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EUROPEAN CENTRAL BANK

EUROSYSTEM

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MONTHLY BULLETIN
JULY

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

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ABBREVIATIONS

COUNTRIES

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

OTHERS

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

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

EDITORIAL

Based on its regular economic and monetary analyses, the Governing Council decided at its meeting on 8 July 2010 to leave the key ECB interest rates unchanged. The current rates remain appropriate. Taking into account all the new information which has become available since its meeting on 10 June 2010, the Governing Council continues to expect price developments to remain moderate over the policy-relevant medium-term horizon, benefiting from low domestic price pressures. The latest information has also confirmed that the economic recovery in the euro area continued in the first half of 2010. Looking ahead, the Governing Council expects the euro area economy to grow at a moderate and still uneven pace, in an environment of high uncertainty. The monetary analysis confirms that inflationary pressures over the medium term remain contained, as suggested by weak money and credit growth. Overall, the Governing Council expects price stability to be maintained over the medium term, thereby supporting the purchasing power of euro area households. Inflation expectations remain firmly anchored in line with the aim of keeping inflation rates below, but close to, 2% over the medium term. The firm anchoring of inflation expectations remains of the essence.

Monetary policy will do all that is needed to maintain price stability in the euro area over the medium term. This is the necessary and central contribution that monetary policy makes to fostering sustainable economic growth, job creation and financial stability. All the non-standard measures taken during the period of acute financial market tensions, referred to as "enhanced credit support" and the Securities Markets Programme, are fully consistent with the Governing Council's mandate and, by construction, temporary in nature. The Governing Council remains firmly committed to price stability over the medium to longer term. The monetary policy stance and the overall provision of liquidity will be adjusted as appropriate. Accordingly, the Governing Council will continue to monitor all developments over the period ahead very closely.

Turning to the economic analysis, after a period of sharp decline, euro area economic activity has been expanding since mid-2009. Euro area real GDP increased, on a quarterly basis, by 0.2% in the first quarter of 2010, according to Eurostat's second estimate. The latest economic data and survey-based indicators suggest that a strengthening in economic activity took place during the spring. The Governing Council expects real GDP to grow at a moderate and still uneven pace over time and across economies and sectors of the euro area. The ongoing recovery at the global level and its impact on the demand for euro area exports, together with the accommodative monetary policy stance and the measures adopted to restore the functioning of the financial system, should provide support to the euro area economy. However, the recovery in activity is expected to be dampened by the process of balance sheet adjustment in various sectors and labour market prospects.

According to the Governing Council's assessment, the risks to the economic outlook are broadly balanced, in an environment of high uncertainty. On the upside, the global economy and foreign trade may recover more strongly than projected, thereby further supporting euro area exports. On the downside, concerns remain relating to renewed tensions in financial markets, with possible further adverse effects on financing conditions and confidence. In addition, a stronger or more protracted than previously expected negative feedback loop between the real economy and the financial sector, renewed increases in oil and other commodity prices, and protectionist pressures, as well as the possibility of a disorderly correction of global imbalances, may weigh on the downside.

With regard to price developments, euro area annual HICP inflation was 1.4% in June, according to Eurostat's flash estimate, after 1.6% in May. In the next few months, annual HICP inflation rates are expected to display some further volatility, with a tendency towards somewhat higher rates later in the year. Looking ahead, in 2011 inflation rates should overall remain moderate, benefiting from low domestic

price pressures. Inflation expectations over the medium to longer term continue to be firmly anchored in line with the Governing Council's aim of keeping inflation rates below, but close to, 2% over the medium term.

Risks to the outlook for price developments are broadly balanced. Upside risks over the medium term relate, in particular, to the evolution of commodity prices. Furthermore, increases in indirect taxation and administered prices may be greater than currently expected, owing to the need for fiscal consolidation in the coming years. At the same time, risks to domestic price and cost developments are contained. Overall, the Governing Council will monitor closely the future evolution of all available price indicators.

Turning to the monetary analysis, the annual growth rate of M3 was unchanged at -0.2% in May 2010. The annual growth rate of loans to the private sector increased slightly further but, at 0.2%, remained weak. Together, these data continue to support the assessment that the underlying pace of monetary expansion is moderate and that inflationary pressures over the medium term are contained. Shorter-term developments in M3 and some of its components and counterparts have remained volatile and, given the continued tensions in some financial market segments, this volatility may well persist.

The previously strong impact of the interest rate constellation on monetary dynamics appears to be gradually waning. This implies that actual M3 growth is less affected than before by the downward impact of the steep yield curve and the associated allocation of funds into longer-term deposits and securities outside M3. Moreover, the impact that the narrow spreads between the interest rates paid on different M3 instruments have on shifts within M3 towards M1 should be diminishing. However, at 10.3%, annual M1 growth is still very strong.

The still weak annual growth rate of bank loans to the private sector continues to conceal countervailing developments, with positive growth in loans to households and negative growth in loans to non-financial corporations. While the monthly flow in bank loans to non-financial corporations was positive in May, in the light of the volatility observed in recent months it is too early to judge whether this signals a turning-point. A lagged response of loans to non-financial corporations to developments in economic activity is a normal feature of the business cycle.

The data up to May confirm that the size of banks' overall balance sheets has increased since the turn of the year. The challenge remains for banks to expand the availability of credit to the non-financial sector when demand picks up. Where necessary, to address this challenge, banks should retain earnings, turn to the market to strengthen further their capital bases or take full advantage of government support measures for recapitalisation. In this respect, the Governing Council welcomes the decision announced by the European Council to publish, with the consent of the banks involved, the individual results of the stress test exercise for banks in the European Union carried out by the Committee of European Banking Supervisors (CEBS) in cooperation with the ECB. Appropriate action will have to be taken where needed. Sound balance sheets, effective risk management and transparent, robust business models are key to strengthening banks' resilience to shocks and to ensuring adequate access to finance, thereby laying the foundations for sustainable growth, job creation and financial stability.

To sum up, the current key ECB interest rates remain appropriate. Taking into account all the new information which has become available since its meeting on 10 June 2010, the Governing Council continues to expect price developments to remain moderate over the policy-relevant medium-term horizon, benefiting from low domestic price pressures. The latest information has also confirmed that the economic recovery in the euro area continued in the first half of 2010. Looking ahead, the Governing Council expects the euro area economy to grow at a moderate and still uneven pace, in an

environment of high uncertainty. A cross-check of the outcome of the economic analysis with that of the monetary analysis confirms that inflationary pressures over the medium term remain contained, as suggested by weak money and credit growth. Overall, the Governing Council expects price stability to be maintained over the medium term, thereby supporting the purchasing power of euro area households. Inflation expectations remain firmly anchored in line with the aim of keeping inflation rates below, but close to, 2% over the medium term. The firm anchoring of inflation expectations remains of the essence.

As regards fiscal policies, the focus clearly needs to be on ensuring the sustainability of public finances. In the current environment, all euro area countries must, as a minimum, comply with their fiscal consolidation plans as foreseen under the respective excessive deficit procedures. More ambitious targets, as already adopted by a number of countries, may become necessary where current plans fall short of meeting the main objective of halting and reversing the increase in the government debt ratio. Moreover, all countries must specify credible adjustment measures that are sufficient to attain their budgetary targets for 2010, 2011 and beyond, and must live up to their commitment to take additional measures, where needed, over the coming years.

For the proper functioning of the euro area, and to strengthen the prospects for higher sustainable growth, the pursuit of far-reaching structural reforms is essential. This will also support the process of fiscal consolidation. Major reforms are particularly needed in those countries that have experienced competitiveness losses in the past or that are suffering from high fiscal and external deficits. Measures should ensure a wage bargaining process that allows wages to adjust flexibly to the unemployment situation and losses in competitiveness. Reforms to strengthen productivity growth would further support the adjustment process of these economies.

Regarding the proposals submitted by the Governing Council to the Task Force on Economic Governance established by the European Council under the chairmanship of President Van Rompuy, in the view of the Governing Council a quantum leap in terms of progress towards strengthening the institutional foundations of EMU is needed. It is essential that governance and enforcement structures in the economic policy framework of the euro area be strengthened. Reinforcing surveillance of national budgetary policies and ensuring rigorous compliance with the fiscal rules will be key. Furthermore, it is extremely important that close oversight of relative competitiveness developments be implemented and that a surveillance mechanism be established to address imbalances in the euro area countries. At the same time, it is important to establish an appropriate euro area crisis management framework that minimises moral hazard.

This issue of the Monthly Bulletin contains three articles. The first article examines euro area labour market adjustments in the context of the recent recession. The second article assesses the effectiveness of euro area fiscal policies. The third article discusses the impact of the financial crisis on economic activity in the central and eastern European countries.

ECONOMIC AND MONETARY DEVELOPMENTS

I THE EXTERNAL ENVIRONMENT OF THE EURO AREA

The global economy is recovering at a steady pace. However, the strength of the upturn is rather uneven across countries. While most emerging economies have recorded vigorous economic growth, the momentum in most advanced economies has remained more subdued. These uneven growth patterns have also been reflected in divergent inflationary pressures across regions, although global price pressures have continued to be rather muted overall. Inflation rates have risen to higher levels in fast-growing emerging economies, but have remained subdued in major advanced economies. Risks to the global economic outlook are seen to be broadly balanced.

I.1 DEVELOPMENTS IN THE WORLD ECONOMY

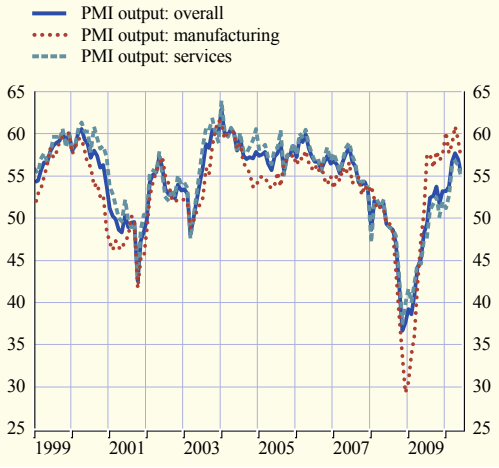
The global economy is recovering at a steady pace, supported by the ongoing policy stimuli and the favourable inventory cycle. However, the strength of the upturn is rather uneven across countries. While most emerging economies have recorded vigorous economic growth, the momentum in most advanced economies has remained more subdued.

Short-term indicators suggest that the pace of the economic expansion, while remaining robust, has been moderating in both the manufacturing and the services sectors (see Chart 1). The overall global PMI output eased to 55.4 in June from 57.0 in the previous month. This figure is still well above the series average and consistent with strong global growth. Business activity continues to be supported by a further solid, albeit moderating, expansion in incoming new orders, both domestically and from abroad. This also bodes well for euro area foreign demand.

Global price pressures have remained rather muted overall, but the uneven growth patterns have also been reflected in divergent inflationary pressures across countries and regions. In major advanced economies, CPI inflation has remained subdued, while inflation rates have risen to higher levels in fast-growing emerging economies. Overall, in the OECD area, headline consumer prices rose by 2.0% in the year to May, compared with 2.1% in April (see Chart 2). The decline in headline inflation was mainly driven by a slowdown in annual energy price inflation in May compared with April. Annual consumer price inflation excluding food and energy was 1.3% in May, unchanged from the previous

Chart 1 Global PMI output

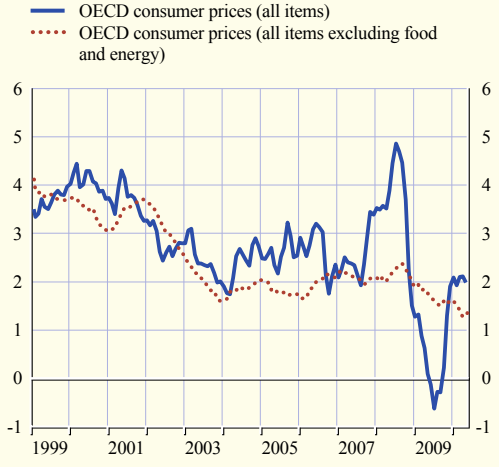
(diffusion index; seasonally adjusted; monthly data)



Source: Markit.

Chart 2 International price developments

(monthly data; annual percentage changes)



Source: OECD.

month. Global PMI input prices signal that cost inflation slowed in most manufacturing sectors covered by this survey.

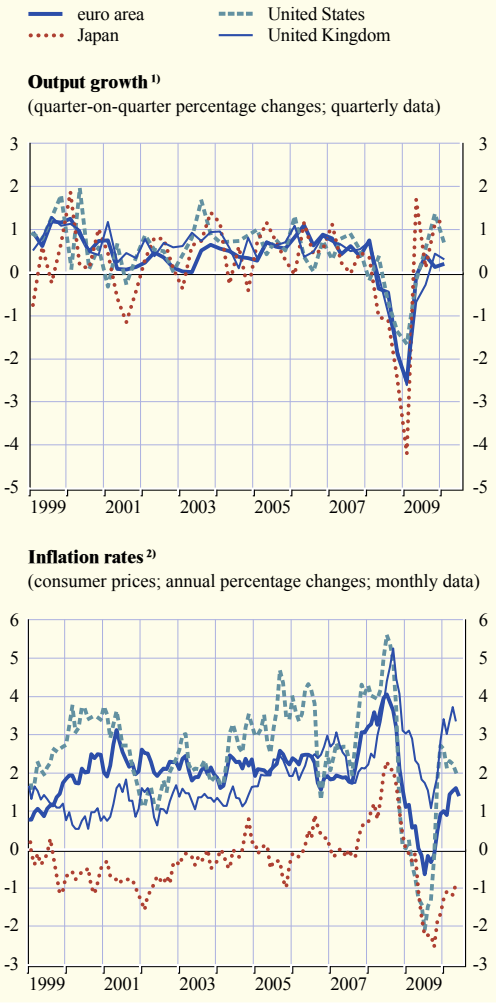
UNITED STATES

In the United States, real GDP growth lost some momentum in the first quarter of 2010, after having rebounded strongly in the last quarter of 2009. According to the third estimate by the Bureau of Economic Analysis, real GDP increased by 2.7% in annualised terms in the first quarter of 2010, following a 5.6% increase in the last quarter of 2009. Private inventories accounted for more than half of the overall increase in GDP in the first quarter of 2010. GDP growth also partly reflected resilient consumer spending, which rose at an annualised rate of 3.0%. Business spending continued to recover, led by another marked rise in investment in equipment and software. On the other hand, growth was dampened by a large decline in state and local government spending and a negative contribution from trade, as the increase in imports outpaced that in exports.

As regards price developments, annual CPI inflation was 2.0% in May compared with 2.2% in April. A slowdown in annual energy price inflation in May accounted for the fall in headline CPI. Excluding food and energy, annual inflation remained at 0.9% in May, the lowest rate since 1966, reflecting lower inflationary pressures amid substantial economic slack.

On 23 June 2010 the US Federal Open Market Committee (FOMC) decided to maintain its target range for the federal funds rate at 0% to 0.25%. The FOMC continues to hold the view that economic conditions, including low rates of resource utilisation, subdued inflationary trends and stable inflation expectations, are likely to warrant exceptionally low levels of the federal funds rate for an extended period.

Chart 3 Main developments in major industrialised economies



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

JAPAN

In Japan, economic activity has shown further signs of recovery, while deflation is moderating. According to the second preliminary estimate by Japan's Cabinet Office, real GDP increased in the first quarter of 2010 by 1.2% on a quarterly basis. The June Tankan survey revealed that, while firms' assessment of current business conditions has improved, their outlook remains cautious.

Consumer prices continued to decline, albeit to a lesser extent, owing to the significant slack in the economy. Annual CPI inflation was -0.9% in May compared with a rate of -1.2% in April. At the same time, CPI inflation excluding food and energy was -1.6% year on year in May, unchanged from April.

At its meeting on 15 June 2010, the Bank of Japan decided to leave its target for the uncollateralised overnight call rate unchanged at 0.1%.

UNITED KINGDOM

In the United Kingdom, recent indicators continue to suggest ongoing recovery. Quarter-on-quarter real GDP growth was revised up to 0.3% (from 0.2%) in the first quarter of 2010 (see Chart 3). Output growth was mainly driven by a positive contribution from inventories, while household expenditure was unchanged and net trade continued to weigh negatively. House prices have continued their upward trend, at least in year-on-year terms. The Halifax house price index was 5.3% higher in May 2010 compared with one year ago. Looking forward, activity is expected to continue its gradual recovery, supported by lagged effects of the depreciation of the pound sterling, monetary stimuli, and improvements in overall global conditions. However, the economic outlook continues to be dampened by the need for substantial fiscal tightening, further adjustment in banking sector balance sheets, and rising private sector savings against the background of high levels of indebtedness and increased uncertainty.

Annual CPI inflation, after being on an upward trend in recent months, decreased to 3.4% in May from 3.7% in April. The restoration of the VAT rate in January 2010, annual increases in energy prices and the lagged effect of the pound's depreciation have continued to exert upward pressure on annual inflation. On 10 June the Bank of England's Monetary Policy Committee voted to maintain the official Bank Rate paid on commercial bank reserves at 0.5%. The Committee also voted to maintain the stock of asset purchases financed by the issuance of central bank reserves at GBP 200 billion.

OTHER EUROPEAN COUNTRIES

In most other non-euro area EU countries, real GDP growth has returned to positive territory and capacity utilisation rates have increased in manufacturing. This gradual recovery mainly reflects the continued improvement in external demand and the gradual pick-up in consumer confidence. Overall, short-term activity indicators suggest continuing recovery.

In Sweden, real GDP increased by 1.4% quarter on quarter in the first quarter of 2010, following growth of 0.4% in the fourth quarter of 2009. In Denmark, output increased by 0.6% in the first quarter of 2010, up from 0.1% in the fourth quarter of 2009. Short-term indicators clearly point to continuing recovery in Sweden and Denmark, although business investment remains weak in both countries. In May 2010 annual HICP inflation moderated to 1.9% in both countries.

Among the largest central and eastern European EU countries, only Romania registered negative real GDP growth in the first quarter of 2010, at -0.3% in quarter-on-quarter terms. Meanwhile, growth reached 0.9% in Hungary and 0.5% in the Czech Republic and Poland. Overall, with the exception of Romania, recent confidence indicators as well as industrial production and trade figures point to an improvement in activity. At the same time, a number of factors – including rising unemployment and weak credit conditions (particularly in Hungary and Romania) – point to continued weakness

in domestic demand. In May 2010 annual HICP inflation stood at 1.0% in the Czech Republic and 2.3% in Poland. In Hungary and Romania, annual HICP inflation remained elevated at 4.9% and 4.4% respectively.

EMERGING ASIA

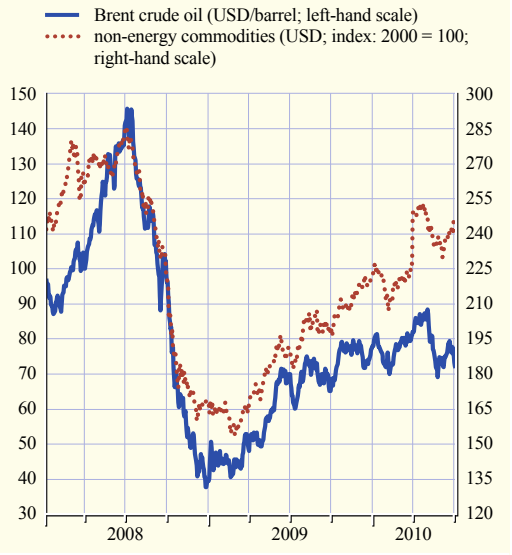
Output growth remained robust in emerging Asia during the second quarter of 2010, as confirmed by the latest monthly indicators. In particular, the region has experienced a strong rebound in export growth thus far this year, in sharp contrast to one year ago. Average year-on-year monthly growth rates for the exports of major economies in the region ranged between 25% and 50% in the first five months of 2010. At the same time, inflationary pressures are on the rise and CPI inflation was somewhat higher in May compared with previous months in most countries in the region.

Although high frequency indicators point to a slight deceleration, China's economic growth remained robust in the second quarter of 2010. Private domestic demand – both investment and consumption – has become increasingly self-sustained, thus allowing for a gradual withdrawal of public stimuli. External demand has recovered markedly, with real exports growing at 45% in May compared with a year earlier. Inflationary pressures continued to increase in May mainly on account of rising food and raw material prices, and annual CPI and PPI inflation reached 3.1% and 7.1% respectively. The administrative measures taken at the end of April to curb speculative demand in the housing market have started to produce some results, although it is too early for an assessment of the impact on property prices and residential investment.

LATIN AMERICA

In Latin America, economic activity strengthened further in the first quarter. In Brazil, in the first quarter of 2010 real GDP grew by 8.9% on an annual basis, following an increase of 4.4% in the fourth quarter of 2009. In May annual inflation stood at 5.2%, unchanged from the previous month. On 10 June the Banco Central do Brasil raised its key interest rate by 75 basis points, to 10.25%. In Argentina, in the first quarter of 2010 real GDP expanded by 6.3% on an annual basis. Consumer price inflation increased further in May, to 10.7%. In Mexico, industrial production grew by 6.1% in April, while annual inflation stood at 3.9% in May, 0.4 percentage point lower than in the previous month.

Chart 4 Main developments in commodity prices



Sources: Bloomberg and HWWI.

1.2 COMMODITY MARKETS

Following a decrease in May, oil prices increased during most of June before declining again in early July, amid considerable volatility. Brent crude oil prices stood at USD 72.3 per barrel on 7 July, which is 7.6% lower than at the beginning of the year (see Chart 4). Looking ahead, market participants are expecting slightly higher oil prices in the medium term, with futures contracts for December 2012 trading at around USD 82.4 per barrel.

The International Energy Agency (IEA) has revised its oil demand projections upwards on the back of stronger than expected demand in OECD economies, particularly in the United States, while oil demand in non-OECD countries continues to be robust. Oil supply, however, remains ample and is partially dampening the demand-side pressures. Overall, the IEA expects oil production in 2010 to be higher owing to stronger than expected non-OPEC production. Over the medium term, oil supply is forecast to remain high owing to increased OPEC production capacity following new investment.

The prices of non-energy commodities were slightly higher in June. Food prices increased on the back of rising wheat prices, whereas metal prices continued to decline, largely owing to decreasing prices of copper and nickel. In aggregate terms, the price index for non-energy commodities (denominated in US dollars) was about 11.7% higher in early July compared with the beginning of the year.

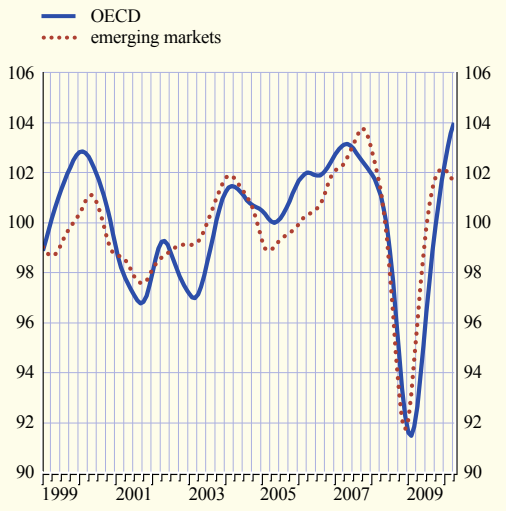
1.3 OUTLOOK FOR THE EXTERNAL ENVIRONMENT

According to survey and leading indicators, some moderation in the growth momentum might be expected later this year as the impact of temporary factors such as the favourable inventory cycle and the policy stimulus fades. Leading indicators suggest that the peak in the recent recovery may have passed, pointing to a slowdown in economic expansion in advanced and emerging economies approximately one to two quarters ahead. The composite leading indicators for the OECD countries point to a slowing pace of expansion in April, with a lower pace of growth for the ninth consecutive month (see Chart 5). Tentative signs of a potential peak have also appeared in major non-OECD countries such as Brazil and China. Confidence indicators for major economies also give somewhat mixed signals overall, suggesting a rather solid current economic situation, but with more subdued expectations regarding the near future.

In an environment of high uncertainty, the risks to global activity remain broadly balanced. On the upside, trade may recover more strongly than projected. On the downside, concerns remain relating to renewed tensions in financial markets, with possible further adverse effects on financing conditions and confidence. In addition, a stronger or more protracted than previously expected negative feedback loop between the real economy and the financial sector, renewed increases in oil and other commodity prices, and protectionist pressures, as well as the possibility of a disorderly correction of global imbalances, may weigh on the downside.

Chart 5 OECD composite leading indicators

(monthly data; amplitude-adjusted)



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

2 MONETARY AND FINANCIAL DEVELOPMENTS

2.1 MONEY AND MFI CREDIT

The annual growth rates of M3 and MFI loans to the private sector have remained weak in recent months. This continues to support the assessment of moderate underlying monetary expansion and contained inflationary pressures over the medium term. The dampening impact of the steep yield curve on M3 growth is gradually diminishing. The subdued annual growth of MFI loans to the private sector continues to conceal moderately positive growth in loans to households and negative growth in loans to non-financial corporations. Nevertheless, monthly flows for both sectors were positive in May 2010. Finally, MFI balance sheet data up to May provide further evidence that, after a contraction of total assets in 2009, the euro area MFI sector has again been accumulating assets since the beginning of 2010.

THE BROAD MONETARY AGGREGATE M3

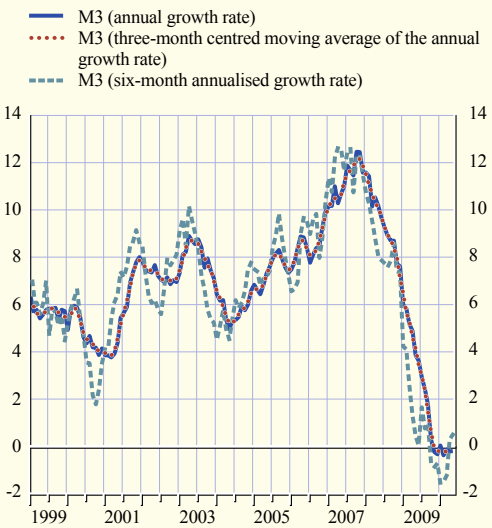
In May 2010 the annual growth of M3 remained weak, standing unchanged at -0.2% (see Chart 6). This conceals a substantial negative monthly flow, which may, however, simply have reversed part of the strongly positive flow of the previous month, thus confirming the generally high degree of volatility in short-term developments over the past year and a half. Thus far, the tensions that had emerged in some financial market segments in April and May do not seem to have had a visible impact on the aggregate monetary data for the euro area as a whole. At the same time, some impact may be discernible in the fact that the money holding sectors reduced their holdings of short and long-term MFI debt securities relatively sharply in May.

Overall, the developments in M3 continue to be explained largely by the impact of the interest rate constellation. The yield curve remains steep, implying a relatively high remuneration of non-monetary interest-bearing assets, and thus a continued incentive to allocate new funds to assets not included in M3. But as the yield curve has remained steep since early 2009, the outright shifts out of M3 into longer-term instruments in response to the steepening should now have taken place and imply a smaller downward impact on M3 growth. Therefore, while headline M3 growth continues to understate the pace of underlying monetary growth, it does so to a diminishing extent.

On the components side, the weak overall M3 growth in May continued to conceal substantial differences between strongly positive annual growth in M1, at 10.3%, and strongly negative growth in other short-term deposits and marketable instruments. On the counterparts side, the annual growth of loans to the private sector remained subdued, also concealing differences between a moderate positive growth of loans to households and the negative growth of loans to non-financial corporations.

Chart 6 M3 growth

(percentage changes; adjusted for seasonal and calendar effects)



Source: ECB.

MFIs' main assets increased somewhat further in the three-month period to May 2010, after having picked up in the first quarter of the year. This reflects primarily an expansion in both inter-MFI loans and loans to euro area non-MFIs. Overall, this provides further evidence that euro area MFIs have been expanding their balance sheets since the beginning of 2010, after the contraction observed in 2009.

MAIN COMPONENTS OF M3

The weak annual growth of M3 continues to conceal differences in the levels of growth of the various components. The annual growth rate of M1 remained highly positive, while that of both marketable instruments and short-term deposits other than overnight deposits remained deeply in negative territory.

At the same time, recent months have seen some narrowing of this difference. The annual growth rate of M1 declined further to 10.3% in May, down from 10.7% in the previous month (see Table 1). This development was driven by a substantial monthly outflow from overnight deposits, which was only partly compensated for by an inflow for currency in circulation. The outflow from overnight deposits may reflect a reversal of the strong inflow registered in the previous month, and should also be seen against the background of the high volatility observed in the flows for these deposits since the autumn of 2008.

The annual growth rate of short-term deposits other than overnight deposits increased to -8.0% in May, from -8.6% in April. This resulted from monthly inflows of similar size for both of its sub-components, i.e. deposits with an agreed maturity of up to two years (short-term time deposits) and deposits redeemable at notice of up to three months (short-term savings deposits). The inflows

Table 1 Summary table of monetary variables

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

	Outstanding amount as a percentage of M3 [1]	Annual growth rates					
		2009 Q2	2009 Q3	2009 Q4	2010 Q1	2010 Apr.	2010 May
M1	**49.6**	**8.1**	**12.2**	**12.3**	**11.3**	**10.7**	**10.3**
Currency in circulation	8.3	13.2	12.8	7.5	6.2	5.5	6.8
Overnight deposits	41.3	7.1	12.1	13.3	12.4	11.8	11.0
M2 – M1 (= other short-term deposits)	38.7	3.0	-3.1	-7.7	-8.2	-8.6	-8.0
Deposits with an agreed maturity of up to two years	19.0	-0.8	-13.2	-22.1	-22.8	-22.7	-21.2
Deposits redeemable at notice of up to three months	19.7	8.6	12.9	15.8	13.3	10.6	9.6
M2	**88.3**	**5.6**	**4.5**	**2.2**	**1.7**	**1.3**	**1.4**
M3 – M2 (= marketable instruments)	11.7	-2.6	-7.7	-11.4	-11.6	-9.9	-10.7
M3	**100.0**	**4.4**	**2.7**	**0.3**	**-0.2**	**-0.2**	**-0.2**
Credit to euro area residents		**5.0**	**3.7**	**3.0**	**1.9**	**1.8**	**1.8**
Credit to general government		9.5	12.0	14.2	9.9	8.7	9.8
Loans to general government		1.6	2.6	3.1	3.8	5.5	7.6
Credit to the private sector		4.1	2.1	0.9	0.3	0.4	0.1
Loans to the private sector		2.1	0.4	-0.6	-0.4	0.1	0.2
Loans to the private sector adjusted for sales and securitisation		3.5	1.6	0.3	-0.2	0.1	0.2
Longer-term financial liabilities (excluding capital and reserves)		**4.2**	**4.7**	**6.7**	**5.4**	**5.1**	**3.7**

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

for short-term time deposits reflect, on the one hand, the improvement in their remuneration over recent months and, on the other, a decline in the interest rate paid on overnight deposits, and especially in that paid on longer-term deposits, during the same period.

After having increased for two consecutive months, the annual growth rate of marketable instruments decreased to -10.7% in May, from -9.9% in April. This decline reflected a negative monthly outflow, two-thirds of which was accounted for by money market funds shares/units. The remaining third was due to a reduction of the holdings of short-term MFI debt securities (those with maturities of up to two years) by the money holding sectors. This might be the reflection of some investors' concerns about the sustainability of public and private sector indebtedness and its implications for the banking systems in some countries.

The annual growth rate of M3 deposits – which comprise short-term deposits and repurchase agreements, and represent the broadest monetary aggregate for which a reliable sectoral breakdown is available – increased slightly in May, but continued to hover around the level of 1% that was first reached in October 2009. The increase was due to a larger contribution from non-monetary financial intermediaries other than insurance corporations and pension funds. The contributions of both non-financial corporations and households continued to decrease slightly in May. However, M3 deposits held by non-financial corporations still account for most of the annual growth of these instruments, while the contribution of those held by households has fallen to levels close to zero.

MAIN COUNTERPARTS OF M3

Regarding the counterparts of M3, the annual growth rate of total MFI credit to euro area residents stood at 1.8% in May, unchanged from the previous month (see Table 1). However, this development reflects opposite movements in its two main sub-components. While the annual growth of credit to the general government remained strong, that of credit to the private sector continued to be weak.

The annual growth rate of loans to the private sector (the largest component of credit to the private sector) remained low, but increased marginally further for the fourth consecutive month to stand at 0.2% in May, up from 0.1% in April. As in the previous month, the impact of securitisation was non-existent in May.

The annual growth in loans to the private sector continues to conceal significant differences across the various sub-sectors. On the one hand, the annual growth rate of loans to non-financial corporations remained negative in May (at -2.1%), although somewhat less so than in the month before (see Table 2). However, a large positive monthly inflow in loans to enterprises was recorded in May, the largest since January 2009. This inflow was driven by sizeable inflows in both short-term loans (loans with maturities of up to one year) and long-term loans (loans with maturities over five years). However, in light of the volatility recorded in recent months, it is too early to judge whether this signals a turning point. Stronger inflows in short-term loans would be in line with enterprises' increased need for short-term funds to manage their inventories, given the strong increases in inventory changes observed in the first few months of 2010.

On the other hand, the annual growth rate of loans to households was moderately positive in May (at 2.6%), broadly unchanged from the previous month. The evolution of loans to households continues to reflect mainly developments in lending for house purchase. After having increased steadily in the second half of 2009, flows in this type of loans have stabilised over the last six months. Consumer credit, by contrast, continued to exhibit a modest contraction (both in terms of monthly flows and when expressed as an annual growth rate) in May.

