	67.4	7.19	7.36	.	1.0	3.3	1.9	6.8	7.2	3.98
1997	1.9	0.4	63.6	6.26	7.48	0.6	2.8	3.1	5.7	5.6	4.7	3.73
1998	1.3	0.8	58.1	4.94	7.50	-1.4	2.8	2.9	2.2	5.1	4.6	4.27
1998	Q1	1.6	-	5.30	7.53	-1.0	2.1	4.2	6.4	5.5	3.0	3.90
	Q2	1.4	-	5.12	7.52	-1.8	1.6	1.3	-0.9	5.2	5.1	4.21
	Q3	1.2	-	4.82	7.50	1.5	3.1	3.7	3.7	5.1	6.6	4.47
	Q4	1.1	-	4.51	7.44	-4.0	4.4	2.7	-0.3	4.7	3.7	4.51
1999	Q1	1.4	-	4.22	7.44	.	.	.	-0.6	4.8	4.5	3.64
1998	Nov.	1.1	-	4.59	7.44	-	-	-	0.9	4.7	4.1	4.43
	Dec.	1.1	-	4.27	7.45	-	-	-	-3.6	4.7	2.9	4.23
1999	Jan.	1.2	-	4.03	7.44	-	-	-	-0.9	4.9	3.7	3.87
	Feb.	1.3	-	4.19	7.44	-	-	-	-1.8	4.8	4.3	3.62
	Mar.	1.7	-	4.43	7.43	-	-	-	0.9	4.7	5.5	3.46
	Apr.	1.7	-	4.22	7.43	-	-	-	.	.	3.9	3.12
	May	.	-	4.46	7.43	-	-	-	.	.	.	3.11
Greece												
1995	-	-10.3	110.1	-	303.0	-2.8	11.6	2.1	2.1	7.1	6.4	16.09
1996	7.9	-7.5	112.2	-	305.5	-3.7	10.6	2.4	0.6	7.5	9.8	13.54
1997	5.4	-3.9	109.4	9.92	309.3	-4.0	7.1	3.2	1.0	7.9	14.5	12.48
1998	4.5	-2.4	106.5	8.48	330.7	-3.1	.	.	3.4	10.0	4.0	13.53
1998	Q1	4.2	-	10.45	319.1	.	.	.	3.1	8.1	4.6	16.27
	Q2	5.0	-	7.90	339.9	.	.	.	6.1	10.3	3.4	12.77
	Q3	4.8	-	7.83	332.7	.	.	.	3.7	11.7	2.3	13.18
	Q4	4.0	-	7.76	331.5	.	.	.	0.8	9.8	5.6	11.94
1999	Q1	3.4	-	6.08	322.7	.	.	.	.	.	.	10.56
1998	Nov.	3.9	-	7.65	329.1	-	-	-	2.7	9.6	5.4	11.75
	Dec.	3.7	-	7.17	328.8	-	-	-	-1.3	9.3	8.7	11.62
1999	Jan.	3.5	-	6.32	323.6	-	-	-	-2.9	.	14.6	11.45
	Feb.	3.5	-	5.96	322.0	-	-	-	.	.	.	10.43
	Mar.	3.2	-	5.97	322.5	-	-	-	.	.	.	9.84
	Apr.	2.6	-	5.85	325.5	-	-	-	.	.	.	9.85
	May	.	-	.	325.2	-	-	-	.	.	.	9.72
Sweden												
1995	-	-6.9	77.6	10.24	9.33	.	.	3.9	10.6	8.8	-1.3	8.83
1996	0.8	-3.5	76.7	8.02	8.51	.	.	1.3	1.8	9.6	10.0	6.03
1997	1.8	-0.7	76.7	6.62	8.65	.	.	1.8	7.2	9.9	4.2	4.43
1998	1.0	2.0	75.1	4.99	8.92	2.4	.	2.9	4.1	8.3	3.5	4.36
1998	Q1	1.9	-	5.51	8.71	3.0	.	2.7	4.5	8.7	2.0	4.70
	Q2	1.4	-	5.13	8.60	1.1	.	1.8	6.2	8.6	2.6	4.53
	Q3	0.6	-	4.82	8.95	2.5	.	3.1	4.8	8.1	4.7	4.29
	Q4	0.1	-	4.50	9.38	2.8	.	3.8	1.2	7.6	4.5	3.94
1999	Q1	0.2	-	4.21	8.98	.	.	.	.	7.5	5.4	3.31
1998	Nov.	0.1	-	4.55	9.31	-	-	-	1.3	7.7	5.6	3.90
	Dec.	0.0	-	4.22	9.45	-	-	-	-1.5	7.5	2.1	3.60
1999	Jan.	0.0	-	4.02	9.08	-	-	-	-1.1	7.7	4.1	3.42
	Feb.	0.2	-	4.18	8.91	-	-	-	.	7.3	5.8	3.31
	Mar.	0.5	-	4.44	8.94	-	-	-	.	7.5	6.3	3.23
	Apr.	0.3	-	4.24	8.91	-	-	-	.	.	6.7	2.99
	May	.	-	4.50	8.97	-	-	-	.	.	.	3.10
United Kingdom												
1995	-	-5.7	53.0	8.32	0.829	.	1.7	2.8	1.5	8.7	7.2	6.75
1996	2.5	-4.4	53.6	7.94	0.814	0.0	2.0	2.6	0.4	8.2	9.9	6.11
1997	1.8	-1.9	52.1	7.13	0.692	0.9	3.3	3.5	1.0	7.0	11.2	6.92
1998	1.5	0.6	49.4	5.60	0.676	0.2	.	2.1	0.3	6.3	9.6	7.43
1998	Q1	1.5	-	6.10	0.660	-0.1	3.1	3.1	0.2	6.4	10.5	7.56
	Q2	1.8	-	5.89	0.665	-0.8	.	2.3	1.0	6.3	9.9	7.58
	Q3	1.4	-	5.57	0.676	0.8	.	1.8	0.5	6.3	9.5	7.67
	Q4	1.4	-	4.82	0.702	1.0	.	1.1	-0.5	6.3	8.6	6.89
1999	Q1	1.6	-	4.39	0.687	.	.	.	.	6.3	.	5.60
1998	Nov.	1.4	-	4.93	0.701	-	-	-	-0.1	6.2	8.4	6.97
	Dec.	1.5	-	4.54	0.702	-	-	-	-1.0	6.4	8.2	6.47
1999	Jan.	1.6	-	4.20	0.703	-	-	-	-0.9	6.3	7.6	5.90
	Feb.	1.5	-	4.37	0.689	-	-	-	-1.4	.	7.4	5.53
	Mar.	1.7	-	4.60	0.671	-	-	-	.	.	.	5.40
	Apr.	1.5	-	4.54	0.665	-	-	-	.	.	.	5.32
	May	.	-	.	0.658	-	-	-	.	.	.	5.35