Table 2 MFI loans to the private sector

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

	Outstanding amount as a percentage of the total [1]	Annual growth rates					
		2009 Q2	2009 Q3	2009 Q4	2010 Q1	2010 Apr.	2010 May
Non-financial corporations	**43.2**	**4.6**	**1.2**	**-1.4**	**-2.5**	**-2.6**	**-2.1**
Up to one year	24.9	-2.6	-8.7	-11.9	-12.2	-10.9	-9.8
Over one and up to five years	19.6	9.7	4.7	-0.2	-3.3	-5.0	-5.1
Over five years	55.5	6.8	5.4	3.9	3.2	2.7	2.9
Households [2]	**46.1**	**0.1**	**-0.1**	**0.3**	**1.7**	**2.5**	**2.6**
Consumer credit [3]	12.4	-0.4	-1.0	-1.0	-0.6	-0.4	-0.4
Lending for house purchase [3]	72.0	-0.2	-0.2	0.2	2.0	2.9	3.1
Other lending	15.6	1.5	1.3	1.9	2.4	3.1	2.9
Insurance corporations and pension funds	**0.8**	**-3.1**	**-6.1**	**-12.4**	**-9.3**	**-7.4**	**-7.8**
Other non-monetary financial intermediaries	**9.9**	**1.4**	**-0.0**	**0.2**	**0.2**	**2.3**	**0.5**

Source: ECB.
Notes: MFI sector including the Eurosystem; sectoral classification based on the ESA 95.
For further details, see the relevant technical notes.
1) As at the end of the last month available. Sector loans as a percentage of total MFI loans to the private sector; maturity breakdown and breakdown by purpose as a percentage of MFI loans to the respective sector. Figures may not add up due to rounding.
2) As defined in the ESA 95.
3) The definitions of consumer credit and lending for house purchase are not fully consistent across the euro area.

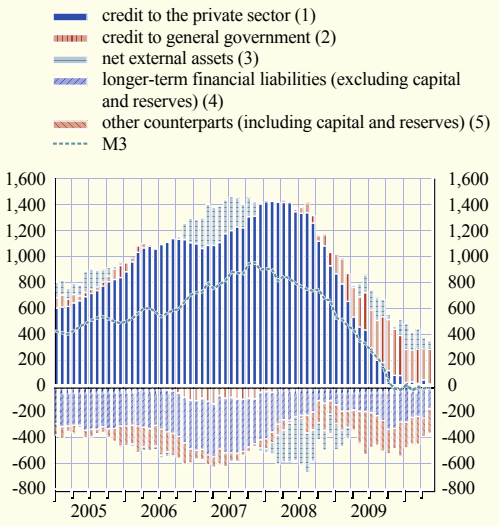
Overall, the latest data confirm the turning point observed in real lending to households in 2009, which was broadly coincident with that seen in real GDP, and similar to what was often observed in past cycles. At the same time, no clear evidence has yet emerged for a turning point in real loans to non-financial corporations, which tends to lag the turning point in the overall business cycle by, on average, almost one year.

Among the other counterparts of M3, the annual growth rate of MFI's longer-term financial liabilities (excluding capital and reserves) decreased to 3.7% in May. This decline reflected similar developments across sub-components, as both longer-term deposits and longer-term bank debt securities recorded significant outflows in May. Various factors are likely to have driven these developments, including the narrowing of the difference between the interest rates paid on longer-term deposits and those on short-term time and savings deposits (M2-M1), which has reduced the opportunity cost of holding the latter. Similarly, increasing tensions in financial markets may have induced some risk-averse investors to reduce their holdings of long-term bonds issued by MFIs resident in some countries that have been affected by the sovereign debt crisis. The annual growth rate of capital and reserves rose to 7.8% in May, up from 7.6% in April.

Finally, the annual inflow in MFIs' net external asset position was €68 billion in May, down from €88 billion in April (see Chart 7). This reflects

Chart 7 Counterparts of M3

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



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

mainly base effects, since the monthly net flow in May was positive (€11 billion). The positive annual flow in net external assets conceals that both the annual flows in external assets and those in external liabilities remained slightly negative, with the reduction in liabilities merely exceeding that in assets.

In summary, the growth of both M3 and loans to the private sector remained weak in May. This supports the assessment that the pace of underlying monetary expansion is moderate and that, over the medium term, the inflationary pressures stemming from monetary developments are contained. The steep yield curve continues to dampen headline M3 growth over and beyond what is indicated by the underlying pace of monetary expansion, but this effect is gradually diminishing.

2.2 SECURITIES ISSUANCE

The annual growth rate of debt securities issuance continued to moderate, declining to 5.7% in April 2010. Data on sectoral issuance activity reveal that this moderation was broadly based across sectors and across maturities. Meanwhile, the annual growth rate of issuance of quoted shares remained broadly unchanged.

DEBT SECURITIES

The annual growth rate of debt securities issued by euro area residents continued to moderate, falling to 5.7% in April 2010, from 6.0% in the previous month (see Table 3). Following the downward trend that started a year ago, the annual growth rate of short-term debt securities issuance declined to -8.0% in April 2010. At the same time, the annual growth rate of long-term debt securities issuance moderated to 7.6%. However, the slowdown in the six-month annualised and seasonally adjusted growth rate of debt securities issued, which captures short-term trends better, was interrupted in April on account of growth in issuance by monetary financial institutions (see Chart 8).

Table 3 Securities issued by euro area residents

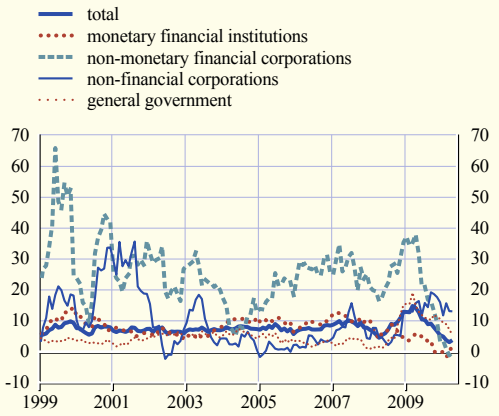
Issuing sector	Amount outstanding (EUR billions) 2010 April	Annual growth rates [1] 2009 Q2	2009 Q3	2009 Q4	2010 Q1	2010 March	2010 April
Debt securities	**15,696**	**11.8**	**11.4**	**10.1**	**7.0**	**6.0**	**5.7**
MFIs	5,495	5.8	4.0	2.9	1.6	1.4	1.3
Non-monetary financial corporations	3,254	30.9	26.8	21.0	10.1	7.2	6.2
Non-financial corporations	867	10.5	14.1	16.5	14.8	16.1	15.7
General government	6,080	12.2	13.5	12.7	10.0	8.7	8.6
of which:							
Central government	5,686	12.4	13.7	12.9	9.9	8.6	8.5
Other general government	394	9.6	9.5	10.4	10.2	11.6	10.9
Quoted shares	**4,428**	**1.9**	**2.7**	**2.8**	**2.9**	**2.8**	**2.7**
MFIs	513	8.7	9.3	8.8	8.2	7.4	7.0
Non-monetary financial corporations	344	3.1	3.9	2.7	5.4	5.4	5.3
Non-financial corporations	3,571	0.8	1.6	1.9	1.9	1.8	1.7

Source: ECB.
1) For details, see the technical notes for Sections 4.3 and 4.4 of the "Euro area statistics" section.

Over recent months, refinancing activity has remained buoyant in the long-term segment, notably at fixed rates, to the detriment of short-term debt securities issuance. In the last few months, the annual growth rate of fixed rate long-term debt securities issuance has stabilised below 11%. At the same time, the annual growth rate of floating rate long-term debt securities issued fell below 1%.

Chart 8 Sectoral breakdown of debt securities issued by euro area residents

(six-month annualised growth rates; seasonally adjusted)



Source: ECB.

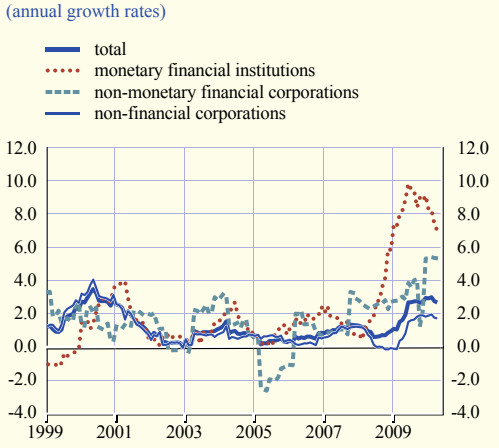
From a sectoral perspective, the moderation in the pace of debt securities issuance recorded in recent months appears to be broadly based, except for the corporate sector, where the growth of issuance has been hovering around historically high levels. In particular, the annual growth rate of debt securities issued by euro area non-financial corporations stood at 15.7% in April 2010, down from 16.1% in the previous month. High volumes and a sustained pace of net issuance of fixed rate long-term debt securities since the end of 2008 suggest that corporations, especially large ones, have drawn resources from capital markets, taking advantage of still favourable market conditions and potentially reacting to the relatively strict terms and conditions on bank loans.

Despite some signs of moderation, the annual growth rate of debt securities issued by the general government sector remained strong in April 2010, at 8.6%. This is in line with the continued substantial funding needs of the euro area public sectors, although there has been a strong reduction in short-term government debt securities issuance in the last few months with growth turning negative in April.

As far as the financial sector is concerned, the annual growth rate of debt securities issued by MFIs remained low in April, at 1.3%, after 1.4% in the previous month. This was due to a decline in the annual growth rate of long-term debt securities issued, while from a longer-term perspective, the weakness in issuance was largely driven by a sharp contraction in the volume of debt securities issued at short-term maturities. The annual growth rate of debt securities issued by non-monetary financial corporations declined to 6.2% in April 2010, from 7.2% in the previous month, owing to deceleration in long-term issuance growth.

Chart 9 Sectoral breakdown of quoted shares issued by euro area residents

(annual growth rates)



Source: ECB.
Note: Growth rates are calculated on the basis of financial transactions.

QUOTED SHARES

The annual growth rate of quoted shares issued by euro area residents remained broadly unchanged at 2.7% in April 2010 (see Chart 9).

Moderating somewhat compared with the previous month, the annual growth rate of equity issuance by MFIs remained strong at 7.0% in April 2010. This reflects the efforts by banks to raise capital in order to consolidate their balance sheets. Meanwhile, the annual growth rate of quoted shares issued by non-financial corporations remained broadly unchanged at 1.7% in April, despite a surge in the cost of equity financing, which reached a record high.

2.3 MONEY MARKET INTEREST RATES

Money market interest rates increased across all maturities in June and early July 2010. This mainly reflects tensions relating to financial market participants' continued concerns about sovereign risks in some euro area countries. In order to smoothen the liquidity effect of the one-year long-term refinancing operation maturing on 1 July (in which €442 billion were allotted), the ECB carried out an additional six-day fine-tuning operation on that day (in which €111.3 billion were allotted), which followed the three-month long-term refinancing operation allotted on 30 June (in which €131.9 were allotted). At the same time, the covered bond purchase programme that had begun on 6 July 2009 was completed in full on 30 June.

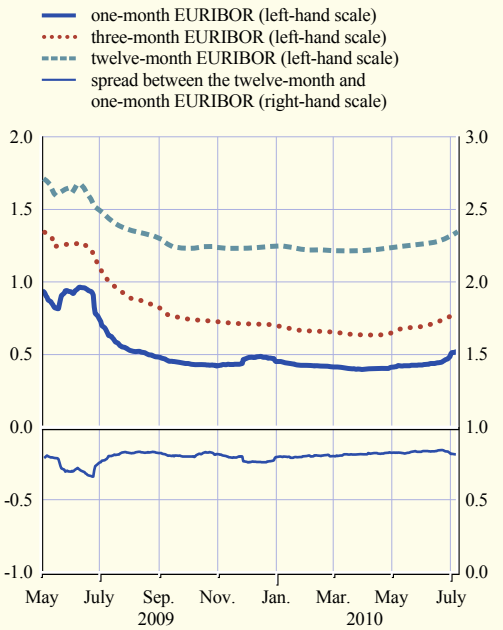
In June and early July 2010, unsecured money market rates increased further across all maturities. On 7 July the one-month, three-month, six-month and twelve-month EURIBOR stood at 0.523%, 0.802%, 1.065% and 1.334% respectively – i.e. around 9, 9, 7 and 7 basis points higher respectively than the levels observed on 9 June. Overall, the spread between the twelve-month and the one-month EURIBOR – an indicator of the slope of the money market yield curve – decreased by 2 basis points in that period, standing at around 81 basis points on 7 July (see Chart 10).

Between 9 June and 7 July, the money market rates derived from the three-month EONIA swap index increased by more than the corresponding unsecured rates. The three-month EONIA swap rate stood at 0.55% on 7 July, around 15 basis points higher than on 9 June. As a result, the spread between this money market rate and the corresponding unsecured EURIBOR decreased to stand at 25 basis points on 7 July, 6 basis points lower than on 9 June (remaining relatively wide in comparison with the level prevailing prior to the onset of the financial market turmoil in August 2007).

The interest rates implied by the prices of three-month EURIBOR futures maturing in September and December 2010 and in March and June 2011 stood at 0.98%, 1.11%, 1.17% and 1.25% respectively on 7 July, representing

Chart 10 Money market interest rates

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



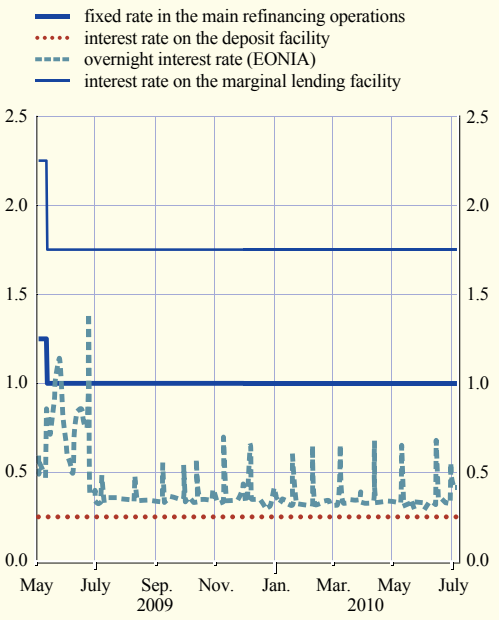
Sources: ECB and Reuters.

increases of around 15, 22, 23 and 23 basis points respectively in comparison with the rates on 9 June.

The EONIA was roughly stable in June. It remained at levels around 7-12 basis points above the deposit facility rate of 0.25% (see Chart 11), with the exception of 15 June. This was the final day of the fifth maintenance period of 2010, when the EONIA rose to 0.665% as a result of the Eurosystem conducting a liquidity-absorbing fine-tuning operation by means of a variable rate tender procedure. The operation absorbed €363.5 billion, with a maximum rate of 0.85%, a marginal rate of 0.80% and a weighted average rate of 0.77%. On 1 July the first one-year long-term refinancing operation (LTRO) matured, which led to a decline in excess liquidity. As a consequence, the EONIA stood at 0.542% and 0.48% on 30 June and 1 July respectively. Afterwards, the EONIA remained in the range between 0.41% and 0.44%, and stood at 0.414% on 7 July.

Chart 11 ECB interest rates and the overnight interest rate

(percentages per annum; daily data)



Sources: ECB and Reuters.

In the main refinancing operations of 8, 15, 22 and 29 June and 6 July, the ECB allotted €122 billion, €126.7 billion, €151.5 billion, €162.9 billion and €229.1 billion respectively. As regards its longer-term operations, the ECB allotted two LTROs in June, both as a fixed rate tender with full allotment: a one-month operation on 15 June (in which €31.6 billion were allotted) and a three-month operation on 30 June (in which €131.9 billion were allotted). The large amount allotted in the latter operation reflected the fact that its settlement date coincided with the maturity date of a one-year operation (in which €442 billion were allotted). In order to further smoothen the liquidity effect of the first one-year LTRO maturing on 1 July 2010, the ECB carried out an additional six-day fine-tuning operation with a fixed rate of 1% and full allotment on 1 July, with maturity on 7 July (coinciding with the settlement day of the next main refinancing operation), in which €111.2 billion were allotted. In addition, the ECB conducted five one-week liquidity-absorbing operations as variable rate tenders with a maximum bid rate of 1% on 8, 15, 22 and 29 June and 6 July. With the latter operation, the ECB absorbed €59 billion, which corresponds to the size of purchases under the Securities Markets Programme, taking into account transactions on or before 2 July 2010.

In line with the decrease in the liquidity surplus in the euro area money market after the first one-year LTRO matured, average daily recourse to the deposit facility declined to stand at €244 billion in the period from 16 June to 7 July. This was lower than the €288.8 billion observed in the previous maintenance period, which had ended on 15 June.

The covered bond purchase programme that had begun on 6 July 2009 was completed in full on 30 June. The nominal amount of €60 billion had been purchased by the Eurosystem on the primary and secondary markets.

2.4 BOND MARKETS

During June and early July recurrent swings in investors´ risk appetite continued to drive developments in global bond markets. By 7 July, AAA-rated long-term euro area government bond yields stood at about their early June levels, while some intra-euro area sovereign bond yield spreads widened further. In the United States, long-term government bond yields declined further over the review period. Euro area long-term break-even inflation rates declined in June.

Between early June and 7 July the level of yields on ten-year AAA-rated ten-year government bonds in the euro area remained stable, overall, at around 2.9%, while long-term government bond yields in the United States declined further by 30 basis points to 3.0% (see Chart 12). As a result, the ten-year nominal interest rate differential between US and euro area government bonds narrowed to 10 basis points.

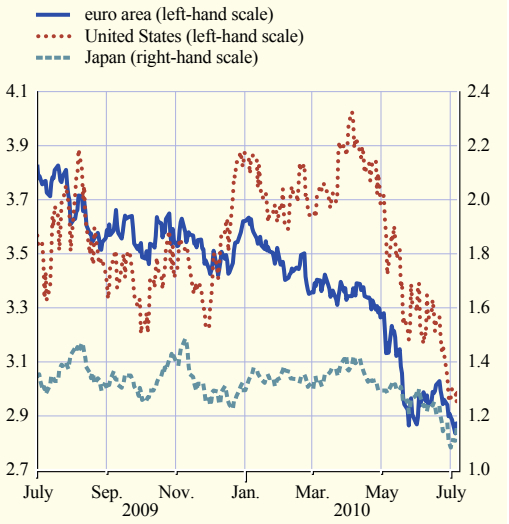
In June and early July global bond markets continued to reflect recurrent swings in investors' risk appetite. Over this period, flight-to-safety flows into selected government bonds triggered some short-lived volatility in long-term government bond yields on both sides of the Atlantic. All in all, however, market participants' uncertainty about near-term developments in long-term bond yields, as measured by implied bond market volatility, has declined somewhat since early June.

Ten-year US government bond yields declined over the review period as a result of recurrent risk aversion among investors. Although investors' concerns about the sovereign risk of some euro area countries appeared to recede somewhat in the course of June, market concerns emerged over the strength and sustainability of the global economic recovery. Against this background, mixed macroeconomic data releases for the US and other major economies during the review period – particularly, in the case of the United States, the renewed weakness of the housing market, the downward revision of growth in the first quarter of 2010 and lower consumer confidence – triggered swings in market sentiment, giving rise to some volatility in the level of US long-term bond yields. The Federal Reserve System statement of 24 June, in which it reiterated that policy rates should be expected to remain low for an extended period of time, may have also contributed to a lower level in these bond yields.

The euro area sovereign bond markets continued to be strongly influenced by news about the outlook for euro area countries with challenging fiscal positions. Although sovereign risk concerns appeared to ease somewhat with the announcement on the European Financial Stabilisation Mechanism and the ECB's Securities Markets Programme in early May (see Box 3 in the June 2010 issue of the Monthly

Chart 12 Long-term government bond yields

(percentages per annum; daily data)



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

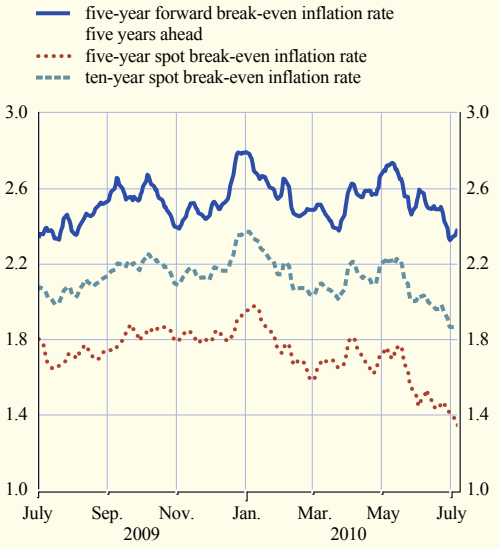
Chart 13 Euro area zero coupon inflation-linked bond yields

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

Sources: Reuters and ECB calculations.

Chart 14 Euro area zero coupon break-even inflation rates

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



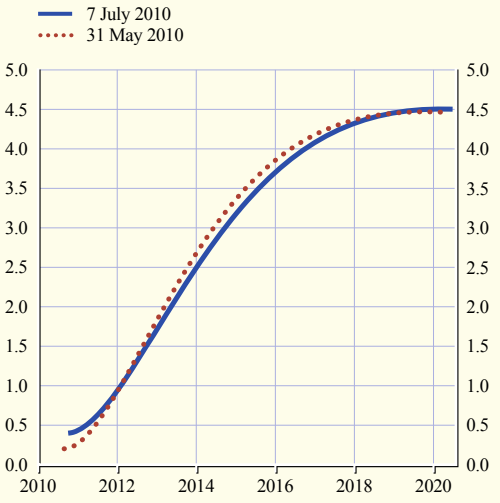
Sources: Reuters and ECB calculations.

Bulletin for details), investors' concerns prevail. Despite some unwinding of the strong flight-to-safety flows into high-rated euro area sovereign bonds seen in May, some euro area ten-year sovereign bond spreads (vis-à-vis Germany) have widened again since mid-June, while developments and the degree of intensification of tensions differed significantly among the countries affected.

Yields on euro area five-year and ten-year inflation-linked government bonds rose by almost 20 basis points to stand at 0.5% and 1.1% respectively on July 7 (see Chart 13). In turn, long-term implied forward real interest rates also rose by about 20 basis points. At the same time, financial indicators of medium to long-term inflation expectations have fallen since early June (see Chart 14). Long-term implied forward break-even inflation rates (five years forward five years ahead) in the euro area declined by around 20 basis points to stand at 2.4% on 7 July. Although the effects of recurrent flight-to-safety flows into government bonds are likely to continue to affect the calculation of

Chart 15 Implied forward euro area overnight interest rates

(percentages per annum; daily data)



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

these rates, the decline in long-term forward inflation swap rates (to around 2.2%) also indicated that euro area inflation expectations remain firmly anchored.

Investors' expectations regarding the future path of short-term interest rates in the euro area have changed little since the end of May, with the implied forward overnight interest rate curve for euro area government bonds remaining broadly unchanged between the beginning of June and 7 July (see Chart 15).

2.5 INTEREST RATES ON LOANS AND DEPOSITS

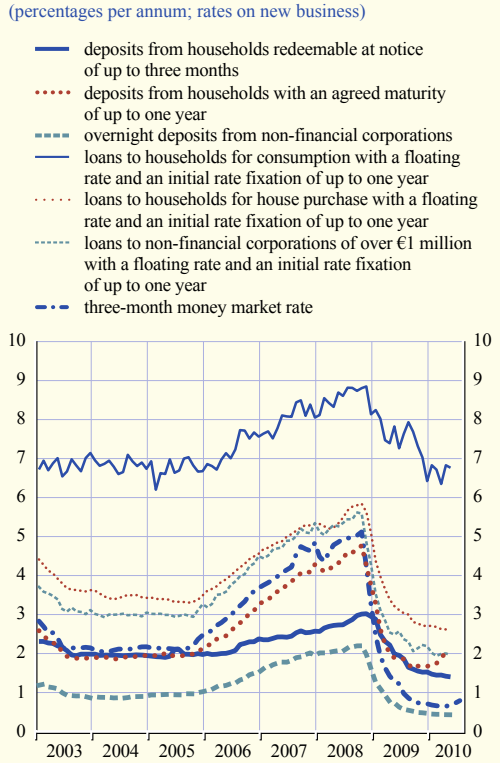
Most MFI lending rates declined slightly in May 2010, recording new or being close to historical lows for both households and non-financial corporations and across most maturities. All in all, the pass-through of past reductions in key ECB interest rates to bank customers is broadly complete.

In May 2010 short-term MFI interest rates on deposits remained broadly unchanged. Developments in lending rates were mixed but exhibited only marginal variation with respect to the previous month: most short-term rates on loans to households declined, whereas those on loans to non-financial corporations increased slightly or remained unchanged (see Chart 16). More precisely, average rates on overdrafts extended to households remained unchanged at 8.8%, while short-term rates on loans to households for house purchase continued their downward trend (falling by 4 basis points to 2.6%) and recorded a historical low. The more volatile short-term rates on consumer credit remained almost unchanged at 6.8%. Regarding non-financial corporations, banks' rates on overdrafts remained unchanged at 4.0%, while short-term rates on small loans (i.e. less than €1 million) picked up by 6 basis points, rising from their historical low to 3.3%. Lending rates on large loans (i.e. more than €1 million) remained at 2.0%. Since the EURIBOR increased by 4 basis points in May 2010, the spreads between short-term MFI lending rates to households and those of large loans to non-financial corporations vis-à-vis the three-month money market rate narrowed slightly (see Chart 17).

From a longer-term perspective, since the beginning of the cycle of monetary policy easing, which started in September 2008 and was completed in May 2009, short-term rates on both loans to households for house purchase and loans to non-financial corporations have

Chart 16 Short-term MFI interest rates and a short-term market rate

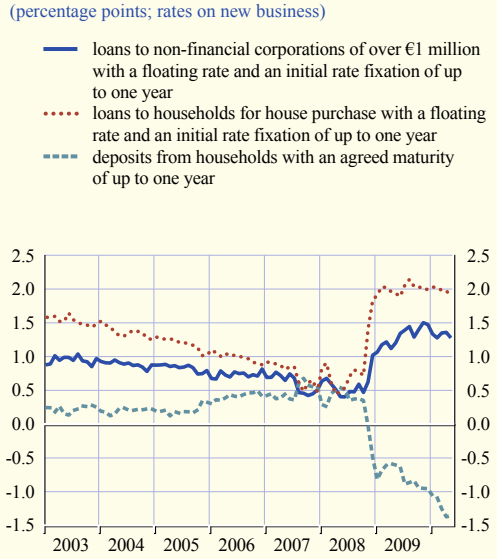
(percentages per annum; rates on new business)



Source: ECB.

Chart 17 Spreads of short-term MFI interest rates vis-à-vis the three-month money market rate

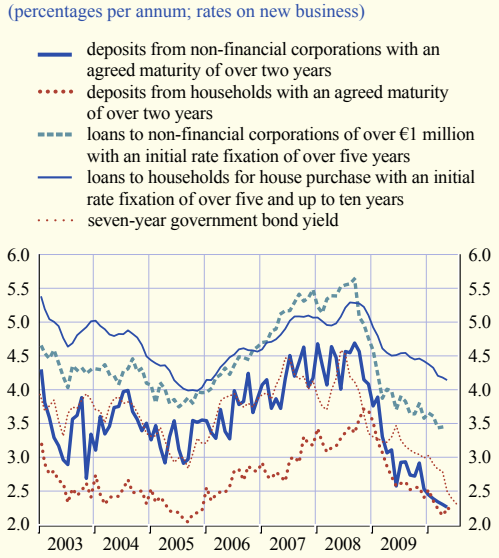
(percentage points; rates on new business)



Source: ECB
Notes: For the loans, the spreads are calculated as the lending rate minus the three-month money market rate. For the deposits, the spread is calculated as the three-month money market rate minus the deposit rate.

Chart 18 Long-term MFI interest rates and a long-term market rate

(percentages per annum; rates on new business)



Source: ECB.

declined by 322 and 350 basis points respectively. This compares with a decline of 433 basis points in the three-month EURIBOR and indicates a considerable pass-through of market rate changes to bank lending rates.

As regards longer maturities, MFI interest rates on household long-term deposits increased, while most interest rates on longer-term loans to households and non-financial corporations declined in May 2010 (see Chart 18). More precisely, interest rates on loans to households for house purchase with an initial rate fixation of over five and up to ten years declined by 4 basis points to 4.1%, while rates on loans to households for house purchase with an initial rate fixation of over ten years decreased by 11 basis points to 4.0%. Average rates on small loans to non-financial corporations with an initial rate fixation of over one year and up to five years and those with an initial rate fixation of over five years declined slightly to stand at 4.1% and 3.9% respectively. The average rates on large loans increased by 9 basis points to 2.8% for loans with an initial rate fixation of over one year and up to five years but declined by 3 basis points to 3.4% for loans with an initial rate fixation of over five years.

Viewed from a longer-term perspective, since September 2008 euro area banks have adjusted their rates on long-term loans to non-financial corporations more or less in line with the decline in long-term government bond yields. By contrast, long-term rates on loans to households have not fallen by as much over the same period, reflecting a more incomplete and sluggish pass-through for households but also increased credit risk concerns in some parts of the euro area.

Recent developments in loan-deposit margins on outstanding amounts signal improvements in the profitability of euro area banks. These margins have recovered with respect to the early part of 2009, thus contributing to the pick-up in euro area banks' profitability since the second half of 2009.

2.6 EQUITY MARKETS

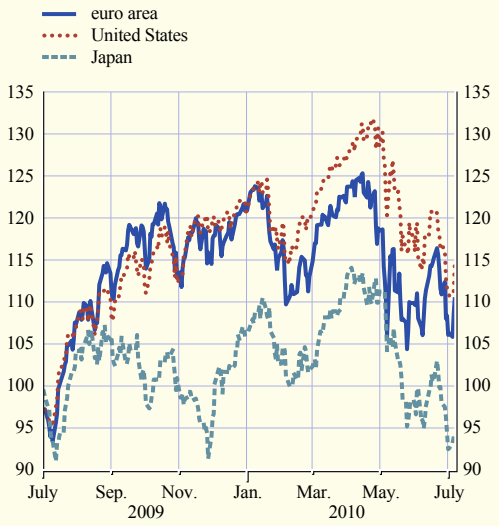
Volatility in global stock markets remained high in June and early July. Investors' concerns about the sovereign debt situation in the euro area and the effective strength of the global economic recovery continued to weigh on stock markets. As a result, amid significant intra-period swings, major stock price indices ended the review period unchanged or below their end-May levels. Investors' uncertainty about stock market developments, as measured by implied volatility, declined somewhat over the review period.

Since the end of May, market sentiment has continued to be volatile and triggered significant daily variations in global stock markets over the review period. On 7 July the Dow Jones EURO STOXX index was broadly unchanged with respect to its level at the end of May, while the Standard & Poors 500 index was about 3% lower (see Chart 19). Over the same period, Japanese stock prices, as measured by the Nikkei 225 index, fell by about 4%, also affected negatively by some adverse economic data releases in June.

Concerns about the sovereign debt situation in the euro area and the financial sector, as well as the strength of the on-going economic recovery continued to weigh on stock markets. Investors' uncertainty about stock market developments, as measured by implied volatility, remained at elevated levels but declined somewhat over the review period (see Chart 20).

Chart 19 Stock price indices

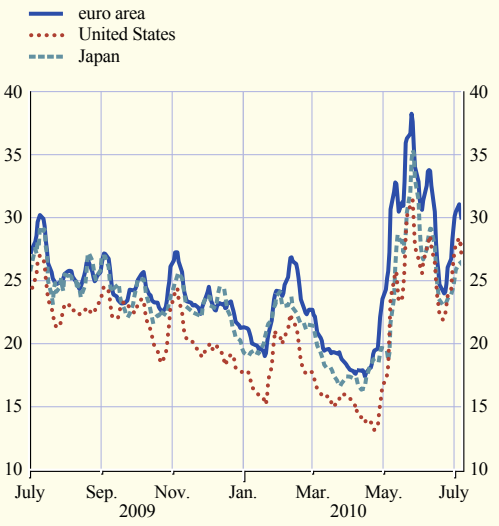
(index: 1 July 2009 = 100; daily data)



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

Chart 20 Implied stock market volatility

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



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

The beginning of the review period was instead characterised by a timid recovery in global stock markets following the May sell-off. This recovery was led mainly by financial stocks, in particular the banking sector, which had suffered the most during May. The recovery turned out to be short-lived, however, as markets' worries about the fiscal situation in some euro area countries and the sustainability of the global economic recovery resurfaced. Against this background, mixed macroeconomic data releases on the US economy in June – particularly the renewed weakness in the housing market, the downward revision in growth in the first quarter of 2010 and lower consumer confidence – triggered some significant corrections in the US and other major stock markets.

The advances in the major euro area stock price indices early in the review period were also led by the recovery in financial stocks. Concerns about the increased reliance on ECB financing by banks in some euro area countries mounted, however, ahead of the twelve-month Eurosystem refinancing operation maturing on 1 July and weighed on financial stocks. In addition, increased uncertainty about future growth in the light of the fiscal austerity plans recently announced in most euro area countries also appeared to have had a negative impact on euro area stock markets. In this regard, the relatively weak readings of some confidence indicators published in June added a degree of volatility.

Despite the somewhat unsettled market sentiment, the gradual upward adjustment of actual earnings continued to support equity prices. For companies listed in the Dow Jones EURO STOXX index, the annual rate of change of realised earnings was still negative in June at -4%, albeit an improvement on the May rate of -10%. As regards the earnings outlook, analysts' expectations for earnings per share growth over the next 12 months and longer-term earnings expectations remained broadly unchanged at about 25% and 13% respectively.

3 PRICES AND COSTS

According to Eurostat's flash estimate, annual HICP inflation stood at 1.4% in June 2010, after 1.6% in May. In the next few months annual HICP inflation rates are expected to display some further volatility, with a tendency towards somewhat higher rates later in the year. Looking ahead, in 2011 inflation rates should, overall, remain moderate, benefiting from low domestic price pressures. Risks to the outlook for price developments are broadly balanced.

3.1 CONSUMER PRICES

According to Eurostat's flash estimate, the euro area annual HICP inflation rate stood at 1.4% in June 2010, down from 1.6% in May (see Table 4). Official estimates of the breakdown of HICP inflation in June are not yet available, but part of the decrease was due to a small base effect.

In May the annual growth rate of overall HICP inflation increased marginally, by 0.1 percentage point compared with April. Increases were recorded in the annual inflation rates of all major components, with the exception of unprocessed food (see Table 4). The year-on-year change of the energy component stood at 9.2% in May, slightly up from the previous month, mainly driven by oil-related items (liquid fuels for home heating and personal transportation), whose prices recorded a further increase on a month-on-month basis, reflecting the lagged effects of oil price rises up to early May.

The annual growth rate of total food prices (including alcohol and tobacco) remained in positive territory for the third month in a row in May, at 0.7%. As for the sub-components, unprocessed food prices recorded a lower, albeit still positive, annual inflation rate in May compared with the previous month, mainly on account of a decrease in the prices of vegetables. The year-on-year increase in unprocessed food prices was 0.4% in May, which was 0.3 percentage point lower than in April. The increase in the annual rate of change of processed food prices to 0.9% in May, from 0.6% one month earlier, was mainly driven by an upward base effect and recent increases in tobacco prices.

Excluding all food and energy items, which represent around 30% of the HICP basket, annual HICP inflation stood at 0.8% in May, unchanged from April, owing to broadly stable non-energy

Table 4 Price developments

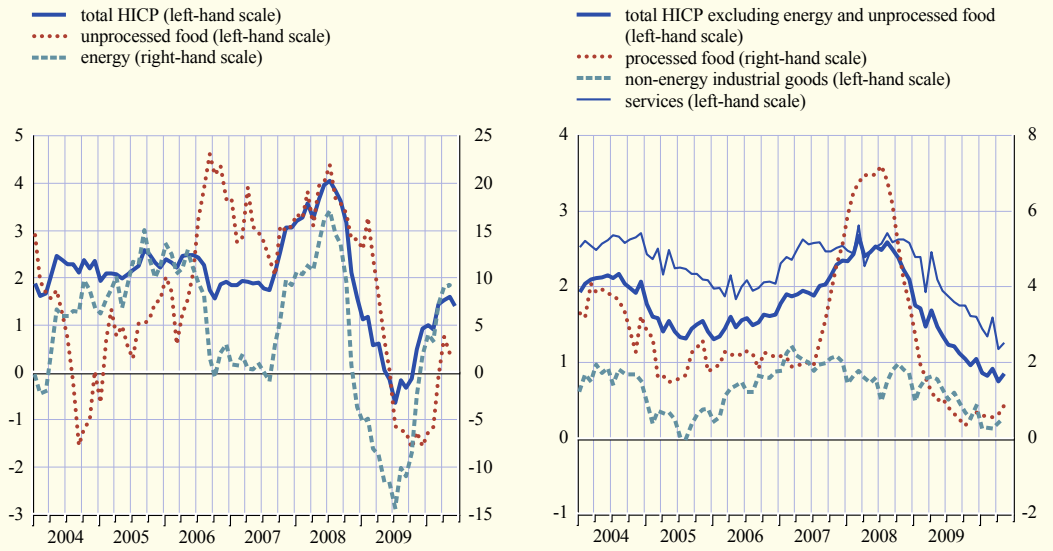
(annual percentage changes, unless otherwise indicated)

	2008	2009	2010 Jan.	2010 Feb.	2010 Mar.	2010 Apr.	2010 May	2010 June
HICP and its components								
Overall index [1]	3.3	0.3	1.0	0.9	1.4	1.5	1.6	*1.4*
Energy	10.3	-8.1	4.0	3.3	7.2	9.1	9.2	.
Unprocessed food	3.5	0.2	-1.3	-1.2	-0.1	0.7	0.4	.
Processed food	6.1	1.1	0.6	0.6	0.5	0.6	0.9	.
Non-energy industrial goods	0.8	0.6	0.1	0.1	0.1	0.2	0.3	.
Services	2.6	2.0	1.4	1.3	1.6	1.2	1.3	.
Other price indicators								
Industrial producer prices	6.1	-5.1	-1.0	-0.4	0.9	2.8	3.1	.
Oil prices (EUR per barrel)	65.9	44.6	54.0	54.5	59.1	64.0	61.6	62.2
Non-energy commodity prices	2.0	-18.5	27.3	25.4	34.5	51.9	52.1	50.5

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

Chart 21 Breakdown of HICP inflation: main components

(annual percentage changes; monthly data)



Source: Eurostat.

industrial goods and services price inflation. The annual rate of change in non-energy industrial goods prices increased marginally in May to 0.3%, from 0.2% in April, reflecting small increases in a number of items, such as pharmaceuticals and jewellery. Services price inflation increased slightly in May from the record low seen in April. The year-on-year increase in services prices was 1.3%, i.e. 0.1 percentage point higher than in April. This increase was mainly on account of package holidays and could, to some extent, be explained by calendar effects. This positive contribution was partly offset by developments in the prices of other services, most notably those related to communication.

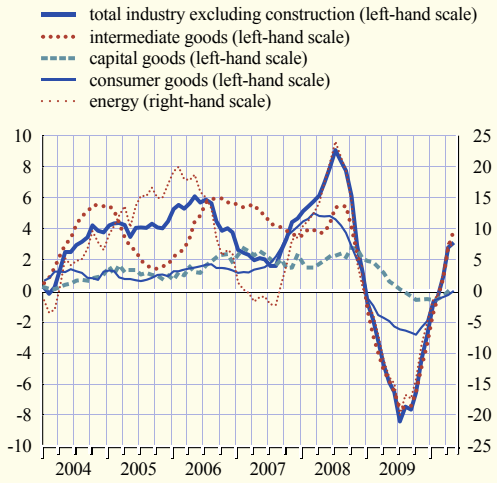
3.2 INDUSTRIAL PRODUCER PRICES

In the past few months the annual growth rate of industrial producer prices has moved to positive territory. In May the annual rate of change in industrial producer prices (excluding construction) rose to 3.1%, from 2.8% in April. The increase reflects higher rates of change in all components, due to rises in raw material prices, with the exception of energy, which was affected by a downward base effect (see Chart 22).

Developments observed in a number of survey indicators also signal upward price pressures (see Chart 23). With regard to the Purchasing Managers' Index, the input price index for the manufacturing sector weakened somewhat in June compared with the May reading, but the level is still much above the threshold level of 50, indicating rising prices. The index for prices charged in the manufacturing sector edged up slightly in June. In the services sector, both the input and selling price indices remained broadly unchanged in June. The selling price index is still below the 50 mark, indicating falling prices in that sector. Overall, the survey indicators seem to suggest that firms are having some difficulty in passing on the higher input prices to consumers.

Chart 22 Breakdown of industrial producer prices

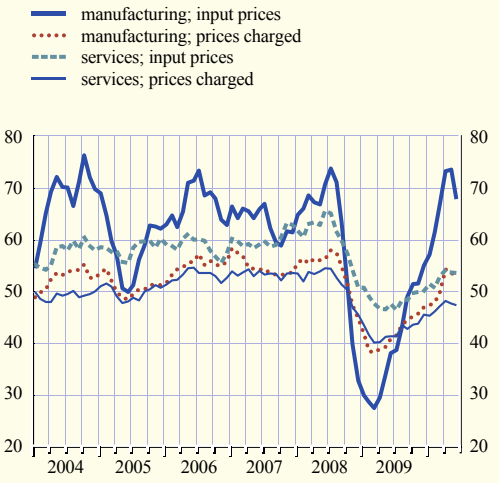
(annual percentage changes; monthly data)



Sources: Eurostat and ECB calculations.

Chart 23 Producer input and output price surveys

(diffusion indices; monthly data)



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

3.3 LABOUR COST INDICATORS

The latest data on labour cost indicators suggest broadly stabilising annual growth rates in the first quarter of 2010 (see Chart 24 and Table 5). As discussed in Box 1, the discrepancies between the annual growth rates of various labour cost indicators partly emanate from developments in hours worked.

The annual rate of growth in euro area negotiated wages declined to 1.7% in the first quarter of 2010, from 2.2% in the last quarter of 2009. The reduction in the euro area annual growth rate of negotiated wages in the first quarter was broadly based across countries. The recent decline confirmed that negotiated wage growth in the euro area remains on the downward path observed since the beginning of 2009. Available information suggests that the relatively subdued negotiated wage growth observed in the first quarter of 2010 continued into the second quarter, in line with weak labour market conditions.

Table 5 Labour cost indicators

(annual percentage changes, unless otherwise indicated)

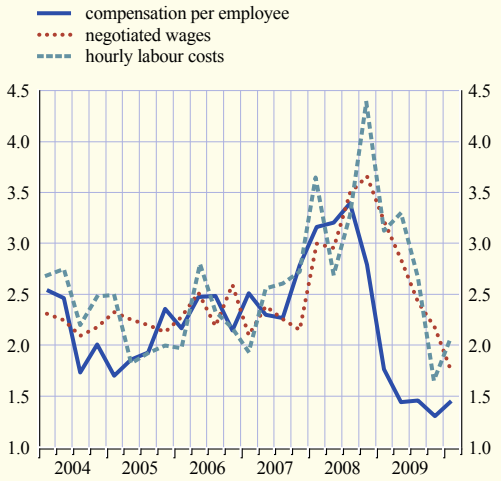
	2008	2009	2009 Q1	2009 Q2	2009 Q3	2009 Q4	2010 Q1
Negotiated wages	3.3	2.7	3.2	2.8	2.4	2.2	1.7
Total hourly labour costs	3.5	2.7	3.1	3.3	2.6	1.7	2.1
Compensation per employee	3.1	1.5	1.8	1.4	1.5	1.3	1.5
Memo items:							
Labour productivity	-0.2	-2.3	-3.9	-3.1	-1.9	0.0	1.9
Unit labour costs	3.3	3.9	5.9	4.7	3.5	1.3	-0.5

Sources: Eurostat, national data and ECB calculations.

In the first quarter of 2010 annual hourly labour cost growth in the euro area increased slightly to 2.1%, from 1.7% in the fourth quarter of 2009. The rise in hourly labour costs in the first quarter can be viewed as a normalisation from the sharp decline recorded in the fourth quarter of 2009, when annual hourly labour cost growth fell by 0.9 percentage point. Even after the small acceleration in the first quarter, the annual growth rate of hourly labour costs still remains at a level close to the historical lows observed in 2005. The increase in annual hourly labour cost growth in the first quarter primarily reflects developments in the industrial sector, where the annual growth rate increased to 1.8%, which was 1.2 percentage points higher than the figure recorded in the previous quarter (see Chart 25).

Chart 24 Selected labour cost indicators

(annual percentage changes; quarterly data)



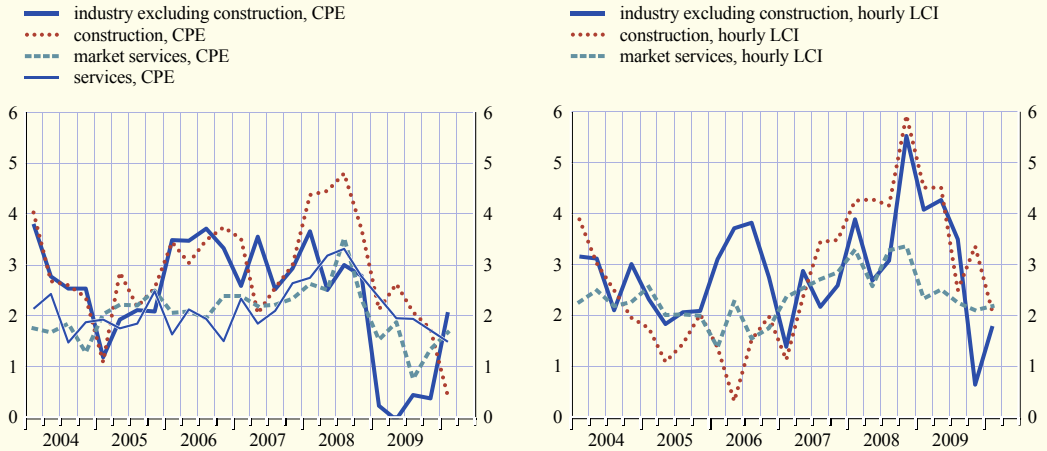
Sources: Eurostat, national data and ECB calculations.

Annual growth in compensation per employee increased slightly to 1.5% in the first quarter of 2010, from 1.3% one quarter earlier. The higher annual growth rate of negotiated wages compared to the annual growth rate of compensation per employee in the first quarter indicates that the wage drift in the euro area is still negative.

The broadly stable annual rate of growth of compensation per employee, combined with a further substantial improvement in productivity, both measured on a per head basis, caused a further substantial slowdown in unit labour cost growth. In the first quarter of 2010 the annual growth rate of unit labour costs was negative (-0.5%), down from the 1.3% increase recorded in the previous quarter, marking a significant decline compared with the peak of nearly 6% reached in the first quarter of 2009.

Chart 25 Sectoral labour cost developments

(annual percentage changes; quarterly data)



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

Box 1

NEW STATISTICAL SERIES OF HOURS WORKED, PRODUCTIVITY AND LABOUR COSTS FOR THE EURO AREA

With the national accounts employment release on 15 March 2010, Eurostat, in cooperation with EU national statistics offices, introduced quarterly series for hours worked for the euro area. This is a considerable improvement in data availability and one which has been long awaited. The "Euro area statistics" section of the Monthly Bulletin has been adapted to show the new series.[1]

Definition, coverage, timeliness and availability

The hours worked series are a mandatory part of the national accounts' transmission programme and will be regularly published by Eurostat, together with the national accounts employment release, 75 days after the reference quarter.[2] These data follow the ESA 95 harmonised definitions for actual hours worked. In accordance with International Labour Organisation standards, "actual hours" refer to all hours spent at work, including overtime and time spent inactively waiting due to a temporary lack of work or machinery breakdowns, but excluding all hours paid and not worked, such as holidays or sick leave.

The hours worked data are available for the whole economy on a quarterly basis from the first quarter of 2000. The euro area series are derived with 95% country coverage, excluding data for Greece, Luxembourg, Malta and partially Belgium (only employees' data are available). In addition, these data are available for the main economic activity breakdowns[3] and by employment status (employees or self-employed).

Derived indicators based on hours worked

The new series allow the compilation of estimates of hourly compensation and hourly labour productivity. The data on hourly compensation are produced in addition to the existing labour cost index (LCI) published by Eurostat, which is also available on an hourly basis. In terms of the main differences between these series, hourly compensation data cover the whole economy, while the LCI data currently do not cover agriculture, public administration, education, health and other services not elsewhere classified. As a result, the two indicators are likely to diverge when developments in these sectors differ from those in the rest of the economy. One such example is the stronger (upward) impact on the LCI than on the aggregate (whole economy) compensation per hour resulting from the reduction in hours worked during the recent recession, which mainly took place in the industrial sector.[4] However, while the LCI's timeliness is similar to that of the hours worked and total compensation data, the LCI release also provides early information on sectoral developments (NACE Rev. 2 sections[5]) and on the economic activity components (wages and salaries, employers' social contributions). The activity breakdown of compensation

1 See Tables 5.1.4, 5.3.2 and 5.3.3 in the "Euro area statistics" section.
2 Regulation (EC) No 1392/2007 of the European Parliament and of the Council of 13 November 2007.
3 Additional detailed activity breakdowns at the level of NACE Rev. 2 sections are available at annual frequency.
4 See Tables 5.1.4 and 5.1.5 in the "Euro area statistics" section.
5 Individual sections for Industry (NACE Rev. 2 sections B to E); Construction (NACE Rev. 2 section F); and Services (NACE Rev. 2 sections G to N).

from national accounts and therefore the respective hourly compensation breakdown only become available at least two weeks later.

Combining the information on hourly compensation and hourly productivity allows for a more detailed decomposition of unit labour costs than the estimates permitted hitherto on the basis of productivity and compensation per head.[6] Such analysis is especially interesting at the current juncture and in assessing labour market developments over the recent recession. The table shows recent developments in compensation and productivity on both a per head and a per hour basis, as well as developments in hours worked per head, all calculated for the total economy. Reflecting the sharp drop in hours worked per head, which started in the fourth quarter of 2008, productivity fell more sharply on a headcount basis than per hour worked. At the same time, growth in compensation per head slowed down due to the cut in working hours, while growth in compensation per hour reacted with a longer lag to the economic slowdown.[7] The most recent data suggest that reductions in hours worked per head are beginning to reverse, supporting the rebound in productivity per head.

Overall, the new series offer a clear improvement for understanding labour market developments and complement the range of relevant indicators. In the context of its economic analysis, the ECB monitors the full set of labour market indicators, as a means of cross-checking all available relevant information with each indicator offering its own advantages and shedding light on different aspects of employment, wage and productivity developments.

6 The two computations of annual unit labour cost growth, based on the per head and the per hour definitions, should, in principle, yield the same result, as they reflect developments in the costs of producing one unit of output. However, due to the mixed use of data for employees and total employment in both cases (as also shown in the table), small differences may occur. These are of about a 0.1 percentage point magnitude and are thus considered insignificant. For reasons of continuity, the ECB will continue to report unit labour cost developments based on the per head definition.

7 For more details on labour market adjustments in the euro area during the recent crisis, see the article entitled "Labour market adjustments to the recession in the euro area" in this issue of the Monthly Bulletin and Box 8 entitled "Wage developments in the euro area and the United States during the recent economic downturn: a comparative analysis" in the May 2010 issue of the Monthly Bulletin.

Labour cost indicators: headcount and hourly developments compared

(total economy; annual percentage changes)

	2008 Q1	2008 Q2	2008 Q3	2008 Q4	2009 Q1	2009 Q2	2009 Q3	2009 Q4	2010 Q1
Compensation per head (employees)	3.2	3.2	3.4	2.8	1.8	1.4	1.5	1.3	1.5
Productivity per head (total employment)	0.7	0.2	-0.2	-1.8	-3.9	-3.1	-1.9	0.0	1.9
Compensation per hour (employees)	3.0	2.8	3.3	3.2	3.7	3.5	3.1	2.1	0.7
Productivity per hour (total employment)	0.5	0.0	-0.1	-1.4	-2.1	-1.4	-0.6	0.5	1.3
Hours worked per head (employees)	0.2	0.4	0.1	-0.4	-1.9	-2.0	-1.6	-0.7	0.7
Unit labour costs	2.5	3.0	3.6	4.7	5.9	4.7	3.5	1.3	-0.5

Sources: Eurostat and ECB calculations.

3.4 THE OUTLOOK FOR INFLATION

In the next few months annual HICP inflation rates are expected to display some further volatility, with a tendency towards somewhat higher rates later in the year. Looking further ahead, in 2011 inflation rates should, overall, remain moderate benefiting from low domestic price pressures.

Risks to the outlook for price developments are broadly balanced. Upside risks over the medium term relate, in particular, to the evolution of commodity prices. Furthermore, increases in indirect taxation and administered prices may be greater than currently expected, owing to the need for fiscal consolidation in the coming years. At the same time, risks to domestic price and cost developments are contained.

4 OUTPUT, DEMAND AND THE LABOUR MARKET

Economic activity has been expanding since the middle of 2009. According to Eurostat's second estimate, euro area real GDP grew by 0.2% in the first quarter of 2010. The latest data confirm previous expectations that a strengthening in economic activity took place during the spring.

Looking ahead, euro area real GDP growth is expected to grow at a moderate and still uneven pace across countries and sectors. The ongoing recovery at the global level, as well as the accommodative monetary policy stance and measures adopted to restore the functioning of the financial system should provide support to the euro area economy. However, the process of balance sheet adjustment and labour market prospects are expected to dampen the pace of the recovery. The risks to the economic outlook are viewed as broadly balanced, in an environment marked by high uncertainty.

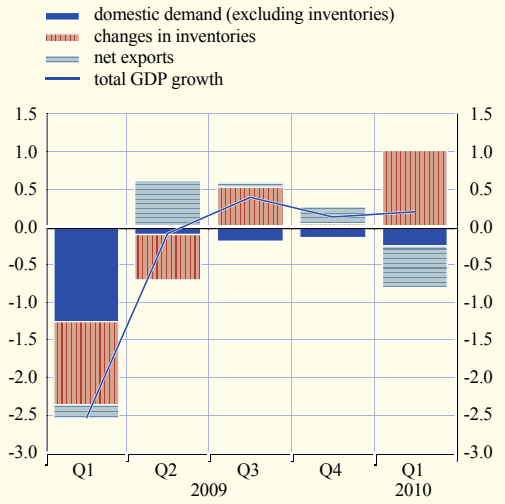
4.1 REAL GDP AND DEMAND COMPONENTS

The euro area economy has been expanding at a moderate pace since the middle of 2009, following five consecutive quarters of decline in GDP. According to Eurostat's second estimate, euro area real GDP rose by 0.2%, quarter on quarter, in the first quarter of 2010, compared with an increase of 0.1% in the previous quarter (see Chart 26). Available indicators suggest a strengthening in economic activity in the spring.

In the first quarter of 2010 real GDP growth was driven by a positive contribution from changes in inventories, of 1.0 percentage point, which more than compensated for the negative contribution

Chart 26 Real GDP growth and contributions

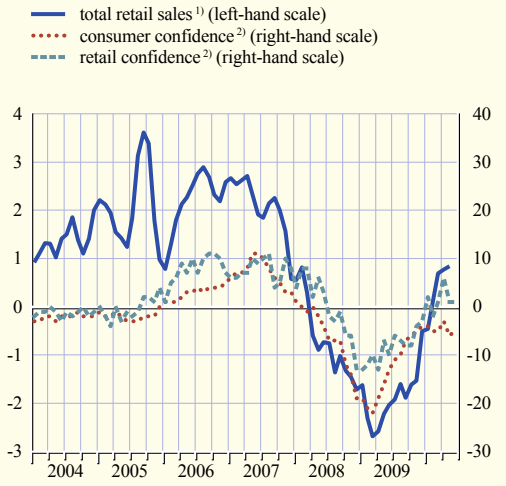
(quarter-on-quarter growth rate and quarterly percentage point contributions; seasonally adjusted)



Sources: Eurostat and ECB calculations.

Chart 27 Retail sales and confidence in the retail trade and household sectors

(monthly data)



Sources: European Commission Business and Consumer Surveys and Eurostat.
Note: From May 2010, Commission business survey data refer to the NACE Rev. 2 Classification.
1) Annual percentage changes; three-month moving averages; working day-adjusted. Excludes fuel.
2) Percentage balances; seasonally and mean-adjusted.

of 0.3 percentage point from domestic demand excluding inventories. The latter reflected negative growth in private consumption and investment, while government consumption increased. With regard to trade flows, despite the dynamic growth of exports on the back of the strong recovery in the world economy, the contribution of net trade to real GDP growth was also negative, as imports grew more than exports.

Turning to the components of domestic demand, private consumption declined slightly in the first quarter of 2010, on a quarterly basis, after increasing moderately in the fourth quarter of 2009. Available indicators suggest that consumer spending remained subdued in the second quarter of 2010. Data for retail sales in April and May suggest that the quarterly growth rate in the second quarter will most likely be negative (see Chart 27). The decline in retail sales including car registrations is expected to be even sharper, as car registrations dropped in April and May. These figures confirm that the impact of car scrapping schemes has faded and the recent growth in car registrations is now being reversed. Consumer confidence, which had trended upwards in 2009, changed only marginally over the first six months of 2010 and remained at levels below its long-term average. According to the European Commission's consumer survey, expected major purchases, which are an indicator of planned consumption of durable goods, were also subdued. This is in line with past experience of adjustment during a recovery (see the box entitled "Household consumption of durable goods during the latest recession").

Box 2

HOUSEHOLD CONSUMPTION OF DURABLE GOODS DURING THE LATEST RECESSION

This box looks at developments in household consumption, analysing household spending on durable goods and comparing it with spending on non-durable goods and services. Separate analysis of these two forms of expenditure can be informative because their dynamics are likely to differ and their determinants may exercise influences of differing intensities. By their nature, durable goods tend to last and can be used repeatedly, providing consumers with a flow of services over a number of years. Their long-lasting nature means that they have some of the attributes of assets. For households, the decision to purchase a durable good is similar to that of a firm making an investment decision: firms weigh the cost of purchasing an additional unit of capital against the present value of the expected future income that it will generate; consumers weigh the cost of an additional durable good against the benefits from the flow of services derived from the good or from saving the income.

A key implication is that the rate of change of households' purchases of durables is likely to experience wider swings than the growth rate of their purchases of non-durable goods and services. For example, a drop in expected lifetime income should prompt households to moderate their consumption. While households adjust to the new conditions, consumption growth should fall temporarily. For household purchases of non-durable goods and services, that adjustment can take place relatively quickly – consumers adjust their purchasing behaviour in the light of their new expected income. For durable goods and services, however, households must adjust their stock of durables rather than simply the flow of services derived from these goods. Households may be required to make a sharper adjustment to their flow of purchases in order to reach the desired overall stock level of durables.

Recent developments in household consumption of durable goods

Eurostat does not publish a breakdown of euro area private consumption into durable and non-durable consumption, in view of the relatively low and changing country coverage. To form a view of durable and non-durable consumption, euro area aggregates have been approximated in this box using available country data. For recent years, the data cover over 80% of the euro area. However, data for earlier periods have more limited coverage.

Over the past three decades the relative level of euro area households' expenditure on durables compared with non-durable consumption has fluctuated fairly significantly, generally displaying a pro-cyclical pattern (see Chart A). In the years prior to the most recent euro area recession consumption of durable (and semi-durable) goods was particularly strong.[1] The ratio of durable consumption to non-durable consumption in the euro area rose rapidly from the end of 2003. Indeed, growth in purchases of durable goods accounted for about 40% of overall consumption growth between 2005 and 2007, even though durables make up only around one-fifth of total household expenditure on average (see Chart B).

Since the onset of the latest recession household spending on durable goods has declined rapidly. The adjustment was initially led by car purchases, which fell sharply towards the end of 2008. However, that decline subsequently partly reversed as fiscal incentives encouraged consumers to buy new cars. Purchases of other durable goods, nevertheless, continued to fall rapidly in 2009.

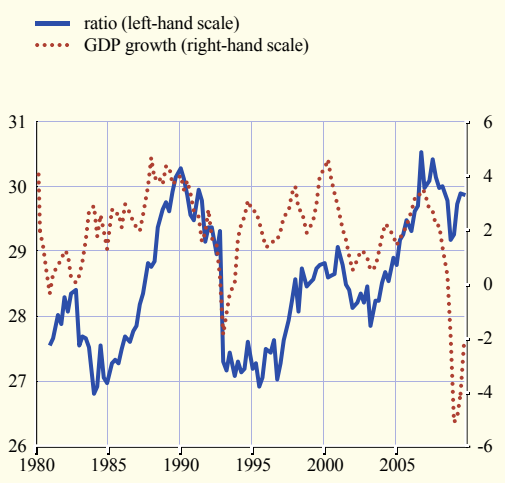
The outlook for consumption of durable goods

In past downturns, households appear to have adjusted their stock of durables relatively slowly, despite the pronounced shifts observed in the rate of change of their purchases, with sluggish

1 In the analysis we consider durable and semi-durable goods as a single component.

Chart A Ratio of euro area consumption of durable goods relative to non-durable consumption and real GDP growth

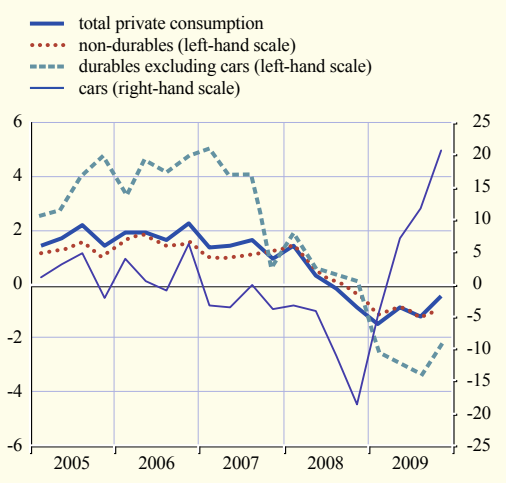
(percentages; annual percentage changes)



Sources: Eurostat and ECB calculations.

Chart B Private consumption components

(annual percentage changes)

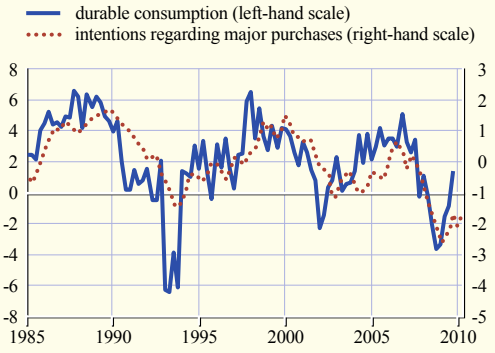


Sources: Eurostat and ECB calculations.

growth in consumption of durable goods continuing for some time (and a sharp decline in the ratio of durable to non-durable consumption – see Chart A). Although durable consumption is difficult to forecast with any confidence, the pattern of adjustment observed in the past suggests further weakness in purchases of durable consumption goods in the euro area in the quarters ahead. Such a scenario would be consistent with the picture from the European Commission's consumer survey which shows that households remained cautious about making major purchases in the first few months of 2010 (see Chart C). As this indicator typically has good leading indicator properties for future purchases, it may suggest that euro area private consumption is likely to remain relatively subdued in the near term.

Chart C Durable consumption and consumer intentions to make major purchases

(annual percentage changes; survey balance minus mean and divided by standard deviation)



Sources: Eurostat and European Commission.
Notes: The survey balance is taken from the European Commission's consumer survey. The relevant question asks "compared to the past twelve months, do you expect to spend more or less money on major purchases over the next twelve months?".

Gross fixed capital formation fell by 1.2%, quarter on quarter, in the first quarter of 2010, after a similar decline in the previous quarter. Investment has been contracting since the second quarter of 2008 on account of weak demand, low business confidence, negative earnings growth, historically low capacity utilisation and tight lending standards. However, recent indicators, such as manufacturing confidence and industrial production of capital goods, point to a gradual easing in the pace of the contraction. The breakdown of investment for the first quarter of 2010 shows that the decline in investment was again largely determined by the construction component. This component fell at a rate of 2.1%, quarter on quarter, a stronger rate than in the previous quarter. Non-construction investment declined by 0.3%, which is slightly less than in the fourth quarter of 2009.

As regards available indicators of investment at the beginning of 2010, construction production in April fell by 3.4% on a three-month moving average basis, compared with 4.2% in the first quarter of 2010. As the contraction in the first quarter of 2010 was partly attributable to the unusually severe weather conditions in some countries, it is likely to be reversed later in the year. Regarding non-construction investment, industrial production of capital goods – an indicator of future investment – rose further in April. In the coming quarters investment, and in particular the non-construction component, are likely to improve further but to remain subdued overall.

As regards trade flows, both imports and exports increased strongly in the first quarter of 2010, by 3.8% and 2.1% respectively, quarter on quarter. Owing to the stronger increase in imports, net trade made a negative contribution of 0.6 percentage point to real GDP growth in the first quarter of 2010. Recent data suggest that euro area trade growth remained broadly stable at the beginning of the second quarter.

Inventories made a positive contribution to quarter-on-quarter GDP growth in the first quarter of 2010. Looking ahead, both surveys and anecdotal evidence suggest that the pace of destocking is continuing to slow in the euro area. As a result, inventories may continue to make a positive contribution to euro area GDP growth in the remainder of 2010. The size of that contribution,

however, is highly uncertain, as it depends on how quickly demand recovers and on the extent to which firms revise their expectations for activity. Furthermore, there is some statistical uncertainty surrounding the way inventories are estimated.

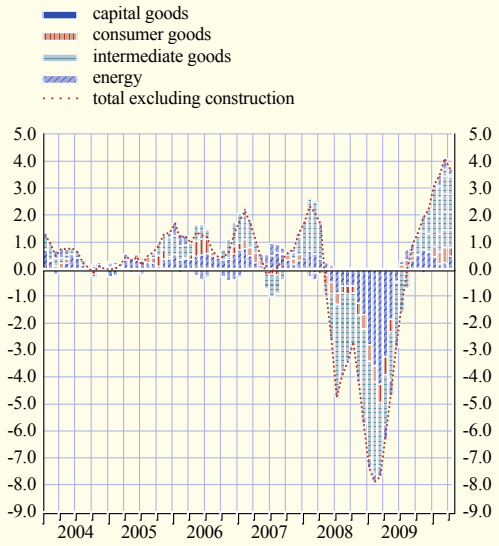
4.2 OUTPUT, SUPPLY AND LABOUR MARKET DEVELOPMENTS

Eurostat's second estimate confirmed that real value added increased by 0.5% quarter on quarter in the first quarter of 2010. The difference vis-à-vis GDP growth is related to a sharp decline in indirect taxes related to weak domestic consumption. This decline is not reflected in lower production, mainly owing to strong exports and inventories. The growth rate was fuelled by accelerated activity in the industrial sector and, albeit to a lesser extent, in the services sector, while the downturn in the construction sector continued. In particular, value added in the industrial sector (excluding construction) grew by 1.9% on a quarterly basis, up from the 0.6% growth rate recorded in the last quarter of 2009. Services value added increased by 0.4% in the first quarter of 2010, after 0.1% in the previous quarter. Value added in the construction sector fell by 2.3% in the first quarter of 2010, compared with the previous quarter, partly as a result of unfavourable weather conditions.