Sources: Eurostat (columns 1, 8 and 10 (except Greece)); European Commission (DG II and Eurostat) (columns 2 and 3); Bloomberg (column 12); national data (columns 4, 5, 6, 7, 9, 10 (Greece) and 11).

1) Average-of-period values.

4) Whole economy; data for the United Kingdom

6) Average of end-month values;

2) For more information, see Table 10.

exclude employers' contribution to social security.

M3; M4 for the United Kingdom.

3) BPM5; BPM4 for Greece.

5) Manufacturing; adjusted for working days.

12 Economic and financial developments outside the EU

Table 12.1

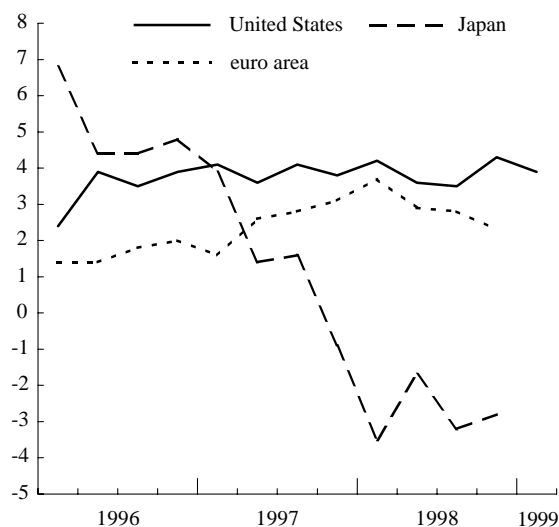
Economic and financial developments

(annual percentage changes, unless otherwise indicated)