Industrial production excluding construction and industrial new orders continued to grow in April. These developments suggest robust growth in both indicators in the second quarter of 2010, at levels similar to the previous quarter (see Chart 28). Survey information suggests that economic activity

Chart 28 Industrial production growth and contributions

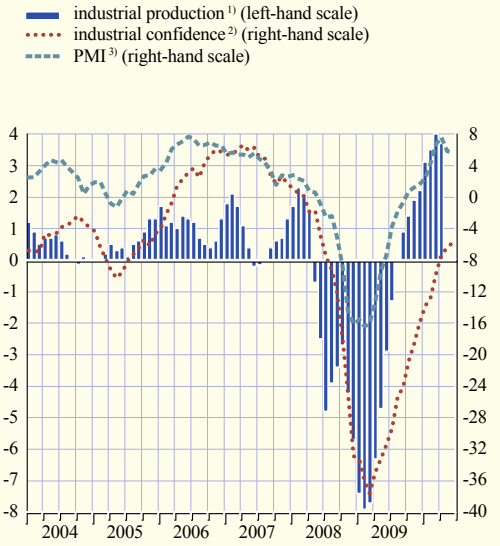
(growth rate and percentage point contributions; monthly data; seasonally adjusted)



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

Chart 29 Industrial production, industrial confidence and the PMI

(monthly data; seasonally adjusted)



Sources: Eurostat, European Commission Business and Consumer Surveys, Markit and ECB calculations.
Notes: Survey data refer to manufacturing. From May 2010, Commission business survey data refer to the NACE Rev. 2 Classification.
1) Three-month-on-three-month percentage changes.
2) Percentage balances.
3) Purchasing Managers' Index; deviations from an index value of 50.

continued to expand in the second quarter of 2010. The Purchasing Managers' Index (PMI) for the manufacturing sector increased further to over 56 in the second quarter of 2010 (a reading over 50 means that activity is increasing in the sector), reaching levels last seen in the second quarter of 2006 (see Chart 29). The PMI survey also provided positive indications about new orders, as the relevant index remained over 57 in the second quarter of 2010. As regards the services sector, the PMI index for business activity increased again in the second quarter of 2010, after declining in the previous quarter, and returned to the level last reached in the third quarter of 2007. Other business surveys, such as the European Commission's business surveys, confirm indications provided by the PMI that economic sentiment is improving. In particular, compared with the first quarter of 2010, it strengthened in all sectors in the second quarter, except in construction where it was unchanged.

LABOUR MARKET

Recent information suggests that conditions in the euro area labour markets have stabilised. According to Eurostat's second release, euro area employment was stable, on a quarterly basis, in the first quarter of 2010. This is an improvement on previous quarters, when employment fell sharply. However, the previous substantial decline in employment was smaller in the euro area than in the United States (see the box entitled "A comparison of employment developments in the euro area and the United States).

Box 3

A COMPARISON OF EMPLOYMENT DEVELOPMENTS IN THE EURO AREA AND THE UNITED STATES

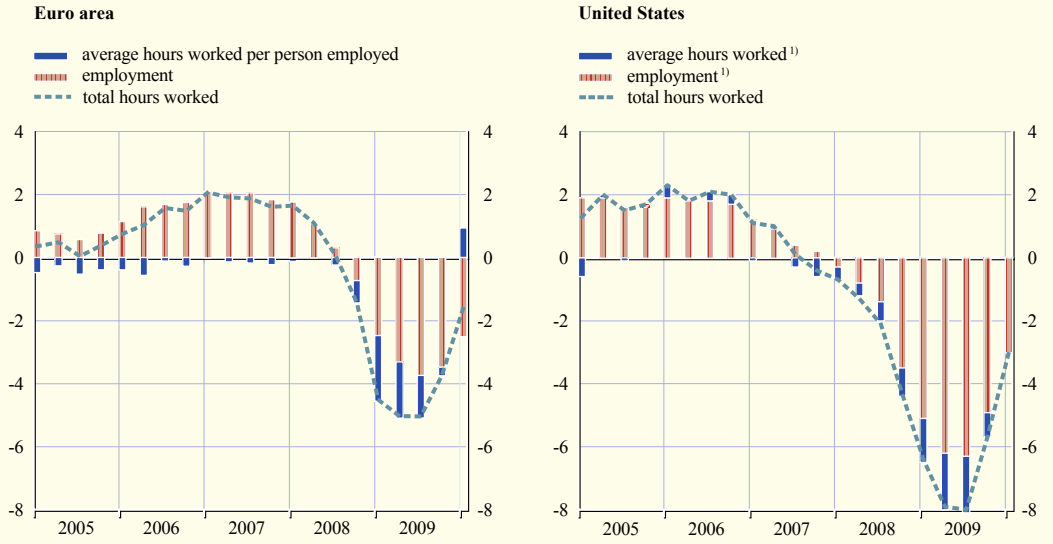
The recent economic and financial turmoil has had a heavy impact on labour markets on both sides of the Atlantic, resulting in sharp contractions in employment and notable increases in unemployment. This box compares the recent experiences of the two economies and examines the policy implications of recent labour market adjustments.

It is well known that labour market developments tend to lag economic activity. Moreover, direct comparisons between the euro area and the United States are further complicated by the fact that the effects of the financial turmoil and the ensuing downturn were felt in the United States somewhat earlier than in the euro area, with US quarterly GDP growth slowing sharply from the third quarter of 2007, while output growth in the euro area remained resilient until the first quarter of 2008. Overall, however, it seems that the contraction in economic activity was rather larger in the euro area than in the United States, with a peak-to-trough decline in real GDP of the order of 5.3% in the euro area, compared with 3.7% in the United States.[1] In the United States, the sharp contraction in output appears to have triggered a very rapid adjustment in employment, with few signs of stabilisation until late 2009 (see Chart A). In the euro area, by contrast, employment appears to have been rather slower to react and has not adjusted to the same extent, despite the relatively larger contraction in economic activity.

1 The US recession began officially in the final quarter of 2007, according to the US National Bureau of Economic Research (NBER) – a half year ahead of the recession in the euro area. However, US GDP growth turned negative only in the first quarter of 2008 and indeed GDP grew again in the second quarter of 2008 when the level of GDP actually peaked, as output was strongly boosted by a range of fiscal stimuli. In the peak-to-trough computation mentioned in the text, the peak refers to the fourth quarter of 2007.

Chart A Evolution of total hours worked in the business sector and contributions

(annual percentage changes; percentage point contributions)



Sources: Eurostat, the US Bureau of Labor Statistics and ECB calculations.
Note: The business sector excludes non-market services (including the public sector).
1) US employment data refer to the total number of jobs held (and thus may include a small proportion of people with more than one job).

Developments in employment, hours worked and unemployment

Overall, since the onset of the recession in the United States more than 8 million jobs have been lost (i.e. around 6.0% of the total prior to the recession). By contrast, in the euro area employment has fallen by around 3.9 million (i.e. 2.6%) since the start of the recession.[2] Both economies have experienced a sharp reduction in total hours worked, although the overall decline has clearly been much larger in the United States.[3] Moreover, there has been a significant difference in the relative contributions from employment losses and working hour adjustments across the two economies. In both economies, firms have responded to the recession by reducing the average working hours of employees. But in the United States this effect has been dwarfed by the much greater contribution of job shedding to the reduction in total hours worked, while in the euro area (particularly in the industrial sector) proportionally more of the reduction in total hours worked has been achieved through reductions in the average weekly hours of employees.

In addition to these labour demand dynamics, both economies have seen significant adverse labour supply effects following the recent economic downturn. In the euro area, the stagnation in labour force growth since the third quarter of 2008 can be almost equally attributed to both slower population and participation growth.[4] By contrast, in the United States the contraction in the labour force (-0.2% since the third quarter of 2008) can be exclusively attributed to a very

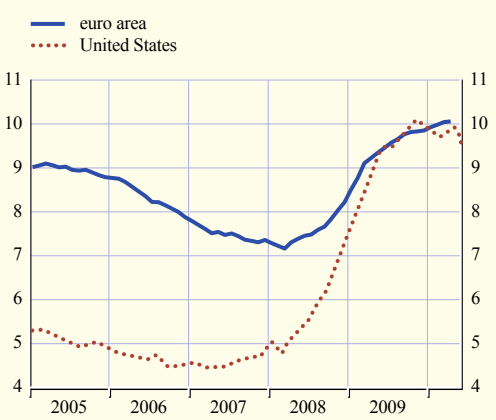
2 For important methodological differences in the compilation of employment data in the euro area and the United States, see the article entitled "Comparability of statistics for the euro area, the United States and Japan" in the April 2005 issue of the Monthly Bulletin.
3 For details on the new euro area national accounts-based hours series, see the box entitled "New statistical series of hours worked, productivity and labour costs for the euro area" and the article entitled "Labour market adjustments to the recession in the euro area" in this issue of the Monthly Bulletin.
4 See the box entitled "Recent labour supply developments" in the June 2010 issue of the Monthly Bulletin.

sharp fall in the participation rate, as many workers have been discouraged from seeking work by reduced employment prospects, while US population growth moderated only slightly.

The different reactions in employment and labour force dynamics in the two economies have led to a much slower increase in registered unemployment in the euro area – albeit from a higher initial level. Thus, in the euro area, the unemployment rate rose from the March 2008 low of 7.8% to 10.0% by the end of May 2010 (see Chart B). Meanwhile, the jump in the US unemployment rate has been considerably greater, having more than doubled from 4.8% in February 2008 to a peak of 10.1% in October 2009.

Chart B Unemployment rate

(percentages of the labour force)



Sources: Eurostat, the US Bureau of Labour Statistics and ECB calculations.

There are a number of reasons which may help to explain the lower employment losses observed thus far in the euro area relative to the United States. These include the earlier onset of the downturn in activity in the United States compared with the euro area, as well as the greater exposure of the US economy to sectoral shocks in the construction, real estate and financial sectors. In part, they may also stem from differences in definitions (with the United States counting the numbers of jobs held, whereas euro area data reflect the numbers of persons employed); but disparities in definitions alone cannot explain the very large increase observed in US unemployment. Part of this divergence can be understood in terms of the heavier reliance on reductions in working hours as the main means for adjusting employment in many euro area countries.[5] In several euro area countries, these measures were also supported by government subsidies. Such policies were broadly welcomed by firms anxious to retain skilled workers – particularly in those countries where skills shortages had been observed in the years preceding the recession. Finally, the stronger employment protection legislation in the euro area is also likely to have played an important role in delaying the labour market adjustment to what was initially perceived in many euro area economies as being to some extent a temporary disruption to demand.

Policy implications

Both economies' labour markets appear to have shown signs of stabilisation in recent months (with euro area unemployment levelling off and US unemployment slightly down from its October 2009 peak). However, it is likely to be some time before employment growth picks up substantially. It will be necessary to ensure that the recent deterioration in labour markets does not lead to higher structural unemployment. Longer-term improvements – and future employment growth – are likely to depend heavily on the ability of the economies to reorganise and restructure in the face of major sectoral shifts.

5 The use of short-time working programmes in many euro area countries increased sharply during the recession (applying, at its peak, to around 4% of employees in Germany and Italy), whereas similar schemes applied to only around 0.5% of the US labour force. See IMF, *World Economic Outlook*, Chapter 3, "Unemployment Dynamics during Recessions and Recoveries: Okun's Law and Beyond", 2010.

For the euro area, this process of restructuring is likely to require further reforms in both labour and product markets to enhance activity and thereby employment prospects. Further structural reforms and a timely dismantling of crisis policy measures – including the continuing reliance on subsidised short-time working schemes in some countries – will facilitate the reallocation of labour to more productive sectors. In this respect, an easing of employment protection legislation for permanent workers would, in several countries, help to alleviate some of the existing labour market dualism and encourage rehiring. Efforts to enhance wage flexibility – allowing for sufficient differentiation to reflect local labour market conditions, firms' competitive situations and local productivity levels – would help to address remaining imbalances and further stimulate labour demand. In product markets, enhanced competition would foster innovation and the implementation of efficient working practices.

At a sectoral level, industry (excluding construction) and construction continued to bear the brunt of aggregate employment reductions in the first quarter of 2010, although the pace of the reduction declined in industry excluding construction (see Chart 30 and the article entitled "Labour market adjustments to the recession in the euro area" in this issue of the Monthly Bulletin). Employment in the construction sector saw a stronger decline than in the previous quarter, owing to the unusually severe weather conditions in some countries. By contrast, services sector employment increased in the first quarter of 2010 after declining or remaining unchanged in the previous four quarters. The improvement on the previous quarter was evident in all services sub-sectors (see Table 6). Eurostat data on quarterly hours worked in the euro area show only a minor reduction in the first quarter of 2010, despite the sharp decline recorded in construction and in industry excluding construction (see the box in Section 3 entitled "New statistical series of hours worked, productivity and labour costs for the euro area").

Together with the recovery in euro area output growth, the job losses seen in recent quarters have contributed to an inflection in the decline in productivity. In year-on-year terms, aggregate euro area productivity (measured as output per employee) increased further in the first quarter of 2010, to 1.9%, marking a substantial improvement compared with the flat growth

Table 6 Employment growth

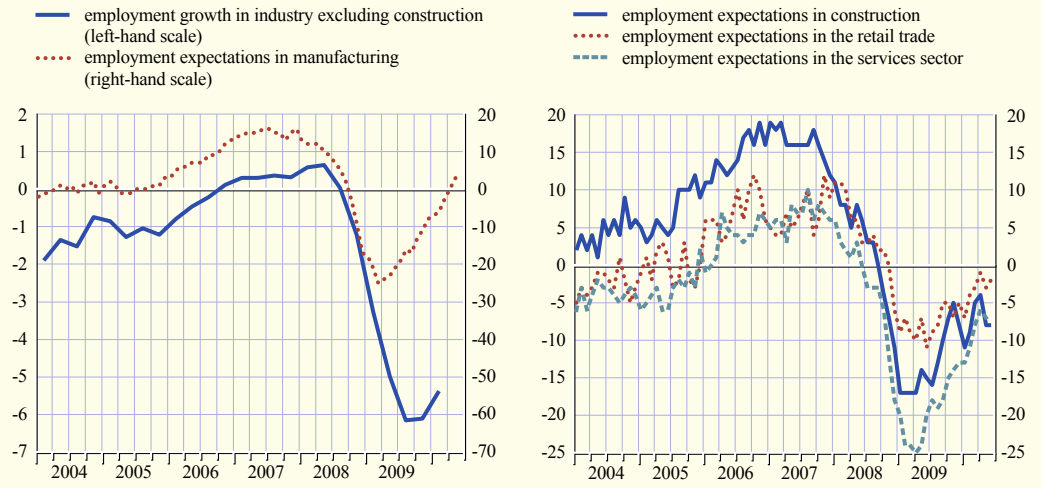
(percentage changes compared with the previous period; seasonally adjusted)

	Annual rates		Quarterly rates				
	2008	2009	2009 Q1	2009 Q2	2009 Q3	2009 Q4	2010 Q1
Whole economy	0.7	-1.9	-0.8	-0.5	-0.5	-0.2	0.0
of which:							
Agriculture and fishing	-1.8	-2.2	-0.6	-0.7	-1.2	0.3	0.1
Industry	-0.7	-5.6	-1.8	-1.6	-1.7	-0.9	-1.1
Excluding construction	0.0	-5.1	-1.7	-1.7	-1.7	-1.1	-0.9
Construction	-2.3	-6.7	-2.2	-1.3	-1.7	-0.4	-1.5
Services	1.4	-0.6	-0.5	-0.1	-0.1	0.0	0.4
Trade and transport	1.2	-1.8	-0.8	-0.5	-0.3	-0.6	0.0
Finance and business	2.3	-2.2	-1.2	-0.7	-0.5	0.2	0.5
Public administration [1]	1.1	1.3	0.1	0.4	0.3	0.2	0.5

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

Chart 30 Employment growth and employment expectations

(annual percentage changes; percentage balances; seasonally adjusted)



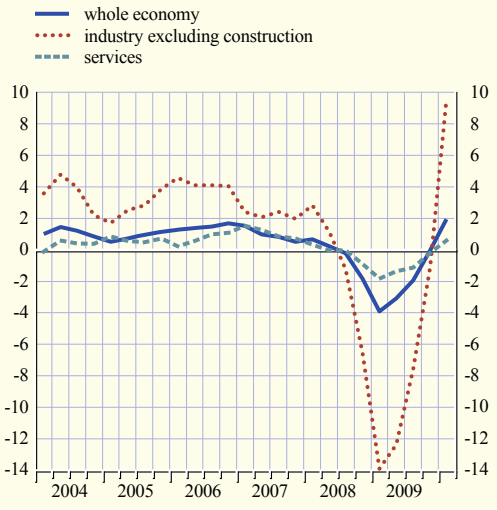
Sources: Eurostat and European Commission Business and Consumer Surveys.
Notes: Percentage balances are mean-adjusted. From May 2010, Commission business survey data refer to the NACE Rev. 2 Classification.

in the previous quarter and the record contractions seen in the first half of 2009 (see Chart 31). Developments in productivity per hour worked have exhibited a similar pattern, rising a further 1.3% year on year in the first quarter of 2010.

The euro area unemployment rate was 10.0% in May, unchanged from the previous month. The figure for April was revised downwards slightly by one-tenth of a percentage point (see Chart 32),

Chart 31 Labour productivity

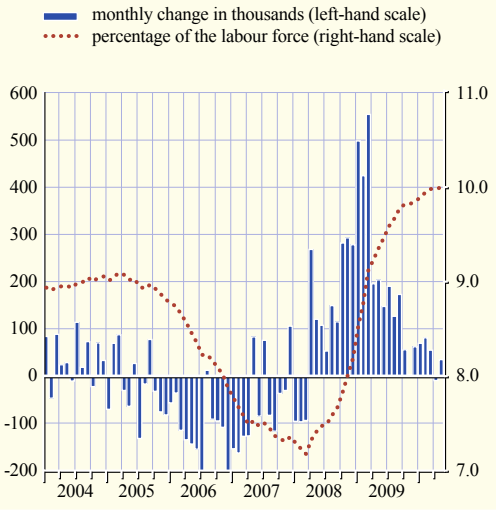
(annual percentage changes)



Sources: Eurostat and ECB calculations.

Chart 32 Unemployment

(monthly data; seasonally adjusted)



Source: Eurostat.

and currently stands at its highest level since August 1998. Looking ahead, survey indicators have improved from their low levels, suggesting a stabilisation in euro area unemployment in the months ahead (see Chart 30).

4.3 THE OUTLOOK FOR ECONOMIC ACTIVITY

Looking ahead, euro area real GDP growth is expected to grow at a modest and still uneven pace across countries and sectors. The ongoing recovery at the global level, as well as the accommodative monetary policy stance and measures adopted to restore the functioning of the financial system should provide support to the euro area economy. However, the process of balance sheet adjustment and labour market prospects are expected to dampen the pace of the recovery.

The risks to the economic outlook are seen as broadly balanced, in an environment marked by high uncertainty. On the upside, both the global economy and foreign trade may recover more strongly than projected. On the downside, concerns remain with respect to renewed tensions in financial markets, a stronger or more protracted than previously expected negative feedback loop between the real economy and the financial sector, renewed increases in oil and other commodity prices, protectionist pressures and the possibility of a disorderly correction of global imbalances.

5 EXCHANGE RATE AND BALANCE OF PAYMENTS DEVELOPMENTS

5.1 EXCHANGE RATES

Over the three months to 7 July the euro depreciated in nominal effective terms by 4.8%, moving further below its average level in 2009. The weakening of the euro was broadly based.

EFFECTIVE EXCHANGE RATE OF THE EURO

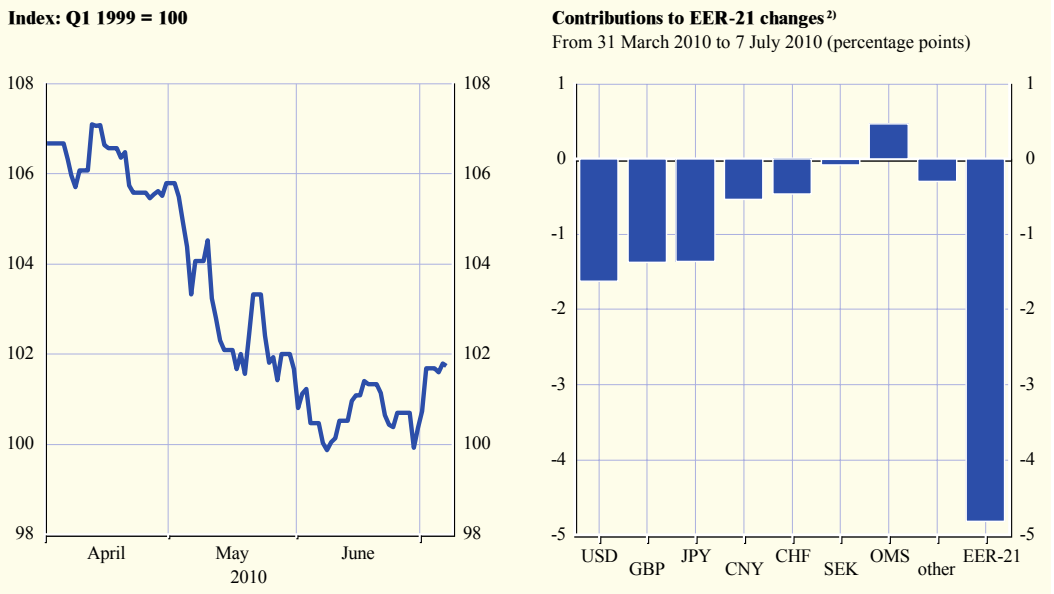
On 7 July the nominal effective exchange rate of the euro – as measured against the currencies of 21 of the euro area's most important trading partners – was 4.8% lower than at the end of March and 8.9% below its average level in 2009 (see Chart 33). The depreciation of the euro was broadly based and accompanied by an increase in the implied volatility of the bilateral exchange rates of the euro vis-à-vis other major currencies.

US DOLLAR/EURO

In the three-month period to 7 July the euro, notwithstanding some appreciation in the latest month of the reference period, weakened against the US dollar, reaching a level last seen in early 2006 and well below the 2009 average (see Chart 34). On 7 July the euro traded at USD 1.26, 6.8% lower than at the end of March and around 10% below its 2009 average.

Chart 33 Euro effective exchange rate (EER-21) and its decomposition [1]

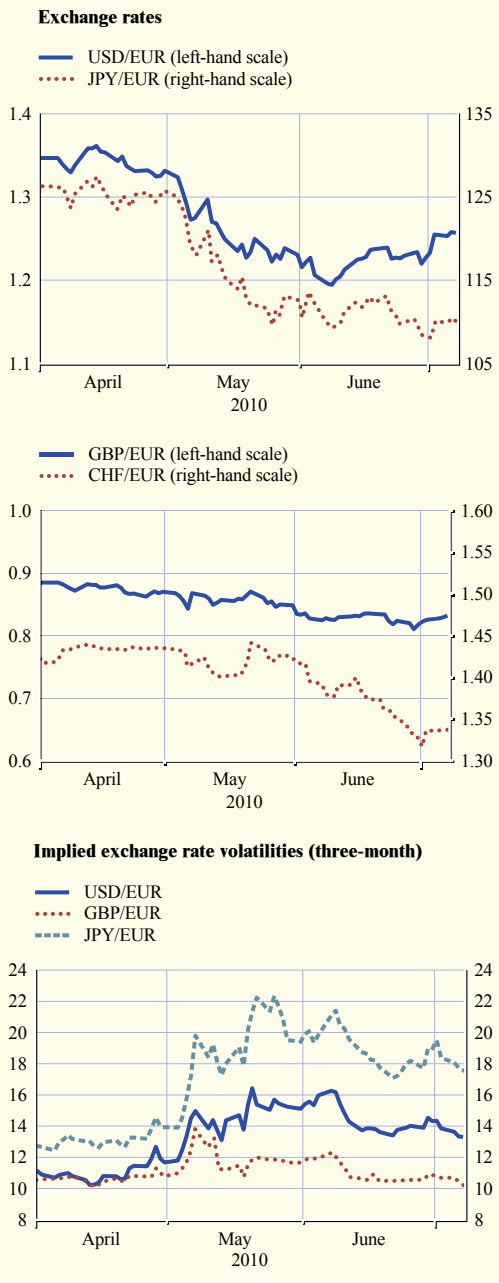
(daily data)



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

Chart 34 Patterns in exchange rates and implied volatilities

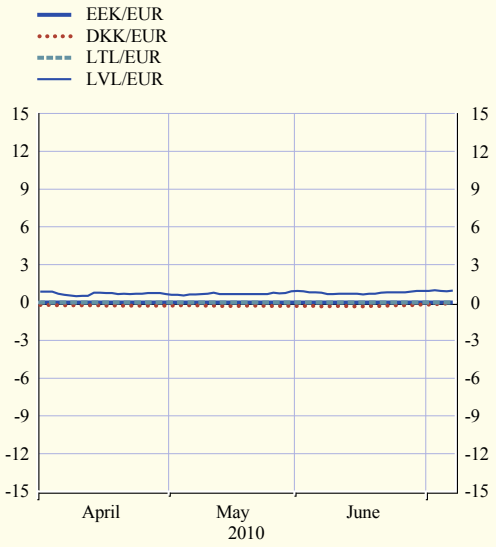
(daily data)



Sources: Bloomberg and ECB.

Chart 35 Patterns in exchange rates in ERM II

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



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

JAPANESE YEN/EURO

Over the three months to 7 July the euro depreciated vis-à-vis the Japanese yen. On 7 July it stood at JPY 109.3, 13.0% weaker than at the end of March and 15.9% below its 2009 average. Over the same three-month period the implied volatility of the JPY/EUR exchange rate sharply increased both at the short-term and long-term horizons (see Chart 34).

EU MEMBER STATES' CURRENCIES

Over the three-month period to 7 July the currencies participating in ERM II remained broadly stable against the euro, trading at, or close to, their respective central rates (see Chart 35). At the same time the Latvian lats remained on the weak side of the unilaterally set fluctuation band of ±1%.

As regards the currencies of the EU Member States not participating in ERM II, the euro depreciated by 6.5% vis-à-vis the pound sterling in the three months to 7 July, trading on 7 July at GBP 0.83. Over the same period the euro strengthened against the Hungarian forint (by 7.0%) and the Polish zloty (by 6.6%).

OTHER CURRENCIES

The euro sharply weakened vis-à-vis the Swiss franc, falling by 6.8% over the three months to 7 July, to CHF 1.33. Over the same period the bilateral euro exchange rates vis-à-vis the Chinese renminbi and the Hong Kong dollar still moved in line with the USD/EUR exchange rate. On 19 June the People's Bank of China announced measures to enhance the flexibility of the exchange rate of the renminbi (see Box 4).

Box 4

CHINA'S REFORM OF THE RENMINBI EXCHANGE RATE REGIME

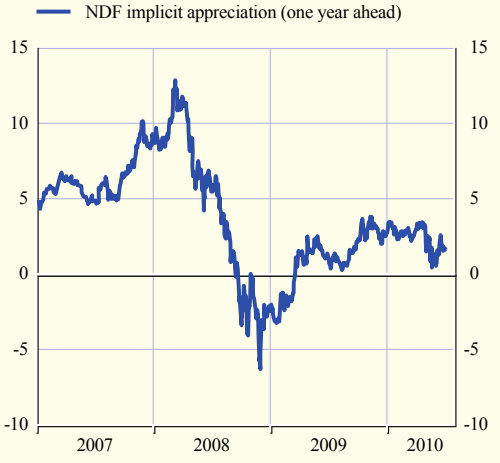
Following almost two years of the renminbi being de facto pegged to the US dollar (USD), on 19 June 2010 the People's Bank of China (PBC) announced that it intends "to proceed further with reform of the renminbi (RMB) exchange rate regime and to enhance the RMB exchange rate flexibility".[1] In particular, continued emphasis will be placed on "reflecting market supply and demand with reference to a basket of currencies". The PBC also specified that "the basis for large-scale appreciation of the RMB exchange rate does not exist", given the fact that China's current account is "moving closer to equilibrium".

It is too early to assess how the PBC will manage the exchange rate in practice under the new regime. Looking at market expectations, non-deliverable forward contracts currently price a less than 2% appreciation of the renminbi vis-à-vis the USD in one year's time (see Chart A). The PBC is also expected to allow for increased volatility in the RMB-USD bilateral exchange rate in order to mitigate speculative capital inflows. The PBC announcement did not, however, lead to any change in China's de jure exchange rate regime. Since the reform of July 2005, this regime has been defined by the Chinese authorities as a managed float based on market supply and demand with reference to a basket of currencies.

While the currency weights in the RMB basket are not disclosed, several studies looking at movements of the RMB against the USD concluded that the RMB has, in practice, been closely managed to reflect movements in the USD over the last five years, in the form of either a crawling peg (from July 2005 until July 2008) or a fixed peg (from July 2008 until June 2010). In the first period, the RMB steadily appreciated against the USD, gaining around 21% in bilateral terms (see Chart B). However, the appreciation of the RMB in nominal effective terms was only about 8%, mainly on account of the pace of appreciation

Chart A RMB non-deliverable forward contracts' implicit appreciation vis-à-vis the USD

(percentages)



Source: Bloomberg.
Notes: A negative number indicates a depreciation. Last observation: 7 July 2010.

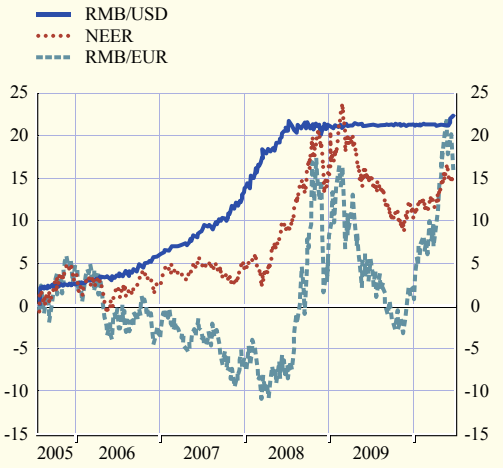
1 Excerpts taken from the PBC's public announcement on 19 June.

of the euro against the USD. In the summer of 2008, given the worsening of the external outlook and the unfolding of the global financial crisis, the Chinese authorities decided to halt the RMB's steady appreciation against the USD. Nonetheless, since December 2009 the RMB has appreciated further, by 5.0% in nominal effective terms, by 1.4% against the yen, and by 17.1% vis-à-vis the euro. Along with the broad-based depreciation of the euro, the price competitiveness of Chinese exporters has deteriorated in euro area markets.

As the Chinese authorities have emphasised, the recovery of Chinese exports in 2010 has also played a key role in driving the recent exchange rate decision, alongside domestic economic developments. In particular, the recent build-up of inflationary pressures – including in the property market – made the costs associated with a fixed exchange rate with the USD higher. An appreciating RMB may help to moderate inflationary pressures emanating from external sources and will also give the PBC greater scope to use monetary policy tools to fight inflation while managing a soft landing of the economy.

Chart B RMB exchange rate

(cumulative percentage changes since 20 July 2005; daily data)



Source: Bloomberg.
Notes: NEER is the nominal effective exchange rate of the RMB; index: 2000 = 100. Last observation: 7 July 2010.

5.2 BALANCE OF PAYMENTS

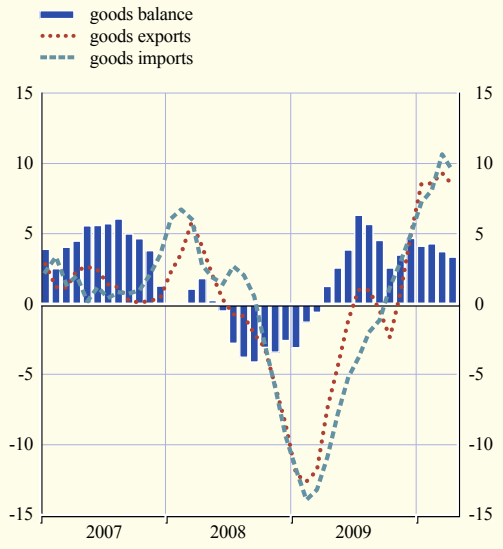
Extra-euro area trade in goods continued to strengthen in recent months. In the year to April the 12-month cumulated current account deficit of the euro area narrowed to €32.3 billion (around 0.4% of euro area GDP). In the financial account, net inflows in combined direct and portfolio investment fell to a cumulative €160.8 billion in the year to April.

TRADE AND THE CURRENT ACCOUNT

Amid improving global economic conditions, extra-euro area trade in goods continued to strengthen in recent months. According to balance of payments data, extra-euro area export values of goods increased by 8.4% in the three-month period to April (see Chart 36 and Table 7). The ongoing export expansion primarily reflected robust external demand, partly owing to temporary factors such as fiscal stimuli and the inventory cycle in the economies

Chart 36 Extra-euro area trade in goods

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



Source: ECB.

Table 7 Main items of the euro area balance of payments

(seasonally adjusted data, unless otherwise indicated)

			Three-month moving average figures ending				12-month cumulated figures ending	
	2010 Mar.	2010 Apr.	2009 July	2009 Oct.	2010 Jan.	2010 Apr.	2009 Apr.	2010 Apr.
	EUR billions							
Current account	**1.5**	**-5.1**	**-1.3**	**-4.9**	**-1.9**	**-2.7**	**-153.8**	**-32.3**
Goods balance	3.4	1.3	6.3	2.5	4.1	3.3	-23.0	48.9
Exports	126.5	124.5	107.3	104.8	113.7	123.3	1,459.0	1,347.4
Imports	123.1	123.2	101.0	102.2	109.6	120.0	1,482.0	1,298.5
Services balance	4.5	3.6	1.8	3.1	3.3	3.9	34.5	35.9
Exports	40.1	40.1	38.4	38.5	39.7	39.6	504.5	468.6
Imports	35.6	36.6	36.6	35.4	36.4	35.8	470.0	432.7
Income balance	-0.8	-2.7	-2.7	-2.8	-3.5	-1.7	-65.1	-31.8
Current transfers balance	-5.5	-7.3	-6.7	-7.7	-5.8	-8.2	-100.2	-85.2
Financial account [1]	**-1.0**	**8.2**	**-8.9**	**2.8**	**3.1**	**3.9**	**192.7**	**2.6**
Combined net direct and portfolio investment	-40.5	18.5	16.5	26.3	15.4	-4.6	232.7	160.8
Net direct investment	-24.2	-11.3	0.0	-11.3	-2.6	-11.6	-164.6	-76.8
Net portfolio investment	-16.3	29.9	16.5	37.6	18.1	7.0	397.4	237.6
Equities	-5.7	-8.1	26.9	-1.0	21.9	-3.0	-114.3	134.4
Debt instruments	-10.6	38.0	-10.4	38.6	-3.8	10.0	511.6	103.2
Bonds and notes	-8.5	32.0	-14.2	18.1	-6.9	7.5	221.9	13.5
Money market instruments	-2.1	6.0	3.8	20.5	3.1	2.4	289.7	89.6
Net other investment	43.2	-10.1	-28.7	-21.6	-16.1	-28.7	-52.2	-165.9
	Percentage changes from previous period							
Goods and services								
Exports	5.6	-1.2	-0.3	-1.7	7.1	6.2	-5.2	-7.5
Imports	6.6	0.6	-3.4	0.0	6.1	6.6	-1.7	-11.3
Goods								
Exports	6.3	-1.6	1.0	-2.4	8.5	8.4	-6.7	-7.7
Imports	8.3	0.1	-3.8	1.2	7.2	9.5	-2.9	-12.4
Services								
Exports	3.4	0.2	-3.6	0.1	3.2	-0.2	-0.7	-7.1
Imports	1.2	2.7	-2.1	-3.4	3.0	-1.9	2.3	-7.9

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

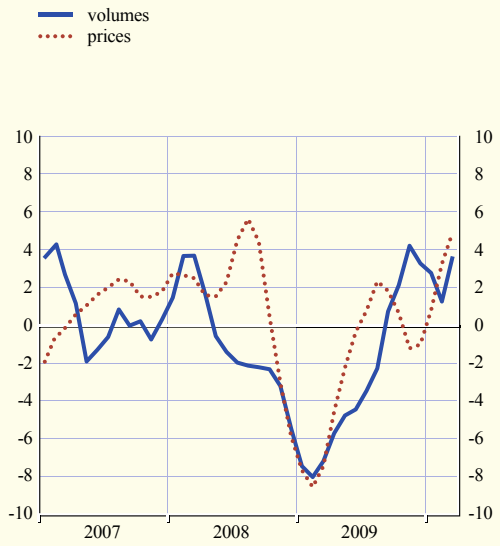
of the euro area's trading partners. Furthermore, gains in export price competitiveness underpinned by the depreciation of the euro may have also had a positive effect on extra-euro area exports.

At the same time, growth in extra-euro area imports of goods continued to outpace export growth. In the three-month period to April, values of goods imports rose by 9.5%. The breakdown of extra-euro area import values into volumes and prices, available from Eurostat up to March, indicates that this rise in import values of goods largely reflects a surge in import prices (see Chart 37). This, in turn, is partly attributed to the depreciation of the euro and the pick-up in commodity prices. Meanwhile, volumes of goods imports also grew at a strong pace, supported, among other factors, by export-induced demand for imported inputs and inventory adjustment.

By contrast with extra-euro area trade in goods, trade in services appears to have lost further momentum. Following an expansion observed around the turn of the year, export and import values of services declined by 0.2% and 1.9% respectively in the three-month period to April.

Chart 37 Breakdown of extra-euro area imports into volumes and prices

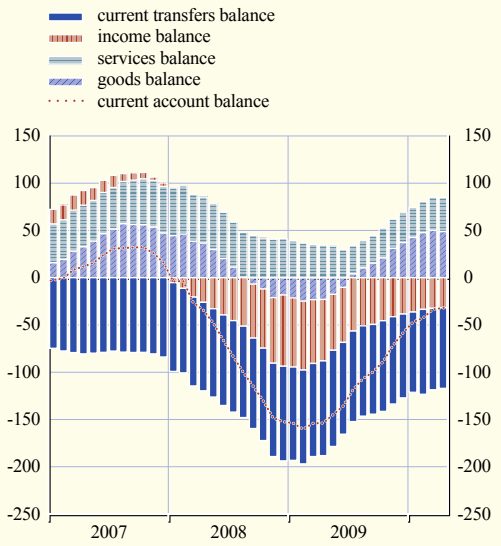
(three-month-on-three-month percentage changes; monthly data; seasonally adjusted)



Source: Eurostat.
Notes: The latest observations refer to March 2010.

Chart 38 Main items of the current account

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



Source: ECB.

Overall, as a result of import growth being stronger than export growth, the trade surplus of goods and services narrowed in the three-month period to April compared with previous months. In 12-month cumulated terms, however, the trade surplus of goods and services increased (see Chart 38), which – together with the lower deficits in the income balance and current transfers – has contributed to a smaller deficit in the current account. In the year to April, the cumulated current account deficit stood at €32.3 billion (around 0.4% of euro area GDP), compared with €153.8 billion a year earlier.

Looking ahead, available indicators suggest that extra-euro area exports of goods will continue to increase in the near term. However, as the trade recovery is to some extent supported by temporary factors – such as fiscal stimuli and the inventory cycle – some loss of momentum may be expected once the impact of these factors fades. Indeed, the Purchasing Managers' Index of new export orders in the euro area manufacturing sector remained well above the expansion/contraction threshold of 50, but has declined somewhat in recent months.

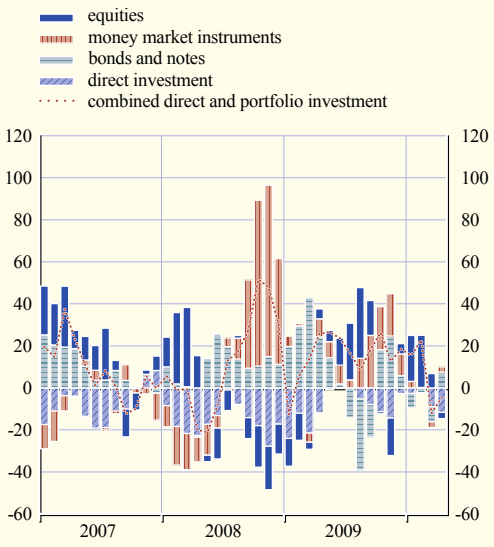
FINANCIAL ACCOUNT

In the three-month period to April 2010, combined direct and portfolio investment recorded average monthly net outflows of €4.6 billion, compared with net inflows of €15.4 billion over the previous three-month period (see Table 7). This shift was the result of both lower net inflows in portfolio investment and higher net outflows in direct investment, in particular owing to euro area companies increasing their outstanding loans to foreign affiliates.

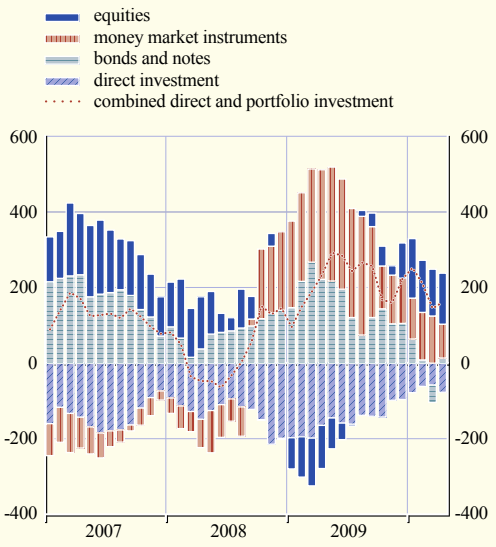
The developments in portfolio investment in the three-month period to April 2010 point to some re-emergence of risk aversion on the part of foreign investors amid renewed financial market turbulence and increasing concerns over the economic difficulties in some peripheral euro

Chart 39 Main items of the financial account

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



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



Source: ECB.

area countries. This resulted in a strong weakening of net investment in euro area equities by non-residents in the three-month period to April 2010 over the previous three-month period. At the same time, a marked increase of net purchases of euro area bonds and notes by non-residents was recorded, partly triggered by the higher volatility in the US Treasury market in April.

Turning to longer-term developments, net inflows in combined direct and portfolio investment decreased to €160.8 billion in the 12-month period to April 2010, compared with €232.7 billion in the same period a year earlier, mainly driven by reduced net inflows in portfolio investment (see Table 7). The breakdown of portfolio investment by instrument indicates that this reduction was primarily the result of a large decrease in net inflows in debt instruments, which more than offset the shift from net outflows to net inflows in equities (see Chart 39). This is in line with the trend in the last few quarters of a return of global investors to the equity markets and the gradual scaling-down of the exceptionally high flows in debt instruments in late 2008 and the first months of 2009 due to factors related to the financial crisis.

ARTICLES

LABOUR MARKET ADJUSTMENTS TO THE RECESSION IN THE EURO AREA

The recent financial crisis and the ensuing recession have taken a heavy toll on euro area labour markets. Employment losses have been considerable and heavily concentrated in a few sectors. Despite a large contraction in employment, euro area wages have been slow to react, reflecting institutional rigidities. Moreover, there has been considerable cross-country heterogeneity in labour market reactions to the downturn in activity. Various policy measures have been enacted, aimed at maintaining employment through the crisis. This article argues that a timely dismantling of many of these measures would help to accelerate the restructuring process. Without sectoral reallocation and greater wage flexibility, the euro area may take many years to generate sufficient employment growth to absorb those workers currently displaced.

1 INTRODUCTION

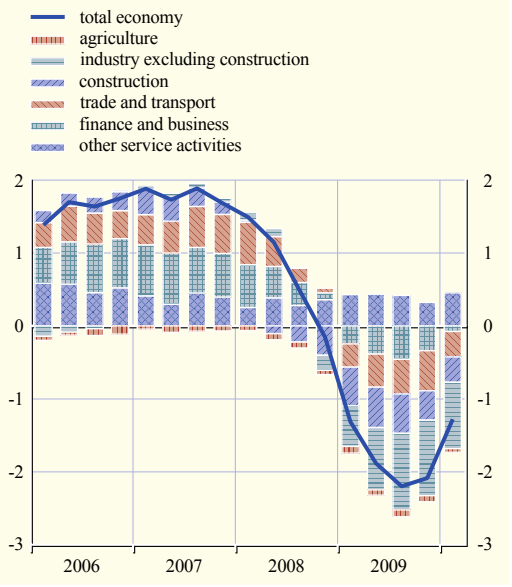
The recent deep recession triggered a swift and strong reaction in euro area employment. Between the second quarter of 2008 (the peak of euro area employment) and the fourth quarter of 2009 (when the decline in employment appears to have bottomed out), euro area employment fell by 2.6%, following a sharp decline in economic activity. By the end of 2009 euro area employment had fallen back to its mid-2006 level, effectively reversing two years' worth of job growth. Employment losses have been particularly heavy in industry and construction (see Chart 1). Moreover, the recent recession has seen considerable cross-country heterogeneity – in terms of employment (see Chart 2), hours and wage reactions, and in the policies adopted by way of crisis measures.[1]

Charts 1 and 2 show the evolution of euro area employment growth since 2006, according to national accounts data. After several years of

1 See also the boxes entitled "The composition of the recent decline in employment in the euro area" in the September 2009 issue of the Monthly Bulletin and "Employment developments in the euro area in 2009" in the Annual Report 2009.

Chart 1 Euro area employment growth and sectoral contributions

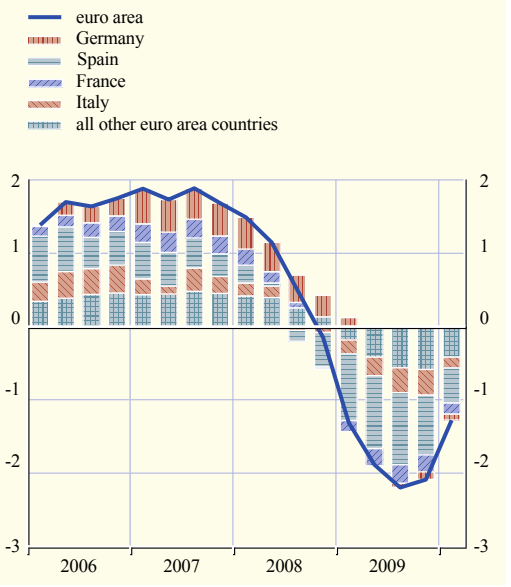
(annual percentage changes and percentage point contributions)



Sources: Eurostat and ECB calculations.

Chart 2 Euro area employment growth and country contributions

(annual percentage changes and percentage point contributions)



Sources: Eurostat and ECB calculations.

robust growth in the mid-2000s, in 2008 euro area employment growth slowed markedly – from a brisk 1.5% year on year in the first quarter of 2008 to a 0.2% contraction by the final quarter of that year. In the second half of 2009 euro area employment declined at a rate of around 2.2% year on year, but the rate of decline appears to have moderated in the first quarter of 2010.[2]

A wide variety of factors help to explain the considerable degree of heterogeneity seen in euro area labour markets during the recent recession. Differences in outcomes may partly reflect cross-country differences in sectoral composition and thus a higher exposure of some countries to the large sectoral shocks experienced in the context of the recent financial crisis. Moreover, differences in employment structure – with varying proportions of workers covered by permanent and temporary contracts – are also likely to lead to differing labour market outcomes. At a less aggregate level, firms' financial positions – and their ability to withstand the impact of a marked fall in output – undoubtedly play an important role. Similarly, the degree of labour shortage prior to the recession may have encouraged greater labour "hoarding" among firms fearing (post-recovery) constraints in some local or highly specialised labour markets. Furthermore, part of the large heterogeneity observed is due to the interaction of the various countries' distinctive institutional features and policies – including the willingness of workers' representatives to accept flexible wage-setting and wage moderation – which can help to mitigate the strongest effects of the recession on labour market participants.[3]

This article proceeds as follows: Section 2 examines euro area labour market dynamics since the onset of the crisis, focusing on the sectoral and compositional effects which characterised the recession. Section 3 examines the differing degrees of wage and labour cost responsiveness. Section 4 reviews the policy and institutional features which have contributed to shaping the differing adjustments observed. The article ends with an assessment of the current outlook for euro area labour markets and draws out policy implications (Section 5).

2 FEATURES OF THE RECENT RECESSION

The recent recession has been the strongest downturn experienced in the euro area since the Second World War. Between the first quarter of 2008 and the second quarter of 2009, euro area real GDP fell by 5.3%, following a severe financial crisis and substantial corrections to overheated economies in a number of euro area countries. The systemic nature of the financial crisis which preceded the latest downturn has important ramifications for employment dynamics in the post-crisis period, since recessions triggered by financial crises typically give rise to longer-lasting macroeconomic effects than those resulting from other (non-systemic) recessions. These effects include higher losses in – and a more gradual recovery of – output and employment, as well as longer-lasting increases in unemployment and higher structural unemployment, following typically deep and prolonged declines in asset prices and sharp increases in government debt.[4]

EMPLOYMENT REACTIONS

By the first quarter of 2010 euro area employment was around 2.6% lower than at its peak in the second quarter of 2008. A simple scatter plot associating contemporaneous changes in employment with changes in output (Chart 3) demonstrates the high degree of heterogeneity in the labour market responses of the various euro area countries, regardless of the marked differences in the magnitude of the downturns experienced. In some countries (e.g. Germany), there has been relatively little change in employment, despite large falls in output;

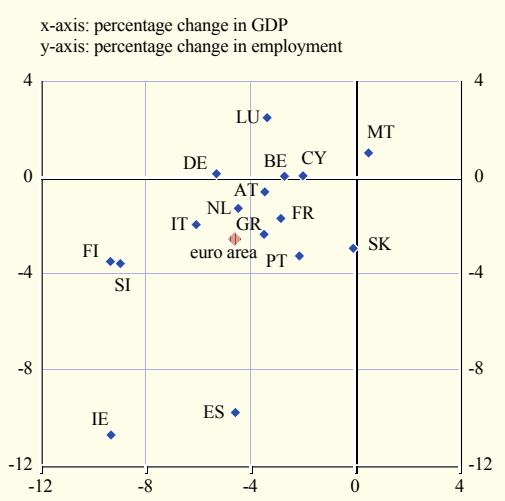
2 Eurostat's first national accounts estimate for the first quarter of 2010 appears to show a stabilisation in euro area employment levels in that quarter. This article is based on the data available up to 24 June 2010.

3 In addition, part of the difference observed can be explained by the varying reactions of each country's labour force to deteriorating employment conditions ("supply effects"); this aspect was explored in the box entitled "Recent labour supply developments" in the June 2010 issue of the Monthly Bulletin.

4 See, for instance, C. Reinhart and K. Rogoff (2009), "The Aftermath of Financial Crises", in *American Economic Review*, Vol. 99, No 2 (May), and S. Claessens, A. Kose and M. Terrones (2008), "What Happens During Recessions, Crunches, and Busts?", IMF Working Paper No 08/274.

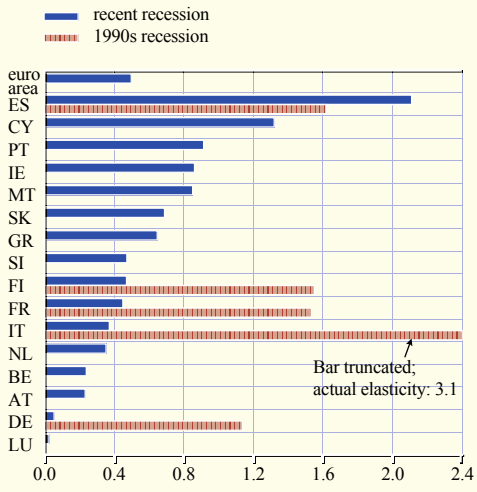
Chart 3 Changes in output and employment

(percentage changes; Q1 2008-Q1 2010)



Sources: Eurostat and ECB calculations.
Note: Data for Austria, Luxembourg and the Netherlands refer to Q1 2008-Q4 2009, while those for Ireland refer to Q1 2008-Q3 2009.

Chart 4 Elasticity of employment with respect to output; by country



Sources: Eurostat and ECB calculations.
Notes: Elasticities denote percentage reductions in employment divided by percentage reductions in GDP. Elasticities are computed using country-specific peaks and troughs, or using the latest data where a trough has not yet been reached (computations thus differ from Chart 3).

others (most notably Spain) have suffered disproportionately large falls in employment compared with their respective output losses.

Between its peak in the second quarter of 2008 and its trough in the fourth quarter of 2009, euro area employment fell by 2.6% – around half the size of the peak-to-trough contraction in GDP. These magnitudes suggest a euro area elasticity of employment to changes in output of around 0.5. That is, for each percentage point fall in GDP, employment has fallen by around ½ percentage point since the first quarter of 2008. At the country level, elasticities ranged from 2.2 in Spain to virtually zero in Germany, as shown in Chart 4.

Despite significant job losses across the euro area during the recession, the employment reactions of many of the euro area economies have, to some extent, been more muted than might have been expected – either on the basis of comparisons with other leading economies[5] or in relation to historical observations. Chart 4 also includes (where data permit) elasticity estimates for the last major recession to affect most euro area countries (brown bars), which occurred in the early 1990s. This shows a clearly higher reaction of employment to GDP contractions in the earlier episode, except in Spain. Systemic recessions following financial crises typically exert deeper and longer-lasting labour market reactions than non-systemic recessions. Thus, for several countries, the full employment effects of the systemic 1990s recessions lasted substantially longer (with employment troughs reached after 12 to 15 quarters) than those of the countries experiencing non-systemic recessions (seven to eight quarters).[6]

5 See the box entitled "A comparison of employment developments in the euro area and the United States" in this issue of the Monthly Bulletin.

6 Financial crises are defined following Chapter 3 of the April 2009 IMF World Economic Outlook. See also the box entitled "Labour markets and financial crises" in "Wage dynamics in Europe: final report of the Wage Dynamics Network" (ECB, December 2009), as well as the article entitled "The latest euro area recession in a historical context" in the November 2009 issue of the Monthly Bulletin. The rather lower responsiveness of euro area employment to the fall in activity during the recent recession is to a large extent confirmed by unemployment dynamics. See the box entitled "Links between output and unemployment in the euro area" in the October 2009 issue of the Monthly Bulletin or Chapter 3 of the April 2010 IMF World Economic Outlook.

CHANGES IN HOURS WORKED

Aside from the notable reductions seen in headcount employment, the latest recession has also been marked by a substantial reduction in total hours worked over and above that generated by job losses. Chart 5 uses data from the European Labour Force Survey (currently available only up until the fourth quarter of 2009), enabling a decomposition of changes in total hours worked into employment and average working hours effected according to employment status.

While part of the decline in total hours worked over the course of the recession reflects some reduction in individual working time accounts, part also reflects the very extensive use of shorter working hours schemes instituted in a number of euro area countries in a direct attempt to safeguard employment (discussed further in Section 4). This has resulted in considerable heterogeneity across countries, as shown in Chart 6.

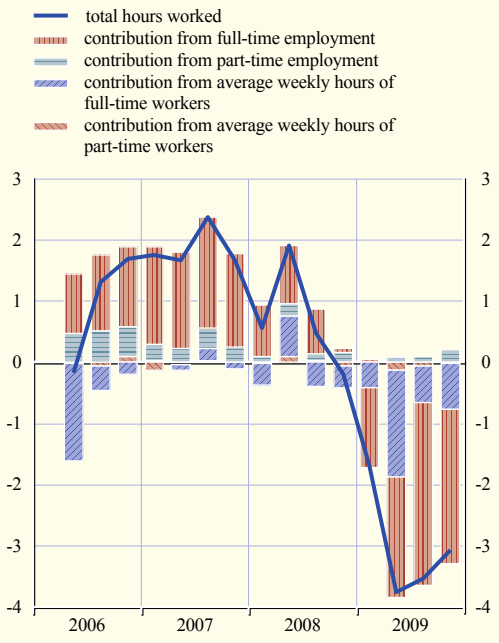
THE SECTORAL DIMENSION TO THE CRISIS

The sharp slowdown in employment growth observed in construction since early 2007 followed several years of rapid employment growth in this sector, particularly from the middle of the decade (see Chart 7). Industrial employment reacted later, but then declined markedly. So far, employment in industry and construction has fallen by 8.5% and 11.9% respectively from pre-crisis peaks.

Chart 8 shows the cumulative impact of these sectoral declines on aggregate employment developments in the euro area and the individual euro area countries since the first quarter of 2008. The decline in construction employment is particularly sizeable in those countries in which aggregate employment has fallen most, i.e. Ireland and Spain, in part reflecting a brisk correction to earlier overheating in the housing sector.

Chart 5 Growth in euro area total hours worked and contributions by worker type

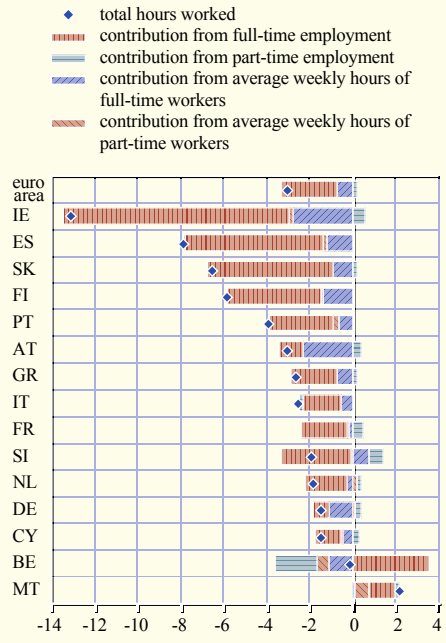
(annual percentage changes and percentage point contributions)



Sources: Eurostat and ECB calculations.
Note: Data for France are estimates.

Chart 6 Growth in total hours worked and contributions by worker type; by country

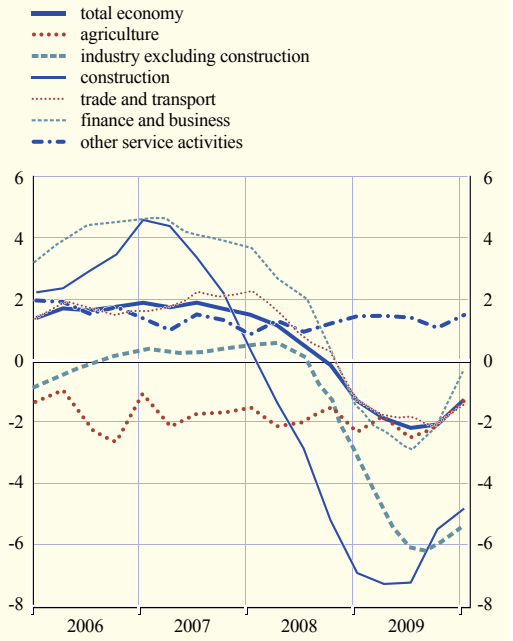
(percentage changes and percentage point contributions; Q4 2008-Q4 2009)



Sources: Eurostat and ECB calculations.
Note: Data for France are estimates.

Chart 7 Sectoral growth rates in euro area employment

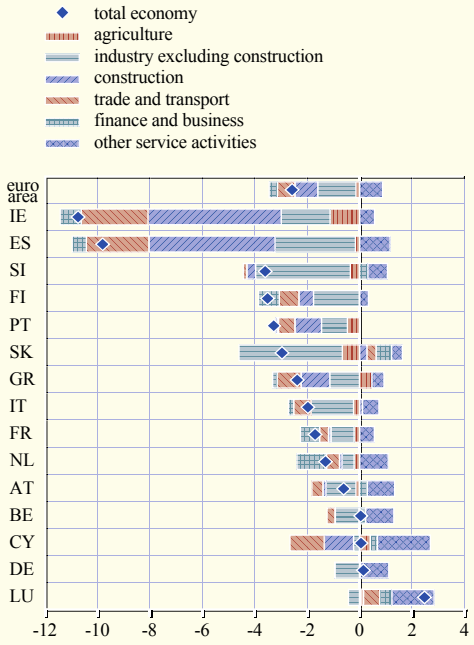
(annual percentage changes)



Sources: Eurostat and ECB calculations.

Chart 8 Sectoral contributions to aggregate employment developments; by country

(percentage changes and percentage point contributions; Q1 2008-Q1 2010)



Sources: Eurostat and ECB calculations.
Notes: Data for Cyprus are not seasonally adjusted. Data for Ireland refer to Q1 2008-Q3 2009, while data for France, Luxembourg, the Netherlands and Austria refer to Q1 2008-Q4 2009.

In both countries, the construction sector represented between a third and a half of total labour shedding. Sharp employment declines are also evident in the broad industrial sector and in trade and transport activities, accounting for some 15% and 10% respectively of total euro area employment losses. In comparison, contributions to total employment developments from the heavily hit financial and business services sector tend to be rather modest, in large part reflecting their limited share in total employment. The category "other service activities" – including the public sector – actually contributed positively, helping to stabilise employment developments.

The high sectoral concentration of employment losses seen during the recent recession raises important questions regarding the speed with which displaced workers are likely to be reabsorbed in the longer term. For some sectors (particularly construction, as well as certain manufacturing industries), some of the recent downsizing may become entrenched, partly as a result of a normalisation of earlier overheating and partly as the recession is likely to lead to significant restructuring in some branches of activity. This will inevitably bring about permanent reductions in employment in these sectors, raising the prospect of increased long-term and structural unemployment – particularly if the skills of displaced workers are not easily transferable to other sectors.

EMPLOYMENT COMPOSITION EFFECTS

In addition to the substantial sectoral variation in job losses seen during the recent recession, there has been considerable inequality in the distribution of employment losses across different groups of workers. How different segments of the labour market – in terms of age,

contractual status or skills – are affected by the recession is, of course, to a large extent determined by the sectoral composition of employment and the sectoral exposure to the downturn. But the structure of employment itself, in particular the role and coverage of temporary employment contracts, is also an important factor in explaining the varying employment responses to the downturn in the euro area countries.

Temporary workers – i.e. those without the employment protection afforded by "permanent", open-ended employment contracts – have borne a disproportionate share of the employment adjustment across the euro area. Prior to the recession, the share of temporary workers in total employment had been consistently increasing, reaching around 17% of total euro area employment by the middle of 2007. Indeed, the growth in temporary contracts, as well as other forms of non-permanent working arrangements such as self-employment as a freelancer, contributed substantially to the rapid employment growth seen in the euro area before the crisis. But the prevalence of such contracts varied considerably across countries, with temporary contracts applying only to around 5% of workers in Slovakia, but almost one-third of all employees in Spain. As the effects of the financial market turmoil began to impact on the wider euro area economy, firms were able to react swiftly to the increased uncertainty as to future demand for their output by rapidly reducing the number of contract renewals for temporary workers.

Between late 2007 and early 2009 the share of temporary workers in total employment fell markedly. As Chart 9 shows, temporary employment adjusted relatively earlier – and to a greater extent – than other forms of employment in the course of the recession. This trend is particularly apparent in a few countries, most notably Spain, where temporary workers have accounted for virtually the entire employment adjustment (in part driven by developments in the construction sector, where the number of temporary jobs has halved since the downturn).[7]

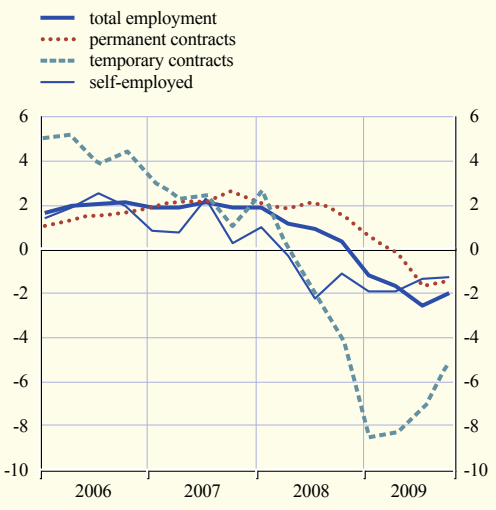
More recently, temporary employment appears to have shown signs of an earlier turnaround in comparison with more permanent forms of employment across the euro area, although it is still posting negative annual rates of growth. Workers with permanent contracts, benefiting from wide-ranging employment protection legislation, have been substantially less affected.

Meanwhile, part-time work has continued to grow (see Chart 10). It is, as yet, too early to assess the extent to which observed increases in the proportion of part-time workers in total employment during the recession simply reflect ongoing secular trends as opposed to the impact of the crisis. Certainly, the recession hit traditionally full-time sectors (such as construction and industry) particularly hard. Moreover, crisis measures – designed to protect jobs by means of shorter working hours – may themselves have helped to increase the part-time ratio, as ostensibly "full-time" employees work fewer weekly hours. Recent data from the

7 See, for example, S. Bentolila, P. Cahuc, J. Dolado and T. Le Barbachon (2010), "Unemployment and temporary jobs in the crisis: comparing France and Spain", FEDEA Working Paper No 2010-07.

Chart 9 Euro area employment growth by contract type

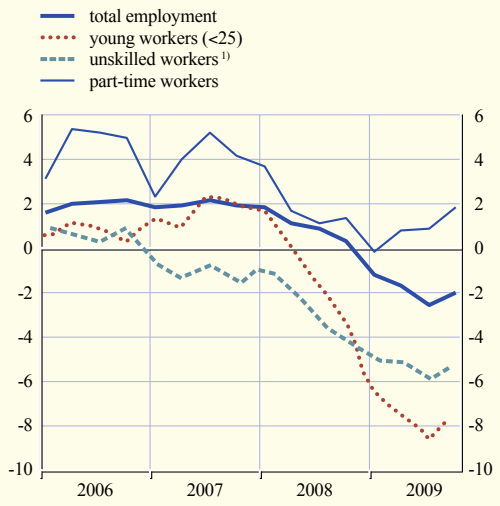
(annual percentage changes)



Sources: Eurostat and ECB calculations.

Chart 10 Euro area employment growth of selected groups of workers

(annual percentage changes)



Sources: Eurostat and ECB calculations.
1) Unskilled workers are defined as those with a lower secondary school leaving certificate or less.

European Labour Force Survey show a marked increase in the proportion of part-time employment, particularly for men, since the onset of the recession.[8] While female participation has also increased, job growth has occurred only in the part-time segment, helping to mitigate the effects of full-time job losses.[9]

Two other groups have been hit particularly hard by the recession: young workers (aged under 25) and the unskilled (those holding only basic school-leaving qualifications, if any). The stark decline in employment opportunities for younger workers is particularly evident in Spain and Ireland, which together account for roughly half of the decline in euro area employment of such workers. Since the onset of the recession, youth unemployment rates have almost doubled, to 20% for the euro area as a whole by April 2010 (though closer to 30% in Ireland and Italy, 35% in Slovakia and over 40% in Spain). Apart from the social and financial costs of long periods of inactivity, the strong decline in work opportunities for young people raises important longer-term macroeconomic issues. Such workers are potentially a source of economic dynamism, but are likely to miss out on productivity-enhancing training if they cannot gain access to the jobs which provide such training. Research suggests significant long-term adverse "scarring" effects of initial negative labour market experiences, including permanently lower employment probabilities and large earnings losses, which – for a small proportion of young people at least – may result in entrenched discouragement and a permanent detachment from the labour force.[10]

Regarding the unskilled, the downturn appears to have exacerbated the long-term structural decline in demand for such workers. Nevertheless, there is little cross-country variation in the decline in lower-skilled employment, other than that which can be attributed to the overall sectoral concentration of the downturn; such workers typically tend to be heavily concentrated in construction and industry.

3 THE RESPONSE OF WAGES AND LABOUR COSTS

As well as cutting employment, firms can reduce their labour costs in response to an economic slowdown by lowering wages. The responsiveness of wages affects the behaviour of other labour market variables, and the economy more generally. Broad-based evidence on the link between wages and employment, derived using several different

8 The European Labour Force Survey questions firms about the average hours worked by full and part-time employees. It is however possible that staff are reclassified during a severe downturn, despite the fact that their "standard" contracts remain unchanged.