	Consumer price index	Unit labour costs ¹⁾	Real GDP	Industrial production index ¹⁾	Unemployment rate as a % of labour force (s.a.)	M2 ²⁾	3-month interbank deposit rate ³⁾ as a % per annum	10-year government bond yield ³⁾ as a % per annum	Exchange rate ⁴⁾ as national currency per ECU or 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											
1995	2.8	-1.6	2.3	5.4	5.6	2.1	5.44	6.69	1.308	-2.2	60.8
1996	2.9	-2.3	3.4	4.8	5.4	4.8	5.43	6.54	1.270	-1.2	59.9
1997	2.3	0.0	3.9	6.7	4.9	5.0	5.62	6.45	1.134	0.1	57.8
1998	1.6	0.7	3.9	4.2	4.5	7.4	5.00	5.33	1.121	1.4	55.4
1998 Q1	1.5	1.1	4.2	6.0	4.6	6.6	5.59	5.67	1.087	-	57.7
Q2	1.6	1.0	3.6	5.0	4.4	7.2	5.59	5.67	1.100	-	56.2
Q3	1.6	1.4	3.5	3.2	4.5	7.3	5.20	5.27	1.118	-	55.4
Q4	1.5	-0.8	4.3	2.5	4.4	8.4	5.00	4.72	1.177	-	55.4
1999 Q1	1.7	-1.6	3.9	2.3	4.3	8.5	4.99	5.00	1.122	-	.
1998 Nov.	1.5	-	-	2.3	4.4	8.4	5.12	4.89	1.164	-	-
Dec.	1.6	-	-	2.2	4.3	8.7	5.00	4.69	1.172	-	-
1999 Jan.	1.7	-	-	1.9	4.3	8.7	4.99	4.78	1.161	-	-
Feb.	1.6	-	-	2.4	4.4	8.5	5.00	4.99	1.121	-	-
Mar.	1.7	-	-	2.5	4.2	8.1	4.99	5.23	1.088	-	-
Apr.	2.3	-	-	2.6	4.3	8.2	4.97	5.18	1.070	-	-
May	.	-	-	.	.	.	4.98	5.54	1.063	-	-
Japan											
1995	-0.1	-2.5	1.5	3.4	3.2	3.0	0.50	3.32	123.0	-3.6	.
1996	0.1	-1.7	5.1	2.3	3.4	3.3	0.31	3.03	138.1	-4.3	.
1997	1.7	-1.8	1.4	3.6	3.4	3.1	0.36	2.15	137.1	-3.3	.
1998	0.6	.	-2.8	-7.1	4.1	4.0	0.18	1.30	146.4	-5.9	.
1998 Q1	2.0	3.7	-3.5	-4.2	3.7	4.7	0.50	1.65	139.2	-	-
Q2	0.3	7.1	-1.7	-8.8	4.1	3.7	0.43	1.36	149.5	-	-
Q3	-0.2	.	-3.2	-8.5	4.3	3.7	0.12	1.14	156.3	-	-
Q4	0.5	.	-2.8	-6.8	4.4	4.0	0.18	1.04	140.6	-	-
1999 Q1	-0.1	.	.	-4.2	4.6	3.6	0.31	1.96	130.7	-	-
1998 Nov.	0.8	.	-	-5.9	4.4	4.3	0.68	0.89	140.1	-	-
Dec.	0.6	.	-	-6.7	4.4	3.9	0.18	1.39	137.4	-	-
1999 Jan.	0.2	.	-	-8.3	4.4	3.6	0.35	2.07	131.3	-	-
Feb.	-0.1	.	-	-4.1	4.6	3.4	0.38	2.09	130.8	-	-
Mar.	-0.4	.	-	-0.8	4.8	3.7	0.20	1.72	130.2	-	-
Apr.	-0.1	.	-	-1.7	.	4.0	0.18	1.55	128.2	-	-
May	.	.	-	.	.	.	0.12	1.36	129.7	-	-

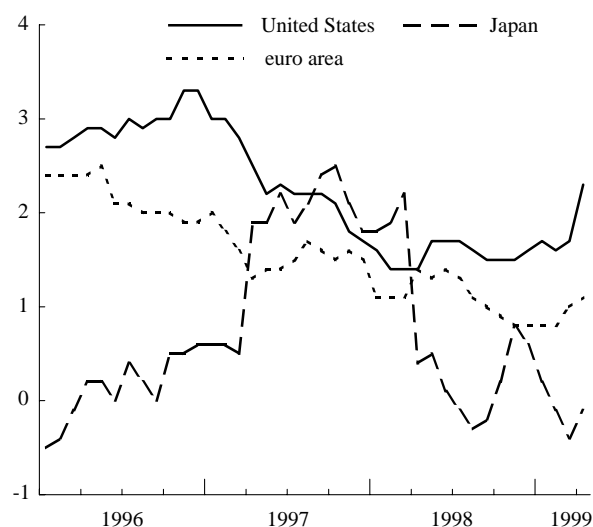
Real gross domestic product

(annual percentage changes; quarterly)



Consumer price indices

(annual percentage changes; monthly)



Sources: National data (columns 1, 2 (United States), 3, 4, 5, 6, 8 (to December 1998), 9 and 11); OECD (column 2 (Japan)); Eurostat (euro area chart data); Reuters (columns 7 and 8 (from January 1999)); European Commission (DG II) (column 10).

1) Manufacturing.

4) For more information, see Table 10.

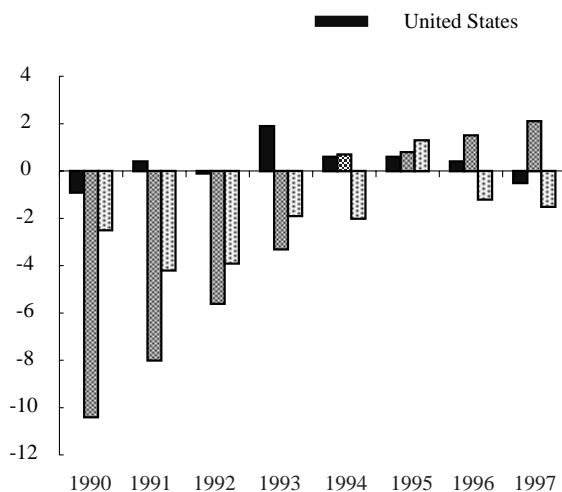
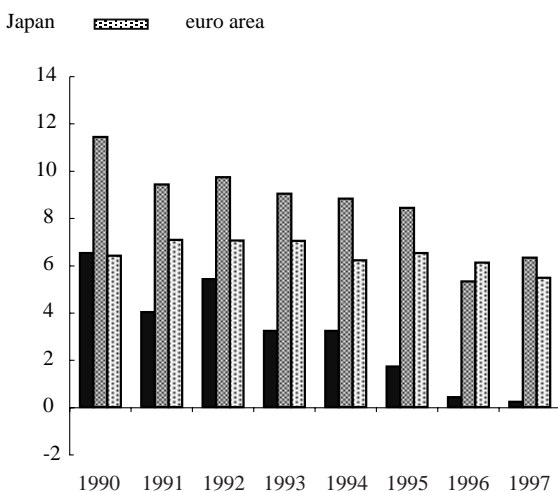
2) Average-of-period values, M2 and CDs for Japan.