9 See the box entitled "Recent labour supply developments" in the June 2010 issue of the Monthly Bulletin.

10 See, for example, K. Hämäläinen (2003), "Education and unemployment: state dependence in unemployment among young people in the 1990s", VATT Discussion Paper 312, and S. Burgess, C. Propper, H. Rees and A. Shearer (2003), "The class of 1981: the effects of early career unemployment on subsequent unemployment experiences", *Labour Economics*, Vol. 10, Issue 3.

methods, was recently explored by the ESCB Wage Dynamics Network (WDN).[11] The box below draws on results from the WDN survey, providing microeconomic observations on how firms have reacted to the crisis. The broad message of these findings is that the adjustment of employment has been faster and more widespread than that of wages.

11 For the summary findings and the related references to special studies and the literature, see "Wage dynamics in Europe: final report of the Wage Dynamics Network", December 2009 (available on the ECB's website at www.ecb.europa.eu).

Box

NEW SURVEY EVIDENCE ON LABOUR MARKET ADJUSTMENT TO THE RECESSION IN THE EURO AREA

This box looks at features of labour market adjustment during the recession using firm-level information. It briefly reviews some of the findings of the Eurosystem/ESCB Wage Dynamics Network,[1] in particular new evidence from a survey in which firms were asked about their responses to the contraction in economic activity during the recession. This survey was launched during the summer of 2009 in ten countries (Belgium, the Czech Republic, Estonia, Spain, France, Italy, Luxembourg, the Netherlands, Austria and Poland) and covered over 5,500 firms, 85% of which are located in the euro area. It therefore updates previous evidence, which was based on a survey conducted before the crisis.[2]

The firms' replies were in line with the macro evidence on the intensity of the recession. In the euro area countries surveyed, only 15% of firms did not see a negative impact on their activity, while in 38% of firms the negative impact was strong or exceptionally strong. This average hides substantial heterogeneity across countries; for example, while 44% of the firms in Belgium felt that they were suffering from a strong or exceptionally strong negative impact, the corresponding number in the Netherlands was 28% of firms. In addition, most firms perceived the recession as resulting in a fall in demand (41% of firms declared that they were being strongly or very strongly affected by a fall in demand), followed by difficulties in being paid by customers (29%), whereas financial constraints were declared to be relatively less important (19%). This held across countries and sectors and for firms of different sizes.

The most common response of firms to these declines in activity has been to reduce costs, while price reduction appears to be the least common. Indeed, around 73% of firms in the sampled euro area countries responded that reducing costs is a relevant or very relevant adjustment strategy. When looking in detail at the particular cost-cutting strategies that these firms implemented during the recession (see Table A), they mainly consisted of adjusting labour costs, which in most cases were contained by reducing the labour input in terms of permanent or temporary employment, or hours worked per employee. The percentage of firms that chose to reduce temporary employment as the main channel to adjust costs was very high in Belgium, Spain and the Netherlands (over 40%). Confirming that wages in the euro area initially responded very little to the crisis, only a few firms reported cuts in base wages as the main adjustment strategy to reduce labour costs; however, adjustment through flexible wage components was more common.

1 The WDN is a research network bringing together researchers from 24 EU central banks. It considers the sources and features of wage and labour cost dynamics that are most relevant for monetary policy, and the relationship between wages, labour costs and prices both at the firm and the macroeconomic level.

2 The survey is a follow-up to the WDN firm survey on price and wage setting, an ad hoc survey collecting information from the period before 2008 and covering over 19,000 firms in 20 EU countries. A summary of the evidence on wage setting from the original WDN survey is provided in the article entitled "New survey evidence on wage setting in Europe" in the February 2009 issue of the Monthly Bulletin.

Table A Cost-cutting strategies of euro area firms during the recession

Main strategy	Percentage of firms
Reduce labour costs	69.6
Adjust the amount of labour	
Reduce number of temporary/other employees	27.5
Reduce number of permanent employees	16.6
Reduce hours worked per employee	15.4
Adjust wages	
Reduce flexible wage components	8.6
Reduce base wages	1.5

Source: WDN survey.
Notes: All figures are employment-weighted. The sample includes Belgium, Spain, France, Italy, the Netherlands and Austria. The construction sector is not covered in the Spanish, French and Italian sample and financial intermediation is not covered in the Spanish and French sample.

Table B Incidence of wage cuts and freezes in the euro area during the recession

Percentage of firms cutting wages			Percentage of firms freezing wages		
five years before the crisis	summer 2009 did cut	summer 2009 will cut	five years before the crisis	summer 2009 did freeze	summer 2009 will freeze
1.3	2.1	3.3	7.6	37.1	43.1

Source: WDN survey.
Note: See notes to Table 1.

The stronger the impact of a crisis, the more likely it is that a firm will resort to reducing labour costs and in particular employment. Similarly, larger firms are more likely than smaller firms to lay off temporary workers and less likely to reduce non-labour costs.

The evidence from the WDN survey data collected before the latest recession showed that workers' wages were rarely cut during the five-year period preceding the launch of the survey and that downward wage rigidity was prevalent in most euro area countries.[3] When revisiting these facts in the context of the recent financial crisis, the evidence suggests that downward wage rigidity is still prevalent. On average, approximately 2.1% of firms in the euro area countries sampled in the follow-up survey experienced cuts in base wages during the period between the beginning of the crisis and the summer of 2009 (see Table B). This compares with an average share of 1.3% for the same sample of firms before the crisis started. The incidence of wage freezes, however, has increased considerably with the crisis, from only 7.6% during the five years prior to 2008, to 37.1% by summer 2009. Overall, this implies that downward wage rigidity was still prevalent in the summer of 2009 and that many firms were freezing wages instead of cutting them, even in an environment of economic downturn associated with near zero inflation.

Finally, empirical analysis confirms that institutional factors are important in shaping firms' responses. In particular, the combination of higher-level collective wage bargaining and strong employment protection legislation reduces the scope to lower wages and increases the adjustment through hours per worker, rather than through employment.[4] The presence of centralised collective wage agreements also hinders the adjustment of wages, even of their flexible components, and induces firms to reduce labour costs through hours worked.

3 J. Babecký, P. Du Caju, T. Kosma, M. Lawless, J. Messina and T. Rõõm (2010), "Downward nominal and real wage rigidity: survey evidence from European firms", ECB Working Paper No 1105.
4 See the publication referred to in footnote 11 of the main text.

The economic downturn has had a discernible, albeit delayed, downward impact on euro area wage pressures. Chart 11 shows four different indicators of wage growth: compensation per employee, hourly labour costs, compensation per hour and negotiated wages.[12] Following the onset of the recession, all these measures initially continued to rise. This reflected contractual wage agreements in the euro area (their average length, as identified in the WDN survey, is about one and a half years), made in 2007-08 – a time of increasing labour market tightness and high inflation rates. By 2009 these trends had reversed markedly, as the environment of weak activity, rising unemployment and low inflation led to lower outcomes in wage negotiations. By late 2009 most labour cost growth measures had slowed to below their average growth rates since the beginning of Monetary Union.

Reflecting the trends in GDP, employment and wages, unit labour cost growth rose for a considerable time, peaking at 5.9% in annual terms in the first quarter of 2009, as labour productivity fell sharply as a consequence of labour hoarding (see Chart 12). Since then unit labour cost growth has decreased rapidly, turning negative in the first quarter of 2010 as productivity grew rapidly.

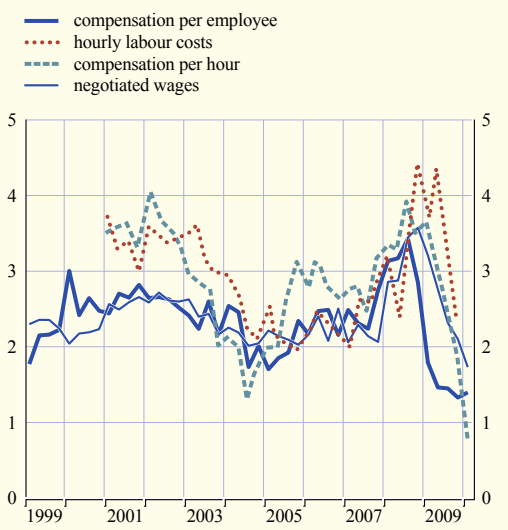
The responsiveness of wages to the economic downturn has varied substantially across euro area countries, reflecting their exposure to the recession and the impact of different wage-setting institutions. Given that different countries had very different wage patterns before the recession, Chart 13 shows the annual average growth in actual compensation per employee over the crisis (from the second quarter of 2008 to the first quarter of 2010), the annual average growth rate for the pre-recession period (from the first quarter of 1999 to the first quarter of 2008), and the difference between the two series.[13]

12 See the "Prices and costs" section of this issue of the Monthly Bulletin for an explanation of these indicators.

13 Wages in this instance are defined as compensation per employee. Another measure of wages – hourly labour costs – has evolved somewhat differently during the crisis owing to trends in hours worked.

Chart 11 Euro area wage indicators

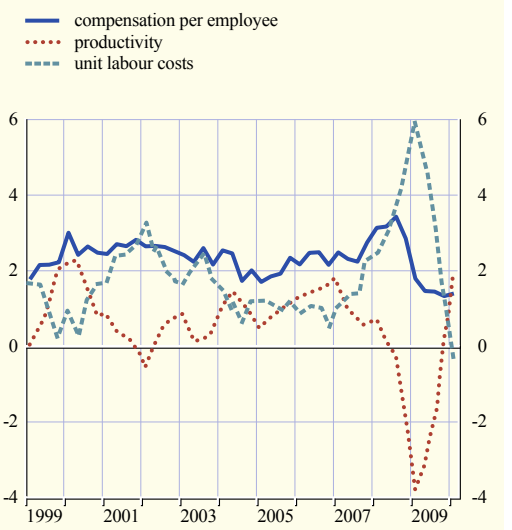
(annual percentage changes)



Sources: Eurostat and ECB calculations.

Chart 12 Euro area labour cost indicators

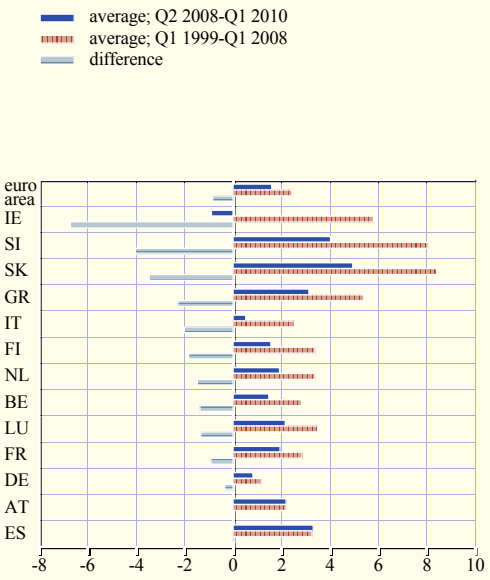
(annual percentage changes)



Sources: Eurostat and ECB calculations.
Notes: Productivity is given by GDP divided by total employment. Unit labour costs are compensation per employee divided by productivity.

Chart 13 Average growth in compensation per employee prior to and since the start of the recession; by country

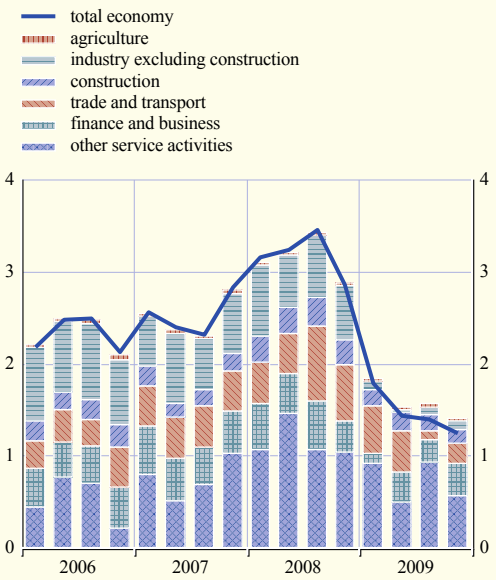
(annual percentage changes; percentage points)



Sources: Eurostat and ECB calculations.
Notes: Cyprus, Malta and Portugal are excluded owing to data limitations. Data for Greece are from Q1 2000. Data for Ireland refer to the period up to Q3 2009, while those for Luxembourg, the Netherlands and Austria refer to the period up to Q4 2009.

Chart 14 Euro area growth in compensation per employee and sectoral contributions

(annual percentage changes and percentage point contributions)



Sources: Eurostat and ECB calculations.
Note: Sectors are weighted using compensation weights.

Since the onset of the recession, euro area compensation per employee has grown at around 1.6% on average in year-on-year terms, 0.8 percentage point below its pre-crisis average. This slowing is widespread, with growth in compensation per employee moderating in almost all euro area countries. The most notable decelerations tend to be in the smaller euro area countries.[14] This may reflect relatively flexible wage-setting institutions in these countries, and a greater willingness of employers and employees to allow wage growth to slow in order to limit the loss of employment, in view of their relatively large employment and GDP losses during the crisis. Relatively rigid wages in Spain – in comparison with the very strong employment reaction – partly reflect the institutional structure of wage-bargaining agreements in that country. Sectoral bargaining is dominant and is coupled with regional-level negotiations, meaning that it is relatively difficult for wages to adjust to firm-level productivity. Therefore, despite low inflation during the recession and relatively widespread wage indexation, the burden of Spanish labour market adjustment has fallen more on employment.

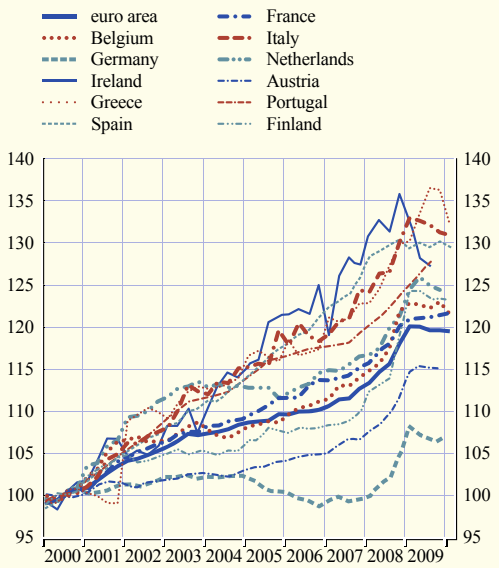
Turning to the sectoral breakdown of euro area compensation per employee, Chart 14 shows that three sectors have accounted for the majority of the slowdown since the peak observed in the third quarter of 2008.[15] Industry, trade and transport, and other service activities have each contributed around 0.6 percentage point to the slowdown. Indeed, wages in industry barely grew in 2009. This partly reflects the impact of reduced hours worked per employee in this sector, consequently lowering the average take-home pay per employee.

14 Pre-crisis wage growth in Slovenia and Slovakia should be interpreted with caution, as it could partially reflect convergence.

15 The sectoral breakdown of compensation per employee is currently only available up to the fourth quarter of 2009.

Chart 15 Unit labour costs; by country

(index: 2000 = 100)



Source: Eurostat.
Notes: Quarterly data up to Q1 2010 (Q3 2009 for Ireland, Q4 2009 for the Netherlands and Austria). The estimates for Portugal are based on annual data. Unit labour cost developments for Greece and Portugal may differ from the calculations by the respective NCBs. The Greek pattern of unit labour costs reflects substantial volatility in quarterly data on employees' compensation.

In the latest quarter, over half of the annual growth in total compensation per employee was contributed by "other service activities", reflecting the more resilient nature of public sector wages. In construction, the relatively modest slowdown in compensation per employee – despite a heavy fall in output – should be seen against the backdrop of heavy employment losses in that sector.

While the previous analysis focused on the moderation of wage growth during the recession, the outlook will also depend on how countries seek to maintain (or restore) competitiveness. Unit labour costs rose relatively quickly in several countries in the decade preceding the crisis, in particular in Ireland, Greece, Spain, Italy and Portugal (see Chart 15). Of these countries, only Ireland and – to a lesser extent – Italy have seen sustained improvements in their competitiveness over the last two years. Thus, substantially more adjustment seems to be necessary in several euro area countries before they can benefit from strong wage competitiveness, which will facilitate balanced and sustainable employment and output growth.

4 THE ROLE OF LABOUR MARKET POLICIES AND INSTITUTIONS

Governments across the euro area have implemented a number of crisis measures to counter the worst effects of the recession. Almost all countries have adopted a range of policies designed to reduce working time, lower labour taxes and ease labour market transitions for job-seekers. In addition, around half have increased benefits and assistance for the unemployed. Many of the crisis measures introduced, along with strict employment protection legislation in many countries, may have contributed in the short run to cushioning the impact of the crisis. However, as several of the measures are having undesirable effects on longer-run employment prospects, a timely dismantling of many of them would help to accelerate the restructuring process.

The main thrust of the temporary working-time reduction measures has been to facilitate the downward adjustment of hours, as a partial alternative to that of employment (see Charts 5 and 6). Official estimates of the impact of the measures show that there have been sizeable effects in Germany (the "Kurzarbeit" scheme) and Italy (the "Cassa Integrazione Guadagni" scheme), where such schemes at their peak applied to around 1.3% and 3% of full-time equivalent workers respectively. Indeed, the bulk of the decline in total hours worked in Germany is attributable to private sector reductions in average working weeks, rather than reductions in headcount employment (see Chart 6).

Many of the short-time working schemes across the euro area, initially implemented on a short-term basis, have already been extended or are due to expire in 2010. These programmes have helped to avoid excessive labour shedding

and to maintain human capital in the short run. However, as the recovery takes hold, and since economies need to restructure, necessary adjustments could be hampered if employment is frozen in certain sectors. The measures also generate a major fiscal burden without creating incentives for investment to foster recovery.[16]

Reductions in tax on labour have generally been applied to social security contributions. To the extent that such measures help to reduce the burden on firms of employing labour, they are likely to have aided employment developments. The tax wedge in most euro area countries is high by international standards. Lowering this wedge could help to tackle weaknesses in earlier reforms, but such efforts add to the fiscal consolidation requirements of certain countries. Therefore, whether they can be pursued further may depend on fiscal tightening in other areas.

Many countries have implemented measures to help the unemployed in their job search (active labour market policies). Most governments have launched or extended training programmes for the unemployed to help restructure their economies, and many have taken steps to improve the flow of information in the labour market and thereby enhance the job-finding prospects of the unemployed. Maintaining or extending such measures could help the jobless to find jobs at a time of ongoing sectoral reallocation, to the extent that budgetary resources allow. In addition, job subsidies to private employers have been introduced or increased in many countries. The aims of such subsidies should be to limit displacement effects and to ensure high levels of job take-up.[17]

Many governments have extended unemployment benefits (for instance, by broadening eligibility criteria) to mitigate the social impact of the crisis. However, these measures reduce job-search incentives, as well as adding to the fiscal burdens of euro area countries.

One of the most important institutional factors determining labour market dynamics over recent years has been the degree of employment protection legislation. Reforms to moderate employment protection legislation ahead of the crisis and to encourage temporary employment contracts were factors behind the robust employment growth that occurred in the years prior to the crisis. Employment protection legislation varies substantially across European countries and across types of contract (temporary or permanent). Some countries have relatively high levels of protection against the individual and collective dismissal of permanent workers, which have at least temporarily contributed to labour hoarding and mitigated the employment reaction. By contrast, low firing restrictions applicable to temporary workers have permitted sizeable reductions in the number of these workers. Such labour market dualism therefore shifts the adjustment burden onto the latter group. Over the longer term, employment protection legislation may even curtail net job creation, as firms become reluctant to hire in the face of high adjustment costs.

5 CONCLUSION

This article has examined the evolution of euro area labour markets during the recent recession. Several key findings have emerged. The reduction in euro area employment has been sizeable, following the deep fall in activity on the back of a large financial crisis. However, it has been somewhat less severe than might have been expected, at least in relation to historical patterns. Furthermore, there is a high degree of heterogeneity in labour market responses across the various euro area countries, in large part attributable to developments in construction and manufacturing. Several groups of workers have been disproportionately affected by the crisis: temporary workers, the young and the unskilled, many of whom have been displaced from the above-mentioned sectors. Wages reacted

16 See also the box entitled "Labour market adjustments during the current contraction of economic activity" in the June 2009 issue of the Monthly Bulletin.
17 See OECD (2010), "Labour markets and the crisis", Economics Department Working Paper No 756.

only slowly and to a lesser extent, reflecting institutional rigidities in some countries, and this may have contributed to the drop in employment.

Looking ahead, employment can be expected to continue to fall in 2010, albeit at a slower rate than has been seen so far. With considerable room for an expansion in hours worked, in the longer term, there is some risk that job creation will be insufficient to bring down unemployment for a significant period of time if wages do not moderate sufficiently to stimulate labour demand. Questions remain as to the transferability of the sector-specific skills of those newly laid off from construction and some industrial branches, which may now need to be permanently downsized.

Policy reforms should now be geared towards facilitating restructuring and generating sufficient employment growth to absorb those workers currently displaced. Efforts to reduce the degree of labour market dualism in many countries should concentrate on increasing labour market mobility and flexibility, rather than seeking to extend employment protection to temporary workers. In the recovery phase, further reforms aimed at extending flexible contracts are likely to encourage employers to hire, in an environment characterised by a high degree of economic uncertainty. Further measures enhancing training options for displaced workers and designed to improve the efficiency of job searching will also be required, as well as reforms of tax and benefit systems to reinforce financial incentives to work. Employment growth will also depend on a restoration of competitiveness – at firm, sectoral and national level. This will require further reforms of product markets and wage-setting institutions, so as to ensure that local labour market conditions are adequately reflected in wage bargaining.

THE EFFECTIVENESS OF EURO AREA FISCAL POLICIES

In the aftermath of the 2008-09 financial and economic crisis, significant fiscal stimulus packages were put in place in the euro area. Although reliance on automatic fiscal stabilisers has been preferred to fiscal activism in recent decades, the financial crisis created adverse conditions in which timely, targeted and temporary stimulus programmes were likely to be more effective in supporting output than in normal circumstances. At the same time, their effectiveness in securing a self-sustaining recovery crucially depends on there being a credible fiscal exit and consolidation strategy in place that supports confidence in the longer-term sustainability of public finances.

This article summarises the theoretical and empirical evidence on the effectiveness of fiscal policies, focusing on the euro area. In line with the evidence on fiscal multipliers, the analysis suggests that temporary fiscal stimulus programmes within the framework of the European Economic Recovery Plan (EERP) have, to some extent, been supportive for output growth and employment in the euro area. However, the stimulus packages have also contributed to a further pronounced and persistent deterioration of fiscal balances. Some euro area countries have been slow in deciding on and implementing fiscal exit and consolidation strategies, giving rise to increased risks to financial stability. An illustrative analysis of multi-year fiscal consolidation programmes suggests that the long-term economic gains of restoring sound fiscal positions in the euro area far outweigh the short-run costs.

1 INTRODUCTION

Following the global financial and economic crisis of 2008-09, governments around the globe implemented expansionary fiscal policies with the aim of stimulating demand. For the euro area countries, the fiscal stimulus packages amount to roughly 2% of GDP over the two-year period 2009-10 (not counting off-balance-sheet measures and the economic support provided by automatic fiscal stabilisers). The common framework for these national counter-cyclical fiscal policies was provided by the EERP, which the European Commission launched on 26 November 2008 and the European Council approved on 11-12 December 2008.[1]

Based on past experience, however, the effectiveness of counter-cyclical (discretionary) fiscal expansions is usually undermined because of delays in implementing fiscal measures, the difficulty of targeting these at the most affected households and firms and, more generally, the uncertainty about the economy's response to temporary expenditure programmes or tax reductions. Another problem relates to difficulties in reversing initially temporary fiscal expansions as this may lead to a loss of confidence in the longer-term sustainability of public finances. As a result, counter-cyclical fiscal policy aimed at stabilising the macroeconomy has been largely discredited since the 1970s.

The purpose of this article is to discuss the effectiveness of euro area fiscal policies with a specific focus on the 2008-09 crisis. The article builds on existing empirical research and model-based analysis. Apart from assessing the efficacy of fiscal stimulus programmes, the article also illustrates the long-run benefits and short-run costs of fiscal consolidation programmes. Government deficit ratios were already in excess of the 3% of GDP reference value in 2009 in the vast majority of euro area countries. Government debt-to-GDP ratios were also rising substantially, approaching or going beyond 100% in several countries. This has called into question the longer-term sustainability of public finances. Ambitious fiscal consolidation efforts must therefore be an integral part of the exit strategy to bring public finances in line with the provisions of the Stability and Growth Pact.

1 See European Commission, "A European Economic Recovery Plan", COM(2008)800, 26 November 2008. A brief discussion of the EERP is provided in A. van Riet (ed.), "Euro area fiscal policies and the crisis", *Occasional Paper Series,* No 109, ECB, April 2010.

This article considers fiscal policy in the euro area as a whole, but it should be emphasised that the main issue on the fiscal side has been the total neglect by some countries of the fact that they have had no room for fiscal manoeuvre at all.[2] Countries that delay fiscal consolidation or do not recognise the severity of their fiscal situation contribute to the fiscal problems in the euro area as a whole. This can raise concerns regarding financial stability. From this perspective, in a single currency area, fiscal policies need to take fully into account specific national weaknesses, within the requirements of the Stability and Growth Pact.

The article is organised as follows. Section 2 provides an overview of the theoretical underpinnings of fiscal policy effectiveness, with a specific focus on the recent crisis conditions. In this context, it discusses the role of automatic stabilisation and discretionary fiscal policy, the notion of Ricardian equivalence, the issue of liquidity and credit constraints, and the crucial importance of maintaining confidence in longer-term fiscal sustainability. Section 3 reviews the empirical evidence regarding the effects of fiscal policies on economic growth and the evidence on fiscal multipliers. Section 4 assesses the macroeconomic effects of fiscal stimulus programmes within the framework of the EERP, and also discusses, more generally, the size of fiscal multipliers within structural models used by a number of policy-making institutions. Against the background of post-crisis fiscal imbalances in the euro area, Section 5 discusses the costs and benefits of multi-year fiscal consolidation programmes. Finally, Section 6 concludes.

2 FISCAL POLICY EFFECTIVENESS: THEORETICAL CONSIDERATIONS

This section discusses the theoretical underpinnings of counter-cyclical fiscal policy and automatic fiscal stabilisation. In this context, a comparison is made between the effectiveness of fiscal policies under normal cyclical conditions and under the specific circumstances of a financial crisis followed by a recession. The discussion also stresses the crucial importance of maintaining confidence in longer-term fiscal sustainability when designing fiscal stimulus programmes.[3]

COUNTER-CYCLICAL FISCAL POLICY

The idea that public spending (while keeping tax rates constant) is the right tool for addressing economic downturns is based on the view that, if private demand is too low, then government spending crowds in private spending. This Keynesian view has been challenged by the neoclassical view, namely that government spending and taxation are powerless to affect the aggregate levels of spending and employment in the economy. Consequently, such policies would only redirect resources from the private sector to the public sector, resulting in full crowding-out. In the 2008-09 crisis, the Keynesian view seems to have regained a stronghold.

Therefore, one must consider the different levels at which crowding-out may occur. First, the government will engage in productive activities that would otherwise be provided by the private sector, so that public spending would simply supplant private investment. Second, government spending may create upward pressure on real interest rates, especially in highly indebted countries. This reduces private expenditure that is interest rate sensitive (e.g. spending on consumer durables, business fixed investment and residential construction). Third, there are significant negative wealth effects associated with debt-financed public spending. This type of crowding-out effect is often associated with the Ricardian equivalence hypothesis, which states that households save the proceeds from a debt-financed fiscal stimulus in anticipation of the future tax increase needed

2 For an assessment of the diversity of the fiscal positions of euro area countries at the onset of the financial and economic crisis, see, for example, A. van Riet (ed.), "Euro area fiscal policies and the crisis", *Occasional Paper Series*, No 109, ECB, April 2010.

3 See also W. Köhler-Töglhofer and L. Reiss, "The effectiveness of fiscal stimulus packages in times of crisis", *Monetary Policy and the Economy*, Q1/09, Oesterreichische Nationalbank, 2009, pp. 78-99.

to repay the additional government debt. Under rather restrictive assumptions (see Box 1), such Ricardian behaviour implies that consumers' net wealth becomes invariant to an increase in debt-financed government expenditure.

In a severe recession associated with a global financial crisis, like the one experienced recently, the crowding-out effect may potentially be weaker for several reasons. First, the share of agents with liquidity and/or credit constraints may increase in the course of a recession, in particular when banks face balance sheet problems and reduce credit supply. This makes Ricardian behaviour less important. Second, when the economy is experiencing a severe downturn, and inflation is already very low, the central bank may not want to counteract the inflationary effects of the temporary fiscal stimulus. Hence, ceteris paribus, less upward pressure on the real interest rate and a lower crowding-out effect is likely. Third, in the presence of a large negative output gap, the likelihood of crowding out private expenditure is probably smaller. Finally, in the face of a global recession, a common (coordinated) counter-cyclical fiscal response can internalise cross-border leakages and enhance its efficacy for all participating countries.

Box 1

RICARDIAN EQUIVALENCE

In economic theory, Ricardian equivalence arises when forward-looking consumers save the proceeds from a debt-financed fiscal stimulus in anticipation of the future tax increase that will be needed to repay the extra government debt. Consumers' net wealth is thus invariant in the event of an increase in debt-financed government expenditure, and budget deficits would have no short-term real economic effects. This theory contrasts with the conventional Keynesian view that higher budget deficits would stimulate demand in the short run.[1]

The theoretical possibility of Ricardian equivalence is based on a number of strict assumptions. These assumptions include households that exist infinitely (or intergenerational altruism within households that have a finite life), price flexibility, lump-sum taxes, efficient capital markets and an absence of credit constraints.

On the one hand, in the case of a severe recession, Ricardian equivalence may be less likely to arise than in normal times. In particular, the share of households with liquidity or credit constraints may increase, making any effect of Ricardian behaviour less important. On the other hand, it has also been argued that if fiscal stimulus packages are perceived as permanent rather than temporary and lead to expectations of much higher government debt, the importance of Ricardian behaviour may actually rise. In addition, the possible negative reactions of financial markets to sizeable increases in government debt may undermine the expected positive economic effects of a fiscal stimulus. Indeed, an increased risk of defaults on government debt and the potential rise in interest rates will dampen or even offset the economic stimulus.[2]

1 See D. Ricardo, "On the principles of political economy and taxation", in P. Sraffa (ed.), *The works and correspondence of David Ricardo*, Volume I, Cambridge University Press, 1951; and R. Barro, "Are government bonds net wealth?", *Journal of Political Economy*, 82(6), 1976, pp. 1095-117.
2 See, for instance, J. Seater, "Ricardian equivalence", *Journal of Economic Literature*, 31, 1993, pp. 142-190.

Regarding the actual implementation of fiscal policy, the above theoretical points suggest that, in order for a fiscal stimulus to be effective, it needs to be timely, targeted and temporary.[4] But timeliness can be hampered by lags in decision-making and implementation. In fact, when the fiscal impulse reaches the economy, the measures taken are often no longer needed and could actually turn out to be pro-cyclical. The effectiveness of fiscal policies can also be reduced by calls for fiscal activism from different groups in society, which can increase the difficulties of agreeing on specific discretionary measures. Therefore, targeting fiscal policies at specific beneficiaries may also be a difficult task. In addition, spending increases or tax cuts initially intended to be temporary may, in the end, prove difficult for the government to reverse, which will then worsen the fiscal position and may imply higher domestic interest rates through increases in risk premia. Truly temporary (or short-lived) fiscal expansions reduce the negative wealth effect of government spending, and hence the crowding-out effect is likely to be smaller. Some of the research evidence also shows that fiscal expansion can be more effective when households expect it to be reversed through future government spending cuts.[5]

In addition, fiscal stimulus measures for certain sectors of the economy (e.g. the car scrapping premium put in place by several euro area countries) or for the labour market (for instance, subsidising shorter working hours) are likely to have distortionary effects on competition and on structural adjustments. This is another reason why such stimuli should be of a temporary nature.[6]

Consequently, although there are many theoretical reasons to argue that timely, targeted and temporary fiscal stimuli can be effective, there are many practical issues that can jeopardise its efficacy. At the same time, these practical constraints may be less important in a financial crisis, when the expectation of a prolonged recession offers less risk of a pro-cyclical response and it should be easier to target agents facing liquidity and/or credit constraints. Moreover, the temporary nature of a fiscal stimulus can be signalled by a credible fiscal exit strategy conditional upon the recovery gaining hold.

AUTOMATIC STABILISERS

The advantages of automatic stabilisation are well known. First, they are less subject to time lags in decision-making compared with discretionary measures. Moreover, they are not subject to political decision-making processes and their economic impact adjusts automatically to the cycle. Of course, the better the fiscal position, the more scope there will be for the automatic stabilisers to operate freely and fully. Such reasoning underpins the framework of the Stability and Growth Pact, according to which countries must achieve a country-specific "close to balance or surplus" medium-term budgetary objective. Accordingly, automatic stabilisers should be the first line of defence in an economic downturn, provided they do not undermine fiscal stability.

FISCAL CONSOLIDATION

Related to the above considerations, favourable expectation effects could also, in theory, more than offset the contractionary impact of fiscal consolidation on growth (the so-called non-Keynesian fiscal effects). The expansionary fiscal contraction hypothesis posits that consumers anticipate benefits from fiscal consolidation for their permanent income and consequently raise private consumption straight away.

4 See, for example, the box in the June 2008 issue of the Monthly Bulletin, "Discretionary fiscal policies, automatic stabilisation and economic uncertainty", and A. van Riet (ed.), "Euro area fiscal policies and the crisis", *Occasional Paper Series,* No 109, ECB, April 2010 for further discussions and possible extensions of the three conditions for fiscal stimulus effectiveness.