5) Gross consolidated debt for the general government (end of period).

3) For more information, see Tables 2.7 and 2.8.

Table 12.2**Saving, investment and financing***(as a percentage of GDP)*

	National saving and investment			Investment and financing of non-financial corporations						Investment and financing of households ¹⁾			
	Gross saving	Gross capital formation	Net lending to the rest of the world	Gross capital formation	Gross fixed capital formation	Net acquisition of financial assets	Gross saving	Net incurrence of liabilities	Securities and shares	Capital expenditure	Net acquisition of financial assets	Gross saving	Net incurrence of liabilities
	1	2	3	4	5	6	7	8	9	10	11	12	13
United States													
1995	16.3	17.4	-1.4	7.8	7.2	6.0	8.3	5.4	2.4	12.2	6.7	13.5	4.9
1996	16.6	17.8	-1.6	7.9	7.5	5.2	8.2	4.8	1.4	12.4	5.4	13.5	5.0
1997	17.3	18.4	-1.7	8.3	7.4	3.7	8.2	4.2	1.8	12.3	4.8	12.8	4.7
1998	17.4	18.9	-2.5	8.3	7.7	4.0	8.2	4.3	0.9	12.7	5.3	11.5	6.0
1997 Q1	17.0	18.1	-1.6	8.1	7.3	6.1	8.1	5.9	1.3	12.4	2.9	12.9	4.5
Q2	17.6	18.5	-1.5	8.7	7.5	2.4	8.3	2.9	1.4	12.2	5.8	13.3	4.6
Q3	17.5	18.4	-1.7	8.2	7.7	3.2	8.4	4.3	2.0	12.3	5.4	12.9	5.5
Q4	17.3	18.5	-2.0	8.1	7.3	3.0	8.1	3.9	2.4	12.2	5.2	12.3	4.1
1998 Q1	17.7	19.1	-2.1	8.7	7.7	5.9	8.2	7.2	2.2	12.5	4.0	11.6	5.6
Q2	17.2	18.7	-2.5	8.1	7.8	1.8	8.1	2.6	2.7	12.7	7.8	11.5	6.1
Q3	17.3	18.8	-2.7	8.2	7.6	3.8	8.1	3.7	0.8	12.7	3.9	11.2	5.3
Q4	17.3	18.9	-2.7	8.3	7.8	4.4	8.2	3.9	-1.8	13.1	5.7	11.5	7.0
Japan													
1995	30.8	28.6	2.1	14.9	14.9	3.1	13.5	2.3	0.5	5.3	10.3	13.1	1.9
1996	31.5	30.0	1.4	14.6	15.3	1.7	15.2	0.3	1.0	6.7	6.4	12.7	1.1
1997	30.9	28.7	2.2	15.5	16.1	3.3	15.2	1.2	0.1	5.6	7.1	12.3	0.7
1998	.	.	.	.	.	4.4	.	-5.7	-1.3	.	5.3	.	-0.3
1997 Q1	33.4	29.4	1.5	.	.	0.6	.	-8.1	-1.0	.	-3.3	.	-0.9
Q2	31.2	26.6	2.3	.	.	2.6	.	-1.9	1.4	.	10.7	.	0.7
Q3	30.2	30.0	2.2	.	.	3.0	.	3.1	0.4	.	-0.3	.	1.5
Q4	29.0	29.3	2.6	.	.	6.6	.	10.7	-0.3	.	19.8	.	1.5
1998 Q1	33.2	27.9	2.4	.	.	0.6	.	-15.3	-2.6	.	-5.4	.	-2.3
Q2	.	24.1	.	.	.	-0.6	.	1.3	2.2	.	12.2	.	0.0
Q3	.	26.7	.	.	.	4.1	.	-1.9	0.5	.	-2.2	.	0.5
Q4	.	.	.	.	.	12.7	.	-6.7	-4.8	.	15.4	.	0.6

Net lending of non-financial corporations*(as a percentage of GDP)***Net lending of households ¹⁾***(as a percentage of GDP)*

Sources: ECB, Federal Reserve Board, Bank of Japan and Economic Planning Agency.

1) Households including non-profit institutions serving households. For Japan, saving of non-profit institutions serving households is included under saving of non-financial corporations.

General notes

The basis for the statistics compiled and published by the European Central Bank (ECB) was laid down in the document entitled the “Statistical requirements for Stage Three of Monetary Union (Implementation package)” which was made available to banking associations and others involved in statistical preparations for Stage Three by the European Monetary Institute (EMI) and the national central banks (NCBs) in July 1996. The “Implementation package” covers money and banking statistics, balance of payments statistics, international investment position statistics, financial accounts statistics, price and cost and other economic statistics.¹

The focus of these statistics is the euro area as a whole. More detailed and longer runs of data, with further explanatory notes, are available on the ECB’s Web site (<http://www.ecb.int>), and new or expanded data will appear in the ECB Monthly Bulletin as they become available.

Because the composition of the ECU does not coincide with the currencies of the Member States adopting the single currency, pre-1999 amounts converted from the participating currencies into ECU at current ECU exchange rates are affected by movements in the currencies of Member States which have not adopted the euro. To avoid this effect in the monetary statistics, the pre-1999 data in Tables 2.1 to 2.6 are expressed in units converted from national currencies at the irrevocable fixed exchange rates announced on 31 December 1998. Unless indicated otherwise, price and cost statistics before 1999 are based on the data expressed in national currency terms.

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

¹ Money and banking statistics are the responsibility of the ECB at the European level; responsibility for balance of payments, international investment position and financial accounts statistics is shared with the European Commission (Eurostat); price and cost and other economic statistics are the responsibility of the European Commission (Eurostat).

As a general rule, the cut-off date for the statistics included in the ECB Monthly Bulletin is the date of the first meeting in the month of the Governing Council of the ECB. For this issue, it was 2 June 1999. Exceptionally, certain flows data in Tables 2.3 and 2.4 include corrections submitted since that date.

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

Monetary policy and financial statistics

Tables 1.1 to 1.5 show the consolidated financial statement of the Eurosystem, data on Eurosystem operations, statistics relating to minimum reserves, and the banking system’s liquidity position. Monetary data relating to Monetary Financial Institutions (MFIs), including the Eurosystem, are shown in Tables 2.1 to 2.3. Table 2.3 is consolidated; inter-MFI positions within the euro area are not shown, but any difference between the sum total of such claims and liabilities as recorded is shown in column 13. Table 2.4 sets out monetary aggregates drawn from the consolidated MFI balance sheet; they also include some (monetary) liabilities of central government. Table 2.5 shows a quarterly currency analysis of certain MFI balance sheet items. Table 2.6 shows a quarterly sectoral and maturity analysis of loans by MFIs to euro area residents. More quarterly detail will be available shortly. A complete list of MFIs is published on the ECB’s Web site. Details of the sector definitions are set out in the “Money and Banking Statistics Sector Manual: Guidance for the statistical classification of customers” (EMI, April 1998). The “Money and Banking Statistics Compilation Guide” (EMI, April 1998) explains recommended practices to be followed by the NCBs. From 1 January 1999 the statistical information is collected and compiled on the basis of the ECB Regulation concerning the consolidated balance sheet of the Monetary Financial Institutions sector (ECB/1998/16).

Statistics on money market interest rates, long-term government bond yields and stock market indices (Tables 2.7 to 2.9) are produced by the ECB using data from wire services. For details concerning the statistics on retail bank interest rates (Table 2.10), see the footnote at the bottom of the relevant page.

Statistics on securities market issues and redemptions (Table 3) are expected to be available later in 1999.

Prices and real economy indicators

The data presented in the ECB Monthly Bulletin are, with a few exceptions, 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. However, the availability of comparable data is, as a general rule, better for the more recent periods than for earlier periods. The seasonally adjusted data are produced by Eurostat or national sources.

The Harmonised Index of Consumer Prices (HICP) for the euro area (Table 4.1) is available from 1995 onwards. It is based on national HICPs that follow the same methodology in all euro area countries. Estimates for periods before 1995 based on national consumer price indices are not fully comparable. The implementation of Council Regulation (EC) No. 1165/98 of 19 May 1998 concerning short-term statistics will enlarge the range of available euro area data, including timely and comparable data for retail trade turnover, for which, at present, an estimate based on national data is used (Table 5.1).

With regard to statistics on national accounts (Tables 4.2 and 5.1), the implementation of the European System of Accounts 1995 (ESA 95) during 1999 and thereafter will pave the way for fully comparable data, including quarterly summary accounts, across the euro area.

Unemployment rates conform to International Labour Organization (ILO) guidelines. Data on whole economy employment are derived from national sources using similar definitions. Data on manufacturing employment are harmonised and reported under the Regulation concerning short-term statistics (Table 5.2).

Opinion survey data (Chart 5.3) draw on the business and consumer surveys of the European Commission.

Financial accounts statistics

The "Implementation package" foresaw a need for detailed information covering the financial transactions and balance sheets for the euro area in order to complement monetary analysis and policy research. The aim is to provide a fairly full, though not complete, set of financial accounts for the euro area based on money and banking, balance of payments, capital market, non-MFI financial corporation and government finance statistics, and drawing also on the ESA 95 national accounts. Table 6 shows euro area aggregates based on national capital and financial accounts.

A more detailed and further harmonised set of statistics presenting financial accounts for the euro area is expected to appear in the ECB Monthly Bulletin later in 1999.