5 See G. Corsetti, A. Meier and G. Müller, "Fiscal stimulus with spending reversals", CEPR Discussion Paper No 7302, 2009.

6 See the box in the October 2009 issue of the Monthly Bulletin, "The effects of vehicle scrapping schemes across euro area countries" and the article "Labour market adjustments to the recession in the euro area" in this issue of the Monthly Bulletin.

In other words, the frequently assumed negative Keynesian reaction of private consumption to fiscal consolidation could be reversed. For instance, a significant and sustained reduction of government expenditure may lead consumers to assume that a permanent tax reduction will also take place in the near future, inducing a positive wealth effect and increasing private consumption.[7] In addition and apart from the positive wealth effect, expansionary effects following fiscal consolidation can also relate to other factors such as supply-side or structural reforms, monetary policy adjustments or exchange rate depreciations accompanying the fiscal consolidation.

Furthermore, the credible announcement and implementation of a fiscal consolidation strategy may diminish the risk premium associated with government debt issuance, which in turn reduces real interest rates and makes the crowding-in of private spending more likely. This applies in particular to countries with very high budget deficits and high government indebtedness, which, in the context of a crisis, are most vulnerable to rapid changes in market sentiment. However, if the reduction in government expenditure is small and temporary, or lacks credibility, private spending may not respond positively to the fiscal cutback.[8] In addition, literature on the subject also refers to the long-run benefits of fiscal consolidation on output arising from lower long-term interest rates following the reduction of government borrowing requirements.

FISCAL POLICIES AND LONG-TERM ECONOMIC GROWTH

The traditional neoclassical growth model does not allow for fiscal policies to affect the long-term growth rate of the economy. However, several extensions of the neoclassical growth theory have considered public expenditure and taxation as playing a crucial role in determining long-term economic growth.[9] Moreover, government expenditure in public infrastructure and in research and development are also important factors for growth.[10] The composition of public spending has also been identified as an important factor, notably public investment in education, which increases the level of human capital and is one of the main sources of long-run economic growth. Therefore, productive expenditure has a positive effect on the growth potential of an economy by means of increasing the marginal productivity of capital and/or labour or total factor productivity. In this regard, "core" government spending may be as important to longer-term output growth as private capital and labour. It can raise the human and physical capital stock and technical progress in the economy either directly or indirectly by creating synergies for private activities.[11]

In addition, efficient and sustainable fiscal policies are a prerequisite for long-term growth. They entail moderate and predictable growth-enhancing government spending which stimulates private investment and innovation, while minimising potential adverse repercussions from necessary taxation through the minimisation of disincentives to save, invest, work and innovate. Accordingly, size, composition and volatility of budgetary items may impinge on economic growth. In particular, higher levels of government spending to GDP may endanger fiscal sustainability and/or increase the tax burden, which is harmful to potential growth.

7 See O. Blanchard, "Comment on Giavazzi and Pagano", in O. Blanchard and S. Fischer (eds.), *NBER Macroeconomics Annual*, Vol. 5, MIT Press, 1990, pp. 111-116.

8 See F. Giavazzi and M. Pagano, "Can severe fiscal contractions be expansionary? Tales of two small European countries", in O. Blanchard and S. Fischer (eds.), *NBER Macroeconomics Annual 1990*, MIT Press, 1990, pp. 75-111. For empirical evidence see, for instance, A. Afonso, "Expansionary fiscal consolidations in Europe: new evidence", *Applied Economics Letters*, 17(2), 2010, pp. 105-109.

9 See D. Aschauer, "Is public expenditure productive?" *Journal of Monetary Economics*, 23, 1989, pp. 177-200; and R. Barro and X. Sala i Martin, "Technological diffusion, convergence and growth", *Journal of Economic Growth*, 2, 1995, pp. 1-27.

10 R. Lucas, "On the mechanism of economic development", *Journal of Monetary Economics*, 22, 1998, pp. 3-42; R. Barro, "Economic growth in a cross section of countries", *Quarterly Journal of Economics*, 106(2), 1991, pp. 407-430; and P. Romer, "Endogenous technological change", *Journal of Political Economy*, 98(5), 1990, pp. 71-102.

11 See "Structural policies in times of crisis" in the December 2008 issue of the Monthly Bulletin.

3 FISCAL POLICY EFFECTIVENESS: EMPIRICAL EVIDENCE

This section discusses the empirical evidence from two strands of literature. The first is related to the long-term growth effects of fiscal policy. The second concerns literature which studies the size of fiscal multipliers, i.e. the impact of discretionary fiscal policy measures on output, considering different fiscal instruments.

LONG-TERM GROWTH EFFECTS OF FISCAL POLICY

The empirical findings regarding the effects of fiscal policies on economic growth, covering OECD countries, are predominantly based on panel and vector autoregressive (VAR) analysis. The results of such studies can be summarised as follows: negative effects arise from distortionary taxation and disproportionate levels of government consumption and public wages, whereas positive effects are associated with government investment and, notably, education expenditure.[12] For example, available empirical evidence on the macroeconomic rate of return on public investment suggests that public investment is expansionary and has crowding-in effects in most OECD countries.[13] At the same time, other empirical studies find a negative link between government size and growth.[14] For instance, both government size and fiscal volatility tend to hamper growth in OECD countries.[15]

FISCAL MULTIPLIERS – EMPIRICAL EVIDENCE

There is a wide body of literature which studies the size of fiscal multipliers, i.e. the impact of a change in fiscal variables on the level of output. For instance, available evidence from structural Bayesian VAR approaches for the United States, the United Kingdom, Germany and Italy find that government spending shocks, in general, have a small but positive effect on GDP. In addition, fiscal spending multipliers are positive but relatively small in the euro area, and time-varying VAR analysis reports that fiscal spending multipliers went up to about one in 1985 and then fell to about 0.5 in 2008.[16]

However, there is widespread uncertainty in empirical studies about the private sector's response to temporary fiscal actions. Fiscal spending and tax (cut) multipliers based on VAR models range from negative numbers to positive numbers well above one.[17]

One of the key difficulties in the empirical literature is related to the identification of the so-called fiscal shocks, i.e. the autonomous component of fiscal measures. Large fiscal stimulus programmes are typically implemented in times of economic distress. Hence, spending increases observed in the economic data typically reflect changes in the state of the economy, rather than autonomous changes in fiscal policy undertaken by the governments. Another problem is that fiscal measures are typically preceded by budgetary or even legislative processes. As a consequence, the fiscal measures are often anticipated by the private sector. In this case, the difficulty of assessing the effectiveness of fiscal stimulus measures by means of VAR models is further exacerbated.[18] Moreover, as also noted in Section 2, the specificity of the policy environment in which counter-cyclical fiscal

12 See a summary in A. Afonso and J. González Alegre, "Economic growth and budgetary components: a panel assessment for the EU", *Working Paper Series*, No 848, ECB, 2008.

13 See A. Afonso and M. St. Aubyn, "Macroeconomic rates of return of public and private investment: crowding-in and crowding-out effects", *Manchester School*, 77(S1), 2009, pp. 21-39.

14 See European Commission, "Public finances in EMU 2008", *European Economy*, 4/2008.

15 See A. Afonso and D. Furceri, "Government size, composition, volatility and economic growth", *Working Paper Series*, No 849, ECB, 2008.

16 See O. Blanchard and R. Perotti, "An empirical characterization of the dynamic effects of changes in government spending and taxes on output", *Quarterly Journal of Economics*, 117, 2002 pp. 1329-68; A. Afonso and R. Sousa, "The macroeconomic effects of fiscal policy", *Working Paper Series*, No 991, ECB, 2009; and M. Kirchner, J. Cimadomo, S. Hauptmeier, "Transmission of government spending shocks in the euro area: time variation and driving forces", *Tinbergen Institute Discussion Papers*, TI 2010-021/2, 2010.

17 See P. van Brusselen, "Fiscal stabilisation plans and the outlook for the world economy", *ENEPRI Working Papers*, No 55, 2009.

18 Case studies, or narrative evidence of fiscal news, lead to larger fiscal multipliers than those in standard fiscal VARs. See C. Favero and F. Giavazzi, "Reconciling VAR-based and narrative measures of the tax-multiplier", *IGIER Working Papers*, No 360, 2010; and V. Ramey and M. Shapiro, "Costly capital reallocation and the effects of government spending", *Carnegie-Rochester Conference Series on Public Policy*, 48, 1998, pp. 145-94.

policy is typically applied also makes it difficult to generalise the results from the limited number of episodes of discretionary fiscal expansions.[19]

Additional available evidence also indicates that a higher public debt-to-GDP ratio reduces the effectiveness of fiscal policy. Therefore, a fiscal stimulus in the presence of lower government indebtedness can have a stronger effect on the economic recovery relative to a situation of higher government indebtedness.[20]

Several studies suggest that the efficacy of a fiscal stimulus based on government spending can vary widely, depending on the monetary and fiscal policy regimes, i.e. how strongly the monetary and fiscal policies react to variations in the state of the economy, including the level of government indebtedness, as well as a range of other factors such as the size of the country, the degree of openness and other institutional factors. In this respect, structural models provide a clear advantage with respect to empirical VAR-based approaches in the assessment of the role of different policy and institutional environments on the efficacy of fiscal stimulus measures. They also allow for the consideration of different fiscal policy instruments.

4 EFFECTIVENESS OF FISCAL POLICY IN STRUCTURAL MODELS

Governments in the euro area have responded to the economic crisis with a range of fiscal stimulus measures within the framework of the EERP. Table 1 gives a breakdown of the different fiscal measures implemented at the euro area level, as estimated by the European Commission. In total, the fiscal stimulus measures amount to 1.1% and 0.8% of GDP in the years 2009 and 2010 respectively. These fiscal measures have been implemented in addition to the stimulus provided through the operation of automatic fiscal stabilisers and do not include other extra-budgetary actions such as capital injections, loans and guarantees to non-financial firms and investment by public corporations.

Table 1 reveals that, within the EERP, support for households' purchasing power accounts for about 40% of the total stimulus in the euro area countries in 2009-10. These fiscal measures have taken the form of a reduction in direct taxes, social security contributions and VAT, as well as direct aid, such as income support for households and support for housing or property markets. Notable stimulus measures have also been adopted to support investment and businesses directly. These categories account for roughly 30% and 20% of the total stimulus respectively. Support for investment has primarily taken the form of public (infrastructure) investment, while the measures directly targeted at supporting business activity have mainly been aimed at reducing business costs (reduction of taxes and social security contributions, direct aid in the form

19 See, for example, T. Davig and M. Leeper, "Monetary-fiscal policy interactions and fiscal stimulus", The Federal Reserve Bank of Kansas City, RWP 09-12, 2009.
20 See Chapter 3 of IMF, "World economic outlook: crisis and recovery", April 2009.

Table 1 Composition of fiscal stimulus packages in the euro area in 2009-10

(as a percentage of GDP)

	2009	2010	Corresponding fiscal instruments in the New Area-Wide Model
Measures aimed at households	0.4	0.3	Transfers and labour income taxes to all households; consumption taxes
Increased spending on labour market measures	0.1	0.1	Government consumption
Measures aimed at businesses	0.2	0.2	Payroll taxes; capital income taxes; private investment tax credits
Increased public investment	0.3	0.2	Government investment
Total	1.1	0.8	

Sources: "Public finances in EMU 2009", *European Economy 5/2009*, p. 14, Table I.1.1, European Commission, 2009. Discrepancies arise as a result of rounding. For 2010, only the total size of stimulus measures is available. The individual measures for 2010 are calculated using the shares in the total stimulus in 2009.
Note: In the case of multiple fiscal instruments in the New Area-Wide Model, it is assumed that the stimulus measures are allocated proportionally to each instrument.

Table 2 Economic effects of the euro area fiscal stimulus in the New Area-Wide Model

(percentage; percentage points)

	2009	2010	2011	2012	2013
Real GDP	0.7	0.6	0.1	0.1	0.1
Headline CPI inflation	-0.2	0.1	0.1	-0.1	-0.1
Government deficit-to-GDP ratio	0.6	0.7	-0.2	-0.4	-0.3
Government debt-to-GDP ratio	-0.1	0.7	1.2	0.9	0.6

Notes: Real GDP is expressed in percentage deviations from the baseline which is the calibrated steady-state solution of the model. All other variables are expressed as percentage point deviations from the baseline.

of earlier payment of VAT returns, subsidies and the stepping up of export promotion). Labour market measures (wage subsidies and active labour market policies) account for about 10% of the total stimulus and thus represent the smallest fraction of the total stimulus measures.[21]

The ECB's New Area-Wide Model (NAWM)[22] has been used to illustrate, by means of simulations, the likely economic effects of the EERP. To this end, Table 1 also provides information on how the different fiscal measures implemented within the framework of the EERP were allocated to the NAWM's fiscal variables in the simulation exercise. Because of the unavoidably imperfect match between the exact fiscal stimulus measures adopted by the euro area member countries and the NAWM's fiscal variables, a certain amount of judgement was needed. For instance, labour market measures were allocated to government consumption since they are primarily active labour market policies, the costs of which are paid for by the government. Nevertheless, keeping the above-mentioned caveat in mind, the simulations broadly reflect the actual EERP measures.

In the NAWM, the paths of fiscal instruments specified in Table 1 are imposed and the endogenous response of the economy is simulated. It is assumed that the stimulus is initially fully debt-financed. Within the first two years, the nominal interest rate and lump-sum taxes are kept constant. Thereafter, the nominal interest rate is adjusted according to a Taylor rule and lump-sum taxes are adjusted gradually to reduce the government debt-to-GDP ratio to its long-run target of 60%. Note that the model-based simulations do not explicitly consider financial stability aspects and possible repercussions from the heightened risk to financial stability on account of the deteriorating fiscal balance. The simulations also consider the euro area as a whole and hence do not address the specific circumstances of diverse fiscal positions within the euro area.

Table 2 shows the simulation results from the NAWM. The impact on real GDP in 2009 and 2010 (relative to the steady-state baseline) is positive, amounting to about 0.7% and 0.6% respectively.[23,24] Assuming that the fiscal stimulus measures are lifted in 2011, the effects on real GDP fade away rather quickly. The response of headline CPI inflation is muted,

21 See "Public finances in EMU", *European Economy*, 5/2009, European Commission, 2009.

22 The analysis is based on the NAWM version described in R. Straub and I. Tchakarov, "Assessing the impact of a change in the composition of public spending - a DSGE approach", *Working Paper Series*, No 795, ECB, 2007. In the model, the fiscal authority adjusts lump-sum taxes in response to deviations of the government debt-to-GDP ratio from 60%, in line with the Maastricht Treaty. The monetary authority follows a standard Taylor rule in terms of consumer price inflation and deviation from its price stability objective (excluding the first-round effects of changes in consumption taxes) and the output gap. In the NAWM, households differ with respect to their ability to access financial markets. A fixed proportion of 75% of households are assumed to be Ricardian (not liquidity constrained) and the remaining 25% of households are assumed to be non-Ricardian (liquidity constrained), with non-Ricardian households having a higher propensity to consume.

23 Owing to the temporary nature of the fiscal stimulus, and since the physical capital stock adjusts slowly in the model, the increase in real GDP is mostly generated by an increase in employment.

24 The effects of the EERP on, for example, real GDP, as estimated on the basis of the NAWM, are somewhat smaller than those obtained with the European Commission's Quest III model (see "Public finances in EMU", *European Economy*, 5/2009, European Commission). The differences reflect alternative modelling assumptions (e.g. regarding the importance of liquidity and credit-constrained households) and a somewhat different design of the simulations. For instance, increasing the share of non-Ricardian households from 25% to 50% would make the real GDP effects about 0.1% larger in 2009-10 in the NAWM.

amounting to -0.2 percentage point in 2009 and 0.1 percentage point in 2010. The impact on the government deficit-to-GDP ratio amounts to 0.6 percentage point in 2009 and 0.7 percentage point in 2010, followed by improvements in the budget balance from 2011 onwards. The government debt-to-GDP ratio falls slightly in the first year (because of the positive denominator effect in 2009), but then the impact turns positive and remains at an elevated level, peaking at 1.2 percentage points in 2011.[25]

Taking into account the allocation of the fiscal stimulus measures provided in Table 1, these results are well aligned with the more detailed analysis of fiscal multipliers given in Box 2. In particular, according to the simulations, the average two-year GDP multiplier of the EERP is about 0.7, which is well within the range of individual instrument multipliers from 0 to 2 reported in Box 2 (see Table B, Column I). Box 2 also provides a detailed explanation of the fact that temporary expenditure-based fiscal measures have larger multipliers than temporary revenue-based fiscal measures, since the former stimulate aggregate demand directly and more effectively. In particular, expenditure-based multipliers range from 0.3 to 2, while revenue-based multipliers range from 0 to 0.4 (see Table B, Column I in Box 2). The composition of the EERP given in Table 1 reveals that the division of revenue and expenditure measures is roughly 50/50, which produces the overall EERP GDP multiplier reported above. These considerations lead to the conclusion that the fiscal stimulus packages could have been more effective in stimulating output and employment if, for example, a larger portion of the packages had been devoted to measures that temporarily enhance public or private investment.

All in all, the simulations suggest that the output gains of temporary fiscal stimulus measures are positive, albeit short-lived. At the same time, the stimulus packages have also contributed to a further deterioration of fiscal balances. Many euro area countries have been slow in implementing fiscal exit and consolidation strategies. This gives rise to increased risk to financial stability by weakening public confidence in the capacity of governments to restore the sustainability of public finances. This underlines the utmost importance of a swift implementation of credible consolidation strategies in order to re-establish fiscal balance in the aftermath of the crisis.

25 The presence of Ricardian households implies a negative wealth effect in response to the anticipated future tax increase, so that short-run real GDP is affected negatively by the initial rise in government debt.

Box 2

FISCAL MULTIPLIERS IN GENERAL EQUILIBRIUM MODELS[1]

Given the widespread resort to fiscal policy as a tool to fight the collapse in demand following the economic and financial crisis, academia and policy institutions have recently produced a considerable amount of research on the effects of fiscal stimuli using structural general equilibrium models. The findings of this research suggest that a key factor is the design of the fiscal stimulus itself, e.g. the fiscal instrument chosen, the duration of the stimulus, whether the nominal interest rate is kept constant or not, and the way it is financed.[2]

1 This box is largely based on G. Coenen, J. Kilponen and M. Trabandt, "When does fiscal stimulus work?", *Research Bulletin*, No 10, ECB, 2010.
2 See, for example, the following recent papers: L. Christiano, M. Eichenbaum and S. Rebelo, "When is the government spending multiplier large?", *NBER Working Paper*, No 15394, 2009; J. F. Cogan, T. Cwik, J. B. Taylor and V. Wieland, "New Keynesian versus Old Keynesian government spending multipliers", *Journal of Economic Dynamics and Control*, 34, 2009, pp. 281-295; G. Corsetti, A. Meier and G. Müller, "Fiscal stimulus with spending reversals", *IMF Working Paper*, No 09/106, 2009; C. Erceg and J. Lindé, "Is there a fiscal free lunch in a liquidity trap?", *CEPR Discussion Paper*, No 7624, 2010; R. Hall, "By how much does GDP rise if the government buys more output?", *NBER Working Paper,* No 15496, 2009; and M. Woodford, "Simple analytics of the government expenditure multiplier", *NBER Working Paper*, No 15714, 2010.

The quantitative importance of several of these factors was analysed in a model comparison exercise coordinated by the IMF in spring 2009.[3] The models compared, including the ECB's NAWM, share many features such as forward-looking behaviour on the part of households and firms, nominal and real rigidities, as well as liquidity and/or credit constraints. Hence, the models depart from the Ricardian equivalence hypothesis discussed in Box 1. The models are calibrated to, or estimated for, the United States, the euro area/EU and the rest of the world. Reflecting the differences between these economic areas, the models feature, inter alia, different degrees of price stickiness, different proportions of liquidity/credit-constrained households and different degrees of openness. In all the models, monetary and fiscal policies are characterised by simple feedback rules.

Table A reports the ranges of fiscal multipliers and inflation effects obtained from different models for the euro area/EU. The effects are shown under two different assumptions, namely that the nominal interest rate reacts in accordance with an interest rate feedback rule, and that the nominal interest rate remains unchanged for two years. It can be seen that the government consumption multipliers are remarkably similar across models when the nominal interest rate adjusts (close to, but below one). A constant nominal interest rate – resembling a situation in which the central bank may not want to counteract the inflationary effects of a fiscal stimulus – increases the multiplier in all models. When the central bank raises nominal interest rates in accordance with a feedback rule, the multiplier ranges from 0.7 to 0.8, while under a fixed nominal interest rate the multiplier ranges from 1.1 to 1.7.

The sizeable difference in the multipliers relates to the differing reactions of the real interest rate. Under a fixed nominal interest rate, and because of emerging price pressures, the real interest rate falls, while when the nominal interest rate adjusts, the real interest rate rises. In the latter case, the increase in the real interest rate causes households and firms to postpone their consumption plans

3 For details, see G. Coenen, C. Erceg, C. Freedman, D. Furceri, M. Kumhof, R. Lalonde, D. Laxton, J. Lindé, A. Mourougane, D. Muir, S. Mursula, C. de Resende, J. Roberts, W. Roeger, S. Snudden, M. Trabandt and J. in't Veld, "Effects of fiscal stimulus in structural models", *IMF Working Paper*, No 10/73, 2010.

Table A GDP multipliers and the impact on CPI inflation based on models for the euro area/EU

(percentage; percentage points)

	GDP multiplier		Headline CPI inflation	
	Variable nominal interest rate	Two-year constant nominal interest rate	Variable nominal interest rate	Two-year constant nominal interest rate
Increases in expenditure				
Government consumption	0.7 - 0.8	1.1 - 1.7	0.0 - 0.1	0.2 - 0.3
Government investment	0.8 - 1.1	1.1 - 1.6	0.0 - 0.1	0.1 - 0.3
Transfers to all households	0.0 - 0.2	0.1 - 0.5	0.0 - 0.1	0.1 - 0.1
Transfers to non-Ricardian households	0.1 - 0.6	0.6 - 1.2	0.1 - 0.2	0.2 - 0.3
Reductions in revenue				
Labour income taxes	0.1 - 0.3	0.0 - 0.8	-0.1 - 0.0	-0.1 - 0.1
Consumption taxes	0.2 - 0.3	0.4 - 1.0	0.0 - 0.0	0.1 - 0.2
Capital income taxes	0.1 - 0.1	0.1 - 0.2	0.0 - 0.0	0.0 - 0.1

Notes: This table provides the ranges (min-max) of the GDP multiplier and the impact on headline CPI inflation (excluding the direct effect of consumption tax changes) across models. The fiscal multipliers are calculated as the two-year average percentage deviation of real GDP from baseline GDP. The impact on CPI inflation is measured as the annualised two-year average percentage point deviation from baseline inflation. All fiscal stimuli are standardised to 1% of baseline GDP. Except for capital income taxes, the models are the European Commission's QUEST model, the IMF's GIMF model, the ECB's NAWM and the OECD's Small Fiscal Model. For capital income taxes the models are QUEST and GIMF. The fiscal stimulus is assumed to last for two years with full reversal to the baseline afterwards. During the first two years, the fiscal stimulus is fully debt-financed.

and to reduce investment in physical capital. Under a fixed nominal interest rate, the fall in the real interest rate leads to higher consumption and investment spending than in the endogenous interest rate response case.

The results shown in Table A also highlight that the fiscal instruments which directly stimulate aggregate demand (government consumption and investment) or targeted transfers (i.e. transfers to non-Ricardian households that consume their labour income in each period) lead to higher fiscal multipliers than tax cuts in the short run. The difference in the fiscal multipliers is related to the strength of the implied negative wealth effects. In the case of temporary government spending increases, the negative wealth effect of government spending (i.e. the increase in the present value of future tax payments required to balance the government's budget over time) is small. Hence, the crowding-out of private spending is limited when the fiscal stimulus is short-lived. By the same argument, temporary tax cuts have only small effects on private spending since the implied favourable wealth effect is small.

What affects the fiscal multiplier? Results from the NAWM

Using the NAWM, Table B shows how the fiscal multipliers for the euro area are affected by various assumptions concerning the economic environment as well as by alternative fiscal instruments. These alternative assumptions or instruments reflect, to the extent possible, the various differences in country specific characteristics in the euro area.

Several interesting results emerge in the benchmark case (see Column I), in which the two-year constant nominal interest rate assumption is used in order to reflect the exceptional circumstances of the crisis. First, the NAWM fiscal multipliers tend to be located towards the lower end

Table B Euro area GDP multipliers: results from the NAWM

	Benchmark	Variable nominal interest rate	One-year stimulus	Delayed stimulus	Gradual stimulus removal	More non-Ricardian households	Government bond yield risk premia	More flexible prices	More open economy
	I	II	III	IV	V	VI	VII	VIII	IX
Increases in expenditure									
Government consumption	1.2	0.8	0.6	0.8	0.6	1.2	1.1	1.3	1.1
Government investment	1.1	0.9	0.6	0.8	0.5	1.2	1.0	1.2	1.0
Transfers to all households	0.3	0.1	0.1	0.1	0.3	0.4	0.2	0.4	0.2
Private investment subsidy (tax credit)	2.0	1.0	0.6	1.6	1.4	2.1	2.1	2.4	0.9
Reductions in revenue									
Labour income taxes	0.0	0.1	0.1	0.1	0.0	0.2	-0.1	0.0	0.1
Consumption taxes	0.4	0.3	0.2	0.2	0.2	0.5	0.3	0.5	0.3
Firms' payroll taxes (social security contributions)	0.1	0.3	0.1	0.2	-0.1	0.1	-0.1	-0.4	0.3
Capital income taxes	0.1	0.1	0.0	0.2	0.5	0.2	0.0	0.2	0.1

Notes: This table provides the GDP multipliers for the euro area from the ECB's NAWM for various fiscal instruments and model specifications. The multiplier is calculated as the average percentage deviation of GDP from its baseline during the first two years. The fiscal stimulus is standardised to 1% of baseline GDP and is initially fully debt-financed. After the end of the fiscal stimulus, lump-sum taxes are adjusted to reduce the government debt-to-GDP ratio to its long-run target of 60%. In the benchmark case, the fiscal stimulus lasts for two years with full reversal to the baseline afterwards and the monetary authority keeps the interest rate fixed during the first two years.

of the ranges reported in Table A on account of alternative modelling assumptions (e.g. regarding the importance of liquidity-constrained households and the degree of nominal rigidities). Second, the results confirm the earlier finding that temporary expenditure-based fiscal stimuli generally lead to higher multipliers than revenue-based stimuli. Third, of all the instruments, subsidies for private investment produce the largest multiplier since they provide the strongest incentives to invest in productive capacity, which eventually amplifies the initial stimulus. Fourth, reductions in firms' social security contributions have only a small effect on output, since the temporary nature of the stimulus does not induce firms to lower prices enough to stimulate demand. This is due to the presence of relatively high nominal rigidities in the euro area.

In line with the findings of the IMF model comparison exercise, a variable nominal interest rate (see Column II) reduces the multiplier for expenditure measures owing to the increase in the real interest rate relative to the benchmark case.

If a stimulus of one year instead of two years (see Column III) is assumed, the multiplier falls owing to the presence of nominal and real rigidities, preventing propagation of a shorter fiscal stimulus. On the other hand, Table B also shows that fiscal expansions that go well beyond two years (see Column V) lead to considerably lower output responses, i.e. deliver smaller multipliers. The reason is that more persistent expansions result in a larger increase in the present discounted value of future tax payments, and thus in a larger negative wealth effect.[4]

It has been argued that fiscal stimuli are subject to decision or implementation lags. Column IV of Table B shows that a fiscal stimulus delayed by one year reduces the multiplier as a result of anticipation effects. In particular, consumption smoothing motives, in conjunction with the anticipation of negative wealth effects, induce households to increase savings, which reduces the multiplier.

Empirical evidence suggests that the financial and economic crisis has increased the share of liquidity or credit-constrained (non-Ricardian) households. Assuming a share of non-Ricardian households of 50% (see Column VI) instead of 25% increases the multiplier since fiscal measures directly or indirectly increase the disposable income of these households. Quantitatively, however, the effect is rather limited, which suggests that the effect of the higher proportion of non-Ricardian households is offset by the behaviour of Ricardian households.

Column VII in Table B shows that the multiplier falls if government bond yield risk premia are taken into account in the analysis. The fiscal stimulus is initially financed by government debt. On account of risk premia, households save more in anticipation of a higher stock of outstanding government debt that needs to be repaid by increased future taxes. This reduces the multiplier.

In countries with more flexible prices (see Column VIII), the expenditure-based multipliers increase if the nominal interest rate is kept constant. The stronger increase in inflation in response to the stimulus translates into a more pronounced fall in the real interest rate, which eventually stimulates aggregate demand more effectively.

Finally, a higher degree of openness (Column IX) decreases the multiplier as some of the domestic fiscal stimulus spreads to the rest of the world via trade and capital markets.

4 See also the box entitled "The effectiveness of various fiscal measures to stimulate the economy" in the March 2009 issue of the Monthly Bulletin, pp. 78-80.

Overall, these results suggest that spending multipliers are, on average, most sensitive to assumptions regarding whether the nominal interest rate is kept constant or not, and to the length of the fiscal stimulus. Tax multipliers, in turn, are most sensitive to assumptions concerning government bond yield premia and the degree of price stickiness. In a few cases, reductions in taxes can be counter-productive (negative multiplier). The reason is that with a fixed nominal interest rate, lower taxes imply a reduction in inflation and hence a higher real interest rate, which crowds out private demand. This again reflects the importance of the real interest rate channel in transmitting the fiscal response to private spending.

Finally, the highest spending multiplier is associated with investment tax credits, while the highest tax multiplier is associated with consumption taxes. The lowest spending and tax multipliers are found for transfers to all households and reductions in labour taxes, respectively.

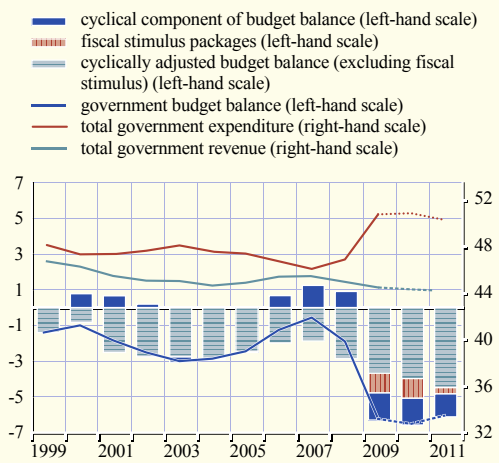
5 COSTS AND BENEFITS OF FISCAL CONSOLIDATION

Expansionary fiscal policies and the operation of automatic stabilisers, together with strong revenue shortfalls, have contributed to a sharp deterioration of euro area public finances and have endangered the long-term sustainability of public finances. The rapid deterioration of the fiscal outlook is illustrated in Chart 1. After having been close to balance in 2007, the euro area general government budget is projected by the Commission to show a deficit of 6.1% of GDP in 2011, as a result of an upward shift in the spending ratio and a steady decline in revenues relative to GDP.

Against this background, the euro area government debt-to-GDP ratio, also affected by government support to stabilise the financial sector, continues to rise even as the recovery takes place and the temporary fiscal stimulus measures fade away (see Chart 2). Indeed, after having declined from roughly 72% of GDP

Chart 1 Euro area budget balance and its components over the period 1999-2011

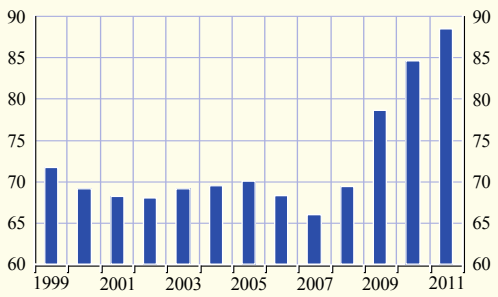
(as a percentage of GDP)



Sources: European Commission, European Economic Forecast – Spring 2010.
Notes: Data for 2010 and 2011 are projections. It is assumed that one-third of the 2010 fiscal stimulus remains in 2011.

Chart 2 Euro area general government debt, 1999-2011

(as a percentage of GDP)



Sources: European Commission, European Economic Forecast – Autumn 2009 for 1999 and 2000 and European Economic Forecast – Spring 2010 for the remaining years.
Note: Data for 2010 and 2011 are projections.

in 1999 to 66% of GDP in 2007, the euro area government debt-to-GDP ratio increased to 69.4% in 2008 and is projected to rise further to 88.5% in 2011.

Given the size of the accumulated fiscal imbalances, ambitious fiscal consolidation efforts over a longer horizon must clearly be an integral part of the exit strategy to bring public finances in line with the provisions of the Stability and Growth Pact. This section addresses the macroeconomic effects of fiscal adjustment with a particular focus on the short-run costs and potential long-run benefits with respect to euro area real GDP. In order to facilitate comparability with the results provided in the previous section, the term "short-run" refers to the deviation of real GDP from its initial level during the first two years. The term "long-run" refers to the deviation of real GDP relative to its initial level after full adjustment has taken place.

As a natural starting point, the question arises whether fiscal stimulus and fiscal consolidation output multipliers are symmetric. If fiscal consolidation programmes aimed to achieve only temporary reductions of government deficits, then the resulting short-run output costs could be considered as mirror images of fiscal stimulus programmes. In other words, if a temporary fiscal stimulus increases real GDP by 1% , a temporary consolidation should reduce real GDP by 1%. Thus, the fiscal multiplier analysis discussed in Box 2 could be interpreted as a fiscal consolidation analysis with the signs of the real GDP responses reversed.