General government fiscal position

The general government fiscal position in the euro area is presented in Table 7 by reference to general government receipts, expenditure, saving, deficit and debt as a percentage of GDP. These data are aggregated by the ECB from harmonised data provided by the NCBs.

In addition, general government deficit and debt data are shown for individual euro area countries owing to their importance in the framework of the Stability and Growth Pact. These data are provided by the European Commission.

Balance of payments of the euro area, the Eurosystem's reserve position, trade in goods and exchange rates

The concepts and definitions used in balance of payments statistics (Tables 8.1 to 8.5) and international investment position statistics (to be published next autumn, for end-1998 stocks) generally conform to the 5th edition of the IMF Balance of Payments Manual (October 1993), to the ECB Guideline of 1 December 1998 (ECB/1998/17) on the statistical reporting requirements of the European Central Bank, and to Eurostat's documentation. The common methodology agreed between the ECB and the European Commission (Eurostat) and the aggregation method were explained on page 26 of the May issue of the Monthly Bulletin (see also the ECB's Web site). Table 8.3 on income is not included in this issue; it will be published in the August issue, when detailed quarterly data are available.

The euro area balance of payments is compiled by the ECB. Data up to December 1998 are expressed in ECU.

The outstanding amounts of the Eurosystem's reserves and related assets from 1999 onwards are shown in Table 8.6. Corresponding net flows are shown in Table 8.1. These data are not comparable with the net flows up to December 1998 shown in Table 8.1, which are compiled by aggregating figures following national definitions and include instruments issued by other residents of the euro area.

Table 9 gives data on euro area external trade in goods, and indices – value, volume and unit value – for total exports and imports. The value index is calculated by the ECB. The volume index is derived from the unit value index provided by Eurostat and the value index. Owing to differences in definitions, classification, coverage and time of recording, external trade data, in particular imports, are not fully comparable with the goods item in the balance of payments statistics (Tables 8.1 and 8.2).

From January 1999 onwards, statistics on exchange rates (Table 10) are daily reference rates published by the ECB.

Detailed methodological notes on euro area balance of payments statistics, external trade in goods of the euro area, and exchange rates are available on the ECB's Web site.

Other statistics

Statistics on other EU Member States (Table 11) follow the same principles as those for data relating to the euro area. Data for the United States and Japan contained in Tables/Charts 12.1 and 12.2 are obtained from national sources. Saving, investment and financing data for the United States and Japan (Table/Chart 12.2) are structured in the same way as the capital and financial flows data shown for the euro area in Table/Chart 6.

Conventions used in the tables

"-"	not applicable
“.”	not available
“...”	nil or negligible
“billion”	10 ⁹
(p)	provisional
s.a.	seasonally adjusted

Chronology of monetary policy measures of the Eurosystem

7 January 1999

The Governing Council of the ECB decides that for the two main refinancing operations to be announced on 11 and 18 January 1999 respectively the same conditions will apply as for the first such operation, which was settled on 7 January 1999, i.e. they will be fixed rate tenders conducted at an interest rate of 3.0%. The Governing Council confirmed its intention to maintain the main refinancing rate at this level for the foreseeable future.

12 January 1999

Following the decision of the Governing Council of the ECB on 22 December 1998, the ECB announces that the first longer-term refinancing operations of the Eurosystem will be conducted as variable rate tenders using the single rate method of allotment. With a view to phasing in the longer-term refinancing operations, the first such operation is conducted through three parallel tenders with three different maturities, namely 25 February, 25 March and 29 April 1999. The ECB also announces that the intention is to allot an amount of €15 billion in each of these parallel tenders. For the subsequent longer-term refinancing operations in the first three months of 1999, the intention is to allot an unchanged amount of €15 billion per operation.

21 January 1999

The Governing Council of the ECB decides to revert to the interest rates on the Eurosystem's two standing facilities which it had set for the start of Stage Three, i.e. to set the interest rate for the marginal lending facility at a level of 4.5% and that for the deposit facility at a level of 2.0% with effect from 22 January 1999. Furthermore, it decides that for the two main refinancing operations to be settled on 27 January and 3 February 1999 respectively the same conditions will apply as for the first three such operations settled earlier in January,

i.e. they will be fixed rate tenders conducted at an interest rate of 3.0%.

4 February 1999

The Governing Council of the ECB decides that for the main refinancing operations to be settled on 10 and 17 February 1999 the same conditions will apply as for the first such operations settled earlier in the year, i.e. they will be fixed rate tenders conducted at an interest rate of 3.0%. In addition, the interest rate on the marginal lending facility continues to be 4.5% and the interest rate on the deposit facility remains 2.0%.

18 February 1999

The Governing Council of the ECB decides that for the main refinancing operations to be settled on 24 February and 3 March 1999 the same conditions will apply as for the previous such operations settled earlier in the year, i.e. they will be fixed rate tenders conducted at an interest rate of 3.0%. In addition, the interest rate on the marginal lending facility continues to be 4.5% and the interest rate on the deposit facility remains 2.0%.

4 March 1999

The Governing Council of the ECB decides that for the main refinancing operations to be settled on 10 and 17 March 1999 the same conditions will apply as for the previous such operations settled earlier in the year, i.e. they will be fixed rate tenders conducted at an interest rate of 3.0%. In addition, the interest rate on the marginal lending facility continues to be 4.5% and the interest rate on the deposit facility remains 2.0%. The Governing Council also decides that for forthcoming longer-term refinancing operations of the Eurosystem the multiple rate method of allotment will be applied (starting from the operation with a settlement date of 25 March 1999) until otherwise indicated.

18 March 1999

The Governing Council of the ECB decides that for the main refinancing operations to be settled on 24 and 31 March and 7 April 1999 the same conditions will apply as for the previous such operations settled earlier in the year, i.e. they will be fixed rate tenders conducted at an interest rate of 3.0%. In addition, the interest rate on the marginal lending facility continues to be 4.5% and the interest rate on the deposit facility remains 2.0%.

8 April 1999

The Governing Council of the ECB decides to reduce the interest rate on the main refinancing operations by 0.5 percentage point to 2.5%, starting with the operation to be settled on 14 April 1999. In addition, it decides to lower the interest rate on the marginal lending facility by 1 percentage point to 3.5% and the interest rate on the deposit facility by 0.5 percentage point to 1.5%, both with effect from 9 April 1999.

22 April 1999

The Governing Council of the ECB decides that the interest rates on the main refinancing operations, the marginal lending facility and the deposit facility will remain unchanged at 2.5%, 3.5% and 1.5% respectively. In addition, the Governing Council announces that for the longer-term refinancing operations to be settled during the next six months, the intention is to continue to allot an amount of €15 billion per operation.

6 May 1999

The Governing Council of the ECB decides that the interest rates on the main refinancing operations, the marginal lending facility and the deposit facility will remain unchanged at 2.5%, 3.5% and 1.5% respectively.

20 May 1999

The Governing Council of the ECB decides that the interest rates on the main refinancing operations, the marginal lending facility and the deposit facility will remain unchanged at 2.5%, 3.5% and 1.5% respectively. The Governing Council also decides to change the maturity of the longer-term refinancing operation scheduled to be settled on 30 September 1999. The redemption date of this operation will be brought forward from 30 December to 23 December 1999. Correspondingly, the longer-term refinancing operation which was originally scheduled to be announced on 27 December 1999 and to be allotted and settled on 30 December 1999 will be announced on 21 December, allotted on 22 December and settled on 23 December 1999. The rescheduling of operations is intended to alleviate the working procedures for financial market participants at the turn of the year.

2 June 1999

The Governing Council of the ECB decides that the interest rates on the main refinancing operations, the marginal lending facility and the deposit facility will remain unchanged at 2.5%, 3.5% and 1.5% respectively.

The TARGET (Trans-European Automated Real-time Gross settlement Express Transfer) system

Operational framework

On 31 March 1999 the ECB published a press release in which a change in the calendar of TARGET operating days for 1999 was announced. The Governing Council of the ECB decided that, in view of the Year 2000 changeover, the TARGET system will be closed on 31 December 1999. This applies to both the Interlinking mechanism and all domestic euro real-time gross settlement (RTGS) systems participating in or connected to TARGET. The closing of TARGET on 31 December 1999 is a preventive measure which will enhance the safety of the Year 2000 transition, since it allows all end-of-day and end-of-year activities for all systems to be carried out and all backups of data to be finalised before midnight on that day.

On the basis of both the experience gained since the start of TARGET operations and the feedback received from various banking associations of the European Union (EU),

national TARGET user groups and individual participants, the ECB and the national central banks (NCBs) of the EU are working on further improvements to the system. For instance, a direct communication channel between the ECB/NCBs and the participants will be established in order to allow the latter to be informed more quickly of any problem arising in one of the TARGET components. The ECB is also investigating ways to limit the amount of funds which would be blocked in TARGET in the event of such a situation. Moreover, an additional contingency arrangement is scheduled for implementation in September 1999. The intention is to take advantage of the decentralised nature of TARGET by using other RTGS systems as backups should an NCB face a temporary unavailability. The arrangement will be based on correspondent banking accounts opened by all NCBs with a limited number of "service provider" NCBs and the ECB, and will allow critical payments to be processed in abnormal situations.

Table I

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

(number of payments)

TARGET	1999			
	Jan.	Feb.	Mar.	Apr.
All TARGET payments				
Total volume	3,015,268	3,081,425	3,659,288	3,342,607
Daily average	150,763	154,071	159,099	151,937
Cross-border TARGET payments				
Total volume	402,266	520,203	639,764	588,400
Daily average	20,113	26,010	27,816	26,745
Domestic TARGET payments				
Total volume	2,613,002	2,561,222	3,019,524	2,754,207
Daily average	130,650	128,061	131,284	125,191
Other systems				
Euro 1 (EBA)				
Total volume	855,032	1,062,263	1,389,394	1,317,191
Daily average	42,752	53,113	60,408	59,872
Euro Access Frankfurt (EAF)				
Total volume	958,828	934,528	1,103,199	965,686
Daily average	47,941	46,726	47,965	43,895
Paris Net Settlement (PNS) ¹⁾				
Total volume	439,479	434,982	496,294	447,724
Daily average	21,974	21,749	21,578	20,351
Servicio Español de Pagos Interbancarios (SEPI)				
Total volume	100,696	92,200	106,964	95,608
Daily average	5,035	4,610	4,651	4,346

1) The PNS replaced the *Système Net Protégé (SNP)* on 19 April 1999.

Payment flows in TARGET

In the first four months of 1999 TARGET as a whole processed a daily average of more than 150,000 payments, representing a value of about €950 billion per day. In this period the number of cross-border TARGET payments stabilised at around 27,000 payments per day (some €350 billion in terms of value). The peak day was 19 January 1999, the day after a bank holiday in the United States, when 37,047 payments were processed, representing a value of nearly €480 billion.

The share of customer payments in the total number of cross-border TARGET payments increased slightly in terms of value from 1.5% in January 1999 to 2.1% in April 1999 and – in the same period – from 14.5% to 20.5% in terms of volume. In April 1999 the average value of customer payments stood at €1.4 million; for interbank payments the average value was €16.1 million.

Liquidity aspects

With regard to banks' liquidity management in Stage Three of EMU, the guidelines on "Liquidity Management in the Framework of TARGET" published by the Banking Federation of the European Union in December 1998 have made a positive contribution. However, they deal only with the timing of cross-border TARGET payments, and do not cover the use of other systems or the processing of domestic euro payments. The present lack of market conventions has resulted in imbalances between payment systems and makes it difficult for banks to manage their payment flows efficiently. Therefore, the ECB is urging the industry to make a considerable improvement in this field very soon.

Further information on the TARGET system is available in the TARGET section of the ECB's Web site (<http://www.ecb.int>).

Table 2

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

(EUR billions)

TARGET	1999			
	Jan.	Feb.	Mar.	Apr.
All TARGET payments				
Total value	20,831	18,869	20,996	20,330
Daily average	1,042	943	913	924
Cross-border TARGET payments				
Total value	7,107	7,006	7,857	7,734
Daily average	355	350	342	352
Domestic TARGET payments				
Total value	13,724	11,863	13,139	12,596
Daily average	686	593	571	573
Other systems				
Euro 1 (EBA)				
Total value	3,441	3,456	4,103	3,786
Daily average	172	173	178	172
Euro Access Frankfurt (EAF)				
Total value	4,001	3,183	3,639	3,259
Daily average	200	159	158	148
Paris Net Settlement (PNS) ¹⁾				
Total value	2,131	1,742	1,894	2,116
Daily average	107	87	82	96
Servicio Español de Pagos Interbancarios (SEPI)				
Total value	168	84	88	73
Daily average	8	4	4	3

1) The PNS replaced the *Système Net Protégé* (SNP) on 19 April 1999.

Documents published by the European Central Bank (ECB)

This list is designed to inform readers about selected documents published by the European Central Bank. The publications are available to interested parties free of charge from the Press Division. Please submit orders in writing to the postal address given on the back of the title page.

For a complete list of documents published by the European Monetary Institute, please visit the ECB's Web site (<http://www.ecb.int>).

Annual Report

"Annual Report 1998", April 1999.

Monthly Bulletin

Articles published from January 1999 onwards:

"The euro area at the start of Stage Three", January 1999.

"The stability-oriented monetary policy strategy of the Eurosystem", January 1999.

"Euro area monetary aggregates and their role in the Eurosystem's monetary policy strategy", February 1999.

"The role of short-term economic indicators in the analysis of price developments in the euro area", April 1999.

"Banking in the euro area: structural features and trends", April 1999.

"The operational framework of the Eurosystem: description and first assessment", May 1999.

"The implementation of the Stability and Growth Pact", May 1999.

Working Paper Series

- 1 "A global hazard index for the world foreign exchange markets" by V. Brousseau and F. Scacciavillani, May 1999.
- 2 "What does the single monetary policy do? A SVAR benchmark for the European Central Bank" by C. Monticelli and O. Tristani, May 1999.
- 3 "Fiscal policy effectiveness and neutrality results in a non-Ricardian world" by C. Detken, May 1999.
- 4 "From the ERM to the euro: new evidence on economic and policy convergence among EU countries" by I. Angeloni and L. Dedola, May 1999.
- 5 "Core inflation: a review of some conceptual issues" by M. Wynne, May 1999.

Other publications

TARGET brochure, July 1998.

“The TARGET service level”, July 1998.

“Report on electronic money”, August 1998.

“Assessment of EU securities settlement systems against the standards for their use in ESCB credit operations”, September 1998.

“Money and banking statistics compilation guide”, September 1998.

“The single monetary policy in Stage Three: General documentation on ESCB monetary policy instruments and procedures”, September 1998.

“Third progress report on the TARGET project”, November 1998.

“Correspondent central banking model (CCBM)”, December 1998.

“Payment systems in the European Union: Addendum incorporating 1997 figures”, January 1999.

“Possible effects of EMU on the EU banking systems in the medium to long term”, February 1999.