However, it should be emphasised that fiscal consolidation programmes, when appropriately designed, aim to achieve permanent rather than temporary improvements in fiscal balances. Permanent improvements in fiscal balances, in turn, when anticipated by households and firms, can lead to positive expectation effects that mitigate the short-run costs of fiscal consolidation, as discussed in Section 2.

Using the ECB's NAWM, Table 3 illustrates the short-run and long-run effects of fiscal consolidation under various assumptions on how the consolidation is achieved.[26] The simulations are not intended to give an

26 For a related analysis see G. Coenen, M. Mohr and R. Straub, "Fiscal consolidation in the euro area: long-run benefits and short-run costs", *Working Paper Series*, No 902, ECB, 2007.

Table 3 Costs and benefits of fiscal consolidation: NAWM simulation results

(percentage; percentage points)

	Without confidence effects			Including confidence effects		
	Short-run	Long-run		Short-run	Long-run	
	real GDP	real GDP	labour tax	real GDP	real GDP	labour tax
Permanent reductions in expenditure						
Government consumption	-0.6	0.4	-4.0	-0.4	1.8	-4.3
Government investment	-0.7	-1.7	-2.6	-0.5	-0.3	-3.0
Transfers to all households	0.3	1.6	-4.4	0.5	3.0	-4.7
Transfers to non-Ricardian households	0.6	2.2	-4.8	0.8	3.6	-5.1
Permanent increases in revenue						
Labour income taxes	-0.3	0.5	-1.8	-0.1	1.9	-2.2
Consumption taxes	-0.1	0.9	-4.0	0.1	2.3	-4.3
Firms' payroll taxes (social security contributions)	-0.6	0.5	-3.0	-0.4	1.9	-3.3
Capital income taxes	-0.4	-1.1	-3.9	-0.2	0.4	-4.1

Notes: This table shows the effects of a permanent reduction in the euro area debt-to-GDP ratio from 90% to 60%, implemented through various fiscal instruments, using the ECB's NAWM. Each fiscal instrument is assumed to be adjusted by 1% of the initial steady-state GDP. The budgetary room created by the consolidation is, starting after ten years, partly used to reduce distortionary labour income taxes. Real GDP is measured in terms of percentage deviations from its initial steady state. The labour tax rate is measured in terms of percentage point deviations from its initial steady state. "Short-run" refers to the average percentage deviation of real GDP from its initial steady state during the first two years. "Long-run" refers to the percentage/percentage-point deviation of variables at their new steady states relative to their initial steady states. The panel "Including confidence effects" shows the effects when the equilibrium long-term interest rate falls permanently by 30 annual basis points in response to the permanent consolidation.

exact quantitative account of fiscal consolidation, but merely illustrate key factors that matter for the determination of its long-run benefits and short-run costs.

Reflecting the foreseen increase in the debt-to-GDP ratios in the euro area countries, the simulations consider the effects of a permanent 30 percentage point reduction in the debt-to-GDP ratio (from 90% to 60%) in line with the reference value for the debt ratio in the Treaty.[27] The permanent reduction in the debt-to-GDP ratio, implemented through a standardised 1% change in a particular fiscal instrument, creates budgetary room, which is allocated over the medium to longer term to reductions in distortionary labour income taxes.[28, 29]

Table 3 shows that several fiscal instruments result in sizeable long-run benefits, measured in terms of real GDP, which are triggered by a reduction in distortionary labour income tax rates in the long run. This is a consequence of the newly available budgetary room and of the dynamic gains resulting from higher productivity and capital accumulation. For reasons that will be explained below, the assessment of the short-run costs (first two years) and long-run benefits of fiscal consolidation depends on whether confidence effects are taken into account or not. As suggested in Section 2, in the analysis below, positive confidence effects are accounted for via a permanent reduction in the long-term interest rate and hence lower government debt financing costs.

WITHOUT CONFIDENCE EFFECTS

Starting with the case in which the long-term interest rate is unaffected by the permanent fiscal consolidation (labelled "Without confidence effects" in Table 3), it turns out that long-run benefits are in the range of 0.4-2.2% of initial steady-state real GDP. Two exceptions are noticeable: reductions in government investment and increases in capital income taxes lead to long-run declines in real GDP. Both measures have a negative impact on economy-wide public and private capital stocks so that the productive capacity of the economy diminishes. Interestingly, the fall in the labour tax rate, which has a positive effect on employment, cannot fully compensate for the fall in economy-wide capital, which means that a negative long-run impact on real GDP remains.

The short-run costs of fiscal consolidation are typically small relative to the permanent gains. In some cases (reductions in transfers), there may even be positive short-run effects on account of a strong negative wealth effect that gives rise to an increase in labour supply.

The reduction in the government debt-to-GDP ratio is endogenous and evolves gradually. For instance, in the case of a permanent reduction in government consumption of 1% of initial steady-state GDP, the government debt-to-GDP ratio is reduced by about 10 percentage points after ten years, 15 percentage points after 15 years and 20 percentage points after 22 years.

INCLUDING CONFIDENCE EFFECTS

Table 3 also provides results for the case in which positive confidence effects (labelled "Including confidence effects") are accounted for, by giving rise to a permanent reduction in the long-term interest rate and hence the financing costs of government debt. A permanent reduction in financing costs makes the long-run benefits of fiscal consolidation considerably

27 For a record of successful historical debt reductions of similar or even larger size, see, for example, the box entitled "The Greek economic and financial adjustment" in the May 2010 issue of the Monthly Bulletin.

28 The budgetary room created by the consolidation is used exclusively to reduce government debt within the first ten years. Thereafter, labour income taxes are allowed to adjust in response to deviations of the government deficit from its long-run target (which is in line with a 60% debt-to-GDP ratio).

29 Note that the set-up for the permanent consolidation simulation is different from the one for the temporary fiscal stimulus measures. In the latter, the temporary increase in government debt to finance the stimulus initially is reversed by means of increases in lump-sum taxes in the medium term. As argued in the previous section, this anticipated temporary consolidation (i.e. rise in future lump-sum taxes) induces a negative wealth effect and thereby reduces the GDP multiplier. By contrast, in the case of the permanent consolidations examined in this section, individual fiscal instruments such as government consumption, investment, consumption taxes, etc., are changed permanently in order to achieve a permanent reduction in the government debt-to-GDP ratio.

higher. The permanent reduction in financing costs provides more room for budgetary manoeuvre, which is used to lower labour income taxes, so that tax distortions are reduced even further. Confidence effects also imply moderately lower short-run costs of consolidation, as lower financing costs boost domestic demand directly and more sizeable long-run economic gains are anticipated by households and firms. For example, in the case of government consumption, in comparison with the case in which the confidence effects are not accounted for, a permanent 30 basis point reduction in the financing costs of government debt provides an additional long-run real GDP gain of 1.4% and 0.2% lower short-run real GDP costs of fiscal consolidation.[30,31] The relative gains from confidence effects for the other fiscal instruments are also within the same order of magnitude.

A comparison with the analysis of temporary fiscal multipliers from Table B in Box 2 suggests that short-run costs are typically only about half as large if permanent expenditure-based consolidation is considered. Further simulation results suggest that long-run gains can be even higher if the additional budgetary room created by the fiscal consolidation is used to lower the capital income tax, instead of the labour income tax.

Overall, the simulations illustrate that fiscal consolidation, when appropriately designed to take full advantage of long-run economic gains, can be achieved with moderate short-run costs, while at the same time providing a pivotal step towards the restoration of long-run fiscal sustainability in the euro area.

6 CONCLUSIONS

The global financial and economic crisis has put the effectiveness of fiscal policy at centre stage of the economic policy debate throughout the world. Governments in the euro area have responded to the prospect of a deep recession with a range of counter-cyclical fiscal stimulus measures within the framework of the EERP.

There is considerable uncertainty about the degree to which governments can stimulate the economy with temporary counter-cyclical fiscal measures. The evidence reviewed in this article shows that the efficacy of fiscal policy is conditional on many factors, such as the fiscal instrument chosen, the persistence of the fiscal stimulus, the initial level of government indebtedness, whether the nominal interest rate is kept constant or not, and price flexibility.

Against this background, and taking into account the specific features of the 2008-09 crisis, the evidence available so far suggests that the fiscal measures implemented have been broadly supportive for output, with the focus primarily being on short-lived fiscal stimulus.

At the same time, however, accommodating the impact of automatic stabilisers and the implementation of counter-cyclical fiscal policies during the crisis has come at a high cost for euro area public finances. Having been close to balance in 2007, the euro area general government budget is projected to show a deficit of 6.1% of GDP in 2011 and debt-to-GDP ratios are projected to rise significantly to 88.5% in 2011. These trends are clearly unsustainable, and undermine confidence in the long-term sustainability of public finances.

In the light of these developments, many euro area countries have been too slow to implement fiscal exit and consolidation strategies, giving rise to increased risks to financial stability. This underlines the utmost importance of restoring fiscal balances in the aftermath of the crisis. Fiscal consolidation will need to exceed substantially the annual structural adjustment of 0.5% of GDP set as a minimum requirement by the Stability and Growth Pact.

30 The 30 basis point reduction in the financing costs of government debt is based on empirical evidence on the relationship between the level of government debt and government bond yields. See, for example, T. Laubach, "New evidence on the interest rate effects of budget deficits and debt", *Journal of the European Economic Association*, 7(4), 2009, pp. 1-28.

31 In this particular case, real GDP reaches its initial level after about eight years, and half of the long-term benefit level is reached after about 20 years.

The main issue on the fiscal side in the euro area is the total neglect by some countries of the fact that they have had no room for fiscal manoeuvre at all. Countries that delay fiscal consolidation contribute to the fiscal problems in the euro area as whole. The longer the fiscal correction is postponed, the higher the risk of reputation and confidence losses, the more painful the short-run adjustment, and the further away the long-run benefits of fiscal consolidation.

This article has offered an illustrative analysis of permanent fiscal consolidation programmes in the euro area aimed at restoring long-run fiscal sustainability. The results clearly suggest that the long-term economic gains of restoring sound fiscal positions in the euro area far outweigh the short-run costs.

The simulation results also suggest that the bulk of the fiscal adjustment should be borne on the expenditure side, in line with the empirical evidence available, which points to a higher degree of success for expenditure-based fiscal consolidation. Moreover, the additional budgetary room created by the consolidation efforts may be geared in the medium term towards lowering the taxes that are most harmful for labour supply and capital accumulation in the long run (i.e. labour and capital income taxes).

THE IMPACT OF THE FINANCIAL CRISIS ON THE CENTRAL AND EASTERN EUROPEAN COUNTRIES

The eight EU countries in central and eastern Europe outside the euro area (CEE) were strongly affected by the global financial crisis. However, the impact of the crisis varied significantly across countries. While Poland weathered the crisis relatively well, others experienced a considerable decline in GDP, and the Baltic States, which were already in recession before the failure of Lehman Brothers, faced a double-digit contraction in economic activity in 2009. These observed variations relate partly to the cross-country cyclical differences before the intensification of the crisis in September 2008 and, more crucially, the varying degrees to which countries had built up external and internal imbalances and vulnerabilities prior to the crisis. In addition, cross-country differences with respect to sectoral and regional trade specialisation and financial factors played a role. Policy responses to the crisis have also varied significantly across countries, mainly reflecting differences in the scope for manoeuvre – both on the fiscal front and on the monetary policy front.

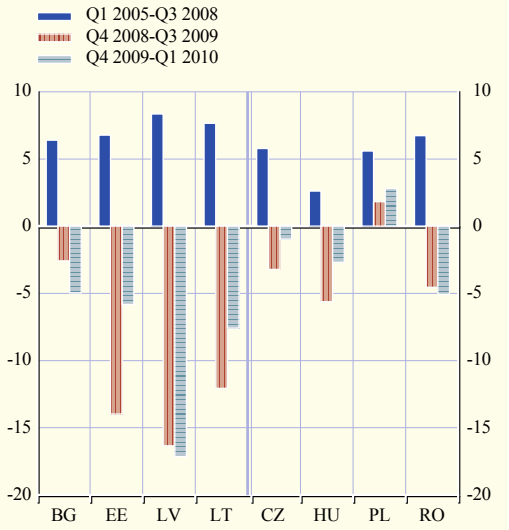
1 IMPACT OF THE CRISIS ACROSS COUNTRIES – STYLISED FACTS

When the global financial and economic crisis intensified after the collapse of Lehman Brothers, the CEE countries were strongly affected, as reflected, for example, in a significant decline in GDP growth. Although they had been relatively resilient until September 2008, the CEE countries suffered as a result of heightened risk aversion on the part of international investors towards the CEE region, general deleveraging by financial institutions and a marked contraction in foreign demand. But the impact of the crisis on GDP growth varied considerably across countries. While Poland weathered the crisis relatively well, being the only EU country to record positive GDP growth in 2009, others experienced a considerable decline in GDP, with the Baltic States even recording a double-digit contraction in economic activity (see Chart 1).

In general, those countries that had grown particularly strongly in the years before the crisis, namely Bulgaria, the Baltic States and Romania, have subsequently seen the largest declines in output. Three of the CEE countries, namely Latvia, Hungary and Romania, also had to request EU and IMF-led international financial assistance as a consequence of the crisis. Cross-country cyclical differences, while already pronounced before the crisis, as compared, for example, with those in the euro area countries, seem to have increased further following the crisis. Moreover, not only the size of the impact varied across countries, but also the timing and speed at which countries were affected by the crisis. In the Baltic States, GDP growth had already started to slow well ahead of September 2008, while in Hungary economic activity started to contract in annual terms at the end of 2008. In Bulgaria, the Czech Republic and Romania, annual output growth was still

Chart 1 Real GDP growth

(average annual growth rates; quarterly data)



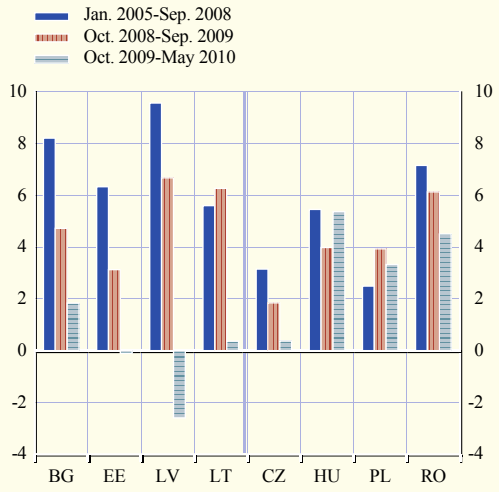
Source: Eurostat.
Notes: Data are working day and seasonally adjusted except for Bulgaria (no adjustment) and Romania (only seasonally adjusted). Data for the first quarter of 2010 are not available for Latvia. Countries to the left of the centre line have fixed exchange rate regimes or currency board arrangements. Those on the right have more flexible regimes with the central banks pursuing inflation targeting strategies.

relatively robust in the fourth quarter of 2008, but turned negative in the first quarter of 2009. For most countries, the trough of the decline in output occurred in the third quarter of 2009, therefore, this article analyses the impact of the crisis in the period from the fourth quarter of 2008 to the third quarter of 2009. Owing mainly to a recovery in foreign demand, the decline in economic activity slowed in most CEE countries in the first quarter of 2010, with the Czech economy even starting to grow again.

HICP inflation, which had increased strongly in most countries before the onset of the crisis, generally declined sharply thereafter, although the degree and pace of the decline differed across countries (see Chart 2). The drop in inflation reflected mainly a decline in global commodity prices, lower wage growth and a sharp fall in domestic demand. The sharpest drop in inflation was experienced by Bulgaria and the Baltic States. These countries were still recording double-digit inflation rates in September 2008, before inflation declined to zero or in some cases even turned negative just over one year later. Inflation has started to increase in recent months in a number of countries, while Latvia was the only CEE country still displaying negative inflation rates in May 2010.

Chart 2 HICP inflation

(average annual growth rates; monthly data)



Source: Eurostat.
Notes: Countries to the left of the centre line have fixed exchange rate regimes or currency board arrangements. Those on the right have more flexible regimes with the central banks pursuing inflation targeting strategies.

2 IMPACT OF THE CRISIS ACROSS COUNTRIES – UNDERLYING CYCLICAL AND STRUCTURAL FACTORS

PRE-CRISIS MACROECONOMIC IMBALANCES

To understand the cross-country differences in the impact of the crisis, it is important to first look at the cyclical positions of the CEE countries and the closely related macroeconomic imbalances existing when the financial crisis intensified in September 2008. In fact, the CEE countries were in very different cyclical positions when the financial crisis began. In the years preceding the crisis, a number of them, in particular the Baltic countries, grew rapidly, often at unsustainable rates, which led to a widening of the positive output gap and fostered the emergence of internal and external imbalances. Owing to strong capital inflows and credit growth – the latter fuelled by very low and in some cases even negative real interest rates – several CEE countries experienced strong rises in asset prices, in particular house prices. Wealth effects, in turn, further stoked excess demand pressures. In a number of countries, especially Bulgaria, the Baltic States and Romania, substantial wage increases, in some cases accompanied by rapid public wage growth, led to strong increases in unit labour costs. Expansionary fiscal policies also boosted GDP growth ahead of the crisis and led to significant structural budget deficits in 2007 in several countries, in particular the Czech Republic, Hungary, Latvia, Lithuania, Poland and Romania (see Chart 3).

Rising domestic demand pressures eventually translated into escalating inflation and real currency appreciation in some countries. This, in turn, further exacerbated the widening of current and capital account deficits through an associated loss of competitiveness. As a consequence,

external deficits reached double-digit GDP ratios in Bulgaria, the Baltic States and Romania before the crisis (see Chart 3), exceeding levels that could be explained by the countries' catching-up process alone.[1] The high current and capital account deficits contributed to the emergence of vulnerabilities, especially since a growing share of the countries' current account deficits was financed by capital inflows that added to the countries' external debt levels. In addition, several countries, in particular the Baltic States, reported that a large share of their external financing prior to the crisis took the form of "other investment" inflows. This is often perceived to be a less stable form of financing than foreign direct investment. As a result, external indebtedness and financing needs were at relatively high levels in many CEE countries, making them vulnerable to a change in investor sentiment.

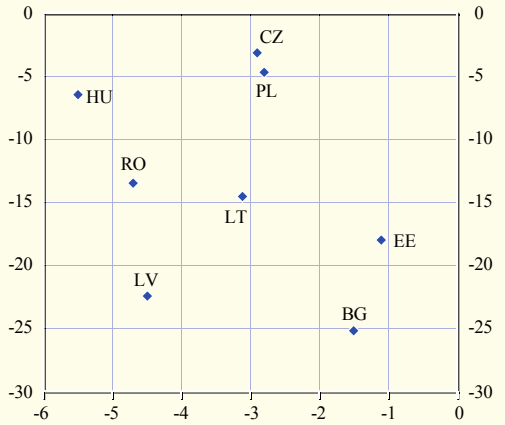
Vulnerabilities to a change in investor sentiment and, in some cases, the associated currency depreciations, were further exacerbated in some countries by the fast build-up of a large stock of foreign currency denominated debt in the private sector, mainly in the form of mortgage loans. The increasing share of foreign currency lending in the CEE countries (for the most part denominated in euro) accompanied – and may in some cases have contributed to – a strong expansion in overall credit (see Chart 4). There were, however, important differences between countries. While there was a strong bias towards foreign currency loans in Estonia and Latvia (of around 80%), the share of foreign currency loans to the private sector in the Czech Republic and Poland was only around 10% and 25% respectively. The strong presence of foreign-owned banks and differentials between interest rates on loans in domestic and foreign currency were important factors in explaining the pattern of foreign currency lending in the CEE countries. Exchange rate-related factors and expectations regarding the

1 See M. Ca'Zorzi, A. Chudik and A. Dieppe, "Current account benchmarks for central and eastern Europe: a desperate search?", *Working Paper Series*, No 995, ECB, 2009.

Chart 3 Current and capital account imbalances and structural fiscal deficits

(percentages of GDP; 2007)

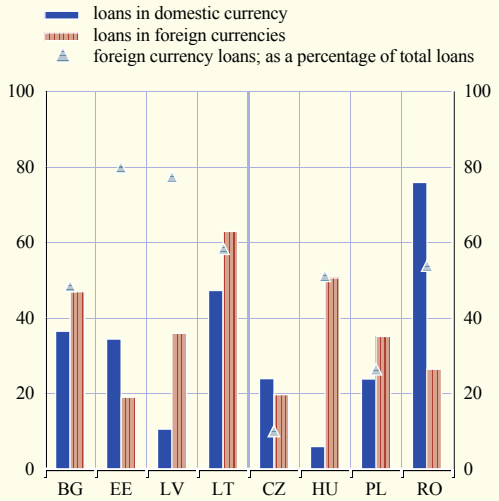
x-axis: structural fiscal deficit
y-axis: current and capital account deficit



Sources: Eurostat and European Commission.

Chart 4 Growth of credit to the private sector

(average annual growth rates; January 2005-September 2008)



Source: ECB.
Notes: The share of foreign currency loans is calculated as an average of the period from January 2005 to September 2008. Countries to the left of the centre line have fixed exchange rate regimes or currency board arrangements. Those on the right have more flexible regimes with the central banks pursuing inflation targeting strategies.

adoption of the euro, especially in those countries with fixed exchange rate regimes in place, may have also played a role. The high exposure to sharp exchange rate movements implied major balance sheet risks for borrowers.

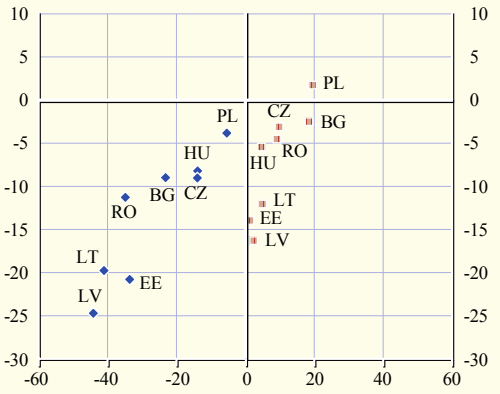
CROSS-COUNTRY DIFFERENCES IN THE FALL IN DOMESTIC DEMAND

The considerable decline in GDP growth that most CEE countries experienced after September 2008 was driven by both a collapse in exports and plummeting domestic demand. The turnaround from significant excess demand pressures to a sizeable fall in aggregate demand, with a rapid decline in inflation rates, was most pronounced in those countries that had experienced the strongest overheating pressures before the crisis and had allowed large external and internal imbalances to build up, as described above. These countries were particularly severely affected by heightened risk aversion on the part of international investors after September 2008 and the general deleveraging of financial institutions around the world after the collapse of Lehman Brothers, which led to a sharp drop in cross-border capital flows.

Following a tightening in financing conditions, including the costs of financing,[2] and the significant deterioration in the economic outlook, credit growth plunged in particular in those countries that before the crisis had relied heavily on foreign capital to finance credit booms (i.e. the Baltic States and Romania). This, in turn, may explain the sharp contraction in output in these countries. By contrast, the decline in credit growth was more contained in countries where credit growth had been more subdued and which had relied more on domestic sources of funding before the crisis (see Chart 5). For instance, total credit growth has declined on average by more than 35 percentage points in the Baltic States and Romania between the last quarter of 2008 and the third quarter of 2009, compared with the average growth rates in the pre-crisis period. The reduction in credit growth was smaller for the Czech Republic, Hungary and Poland, at between 5 percentage points and 14 percentage points.

Chart 5 Real GDP and credit to the private sector

(average annual growth rates; percentage points)



Sources: ECB and Eurostat.
Notes: Growth differences from the pre-crisis average represent the difference in average annual growth rates between the period from Q4 2008 to Q3 2009 and the period from Q1 2005 to Q3 2008; average growth rates comprise the period from the fourth quarter of 2008 until the third quarter of 2009.

Credit growth continued to decline in the first quarter of 2010 in all countries but Romania, where it slightly increased. Furthermore, credit growth rates were still negative in the Baltic States and Hungary, ranging between -5% and -7.5%.

Against this background, investment contracted in all CEE countries, although to varying degrees, and contributed in all countries but Poland to the decline in GDP growth (see Chart 6). The sharpest fall in investment was observed in the Baltic States and mainly stemmed from falling investment in the previously booming construction sector, which accounts for half of total investment in these countries. Moreover, cross-country differences in the impact on

2 After September 2008 the cost of financing for non-financial corporations and households increased strongly in most CEE countries. Although interest rates declined somewhat in the second half of 2009, reflecting in particular the lower cost of funding for banks following an expansionary monetary policy in the euro area and many CEE countries, they remained high for loans in domestic currency. However, interest rates on loans denominated in euro declined in most countries compared with their pre-crisis levels.

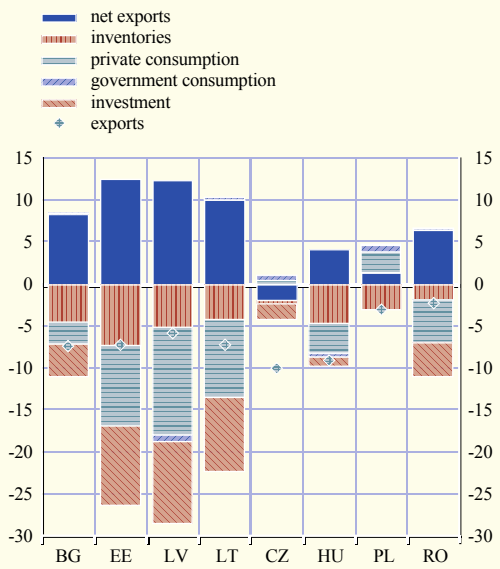
investment may also relate partly to the countries' financing patterns and the degree to which enterprises were dependent on external financing. In the case of Poland, the fact that a large share of investment was typically financed internally may explain why investment was affected less severely.

In all CEE countries, except the Czech Republic and Poland, the sharp drop in domestic demand was also driven by a steep decline in private consumption. The services sector suffered particularly severely from the decline in private consumption and contributed negatively to GDP growth, except in Bulgaria and Poland (see Chart 7). Private consumption contracted very sharply in the Baltic States and Romania. In the case of the Baltic States at least, this may largely reflect the impact of wealth effects – owing to the sharp decline in house and equity prices – and the unwinding of excessive credit-driven private consumption growth before the crisis.

The different paces and degrees to which the labour markets responded to the crisis may also explain the cross-country differences in private consumption developments. Such differences in labour market reactions resulted not only from the extent of the economic downturn in the respective countries, but also from other factors, such as the flexibility of the labour markets (including the effects of employment protection legislation) and employment distribution across sectors. In some countries, in particular the Baltic States with their relatively flexible labour markets, enterprises reacted swiftly to the crisis by cutting wages and dismissing workers, mainly in the construction sector which employed a larger share of temporary workers. In other countries, notably the Czech Republic, Hungary, Poland and Romania, the employment

Chart 6 Expenditure contributions to real GDP growth

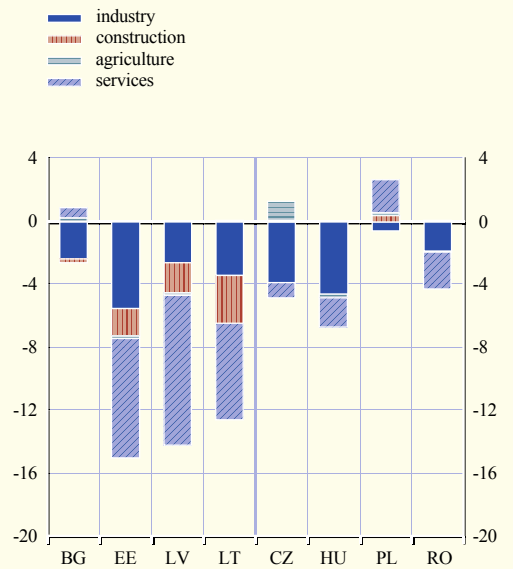
(average annual percentage growth rates Q4 2008-Q3 2009)



Source: Eurostat.
Notes: Data are working day and seasonally adjusted except for Bulgaria (no adjustment) and Romania (only seasonally adjusted). Countries to the left of the centre line have fixed exchange rate regimes or currency board arrangements. Those on the right have more flexible regimes with the central banks pursuing inflation targeting strategies.

Chart 7 Sectoral contributions to value added growth

(average annual percentage growth rates Q4 2008-Q3 2009)



Source: Eurostat.
Notes: Data are working day and seasonally adjusted except for Bulgaria (no adjustment) and Romania (only seasonally adjusted). Countries to the left of the centre line have fixed exchange rate regimes or currency board arrangements. Those on the right have more flexible regimes with the central banks pursuing inflation targeting strategies.

situation remained more robust, partly owing to labour hoarding, with the adjustment taking place to a large extent through lower wage growth and, in the industrial sector, through a downward adjustment of working hours, which was partly facilitated by policy measures.

As a consequence of the sharp decline in domestic demand, and given the high import content of some exports, imports declined sharply in most CEE countries until the third quarter of 2009. In particular in Bulgaria, the Baltic States and Romania the fall in imports far exceeded the notable decline in exports, leading to a positive contribution of net exports to growth over this period in the CEE countries. Only in the Czech Republic did net exports make a negative contribution to growth (see Chart 6).

Table 1 Change in total exports and the nominal and real effective exchange rate

(percentage changes between Q3 2008 and Q3 2009)

	Total exports	NEER	REER-CPI
Bulgaria	-6.7	1.0	1.8
Estonia	-9.6	1.8	0.6
Latvia	-14.7	2.9	3.8
Lithuania	-16.5	2.9	5.1
Czech Republic	-7.7	-4.7	-4.8
Hungary	-6.9	-12.2	-8.0
Poland	-9.0	-20.5	-17.0
Romania	-3.7	-14.4	-10.1

Source: ECB calculations.
Notes: Total exports comprise goods and services and are expressed in constant prices. NEER is the nominal effective exchange rate, REER-CPI is the CPI-deflated real effective exchange rate. A positive (negative) NEER or REER value implies an appreciation (depreciation) over the time period. The first four countries have fixed exchange rate regimes or currency board arrangements, while the last four countries have more flexible regimes with the central banks pursuing inflation targeting strategies.

CROSS-COUNTRY DIFFERENCES IN EXPOSURE TO THE COLLAPSE IN FOREIGN DEMAND

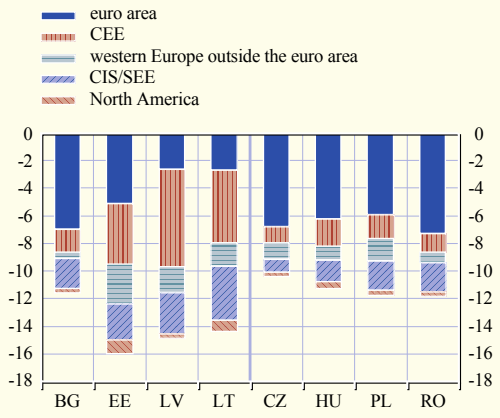
Foreign demand for all CEE countries' exports slumped in the wake of the global financial and economic crisis. Given the high degree of openness of most CEE countries, the trade channel has been important in explaining the impact of the crisis on growth. While all CEE countries recorded a sharp decline in exports between the third quarter of 2008 and the third quarter of 2009, the magnitude of the decline exhibited notable cross-country differences and varied between more than 16% in Lithuania and less than 4% in Romania (see Table 1).

These cross-country differences in the impact on trade can be partly attributed to differences in exchange rate regimes. In fact, countries which saw their nominal or real effective exchange rates weaken sharply between the third quarter of 2008 and the third quarter of 2009, such as Hungary, Poland and Romania, saw a relatively less sharp contraction in their exports. By contrast, the Baltic States, which have fixed exchange rate regimes, saw on average the steepest decline in exports among the CEE countries. Thus, the rather sharp real depreciation may have helped countries with flexible exchange rate regimes to contain the decline in their exports.

Furthermore, cross-country differences in sectoral compositions also seem to explain part of the differing export performances. For a number of CEE countries, the lower external demand for intermediate and capital goods largely affected their exports of cars and automotive parts. One of the main characteristics of the car industry, which is relatively sizeable in the Czech Republic, Hungary, Poland and Romania, is its strong export orientation and, as a consequence, its significant contribution to the export performance of producer countries. As a result of their highly cyclical nature, the car industry and the industries that supply it have been very responsive to the global business cycle. This, in turn, partly accounts for the observed cross-country differences in the impact of the crisis and explains to some extent the negative contribution to growth of the industrial sector in those countries with a sizeable car industry (see Chart 7). Towards the end of 2009 this factor was partly compensated by the positive spillover effects from various car scrappage schemes introduced in other European countries.

Chart 8 Regional breakdown of the contraction in foreign demand

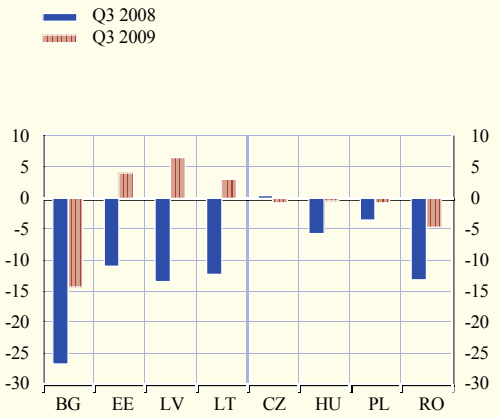
(annual percentage changes in volumes, 2008)



Sources: IMF and ECB calculations.
Notes: Data are only available to 2008. The western Europe outside the euro area aggregate consists of Denmark, Norway, Sweden, Switzerland and the United Kingdom. The Commonwealth of Independent States (CIS) together with south-eastern Europe (SEE) comprises Albania, Azerbaijan, Bosnia, Croatia, Kazakhstan, the former Yugoslav Republic of Macedonia, Moldavia, Mongolia, Russia, Tajikistan, Turkey, Turkmenistan, Ukraine and Uzbekistan. North America comprises the United States of America and Canada. Countries to the left of the centre line have fixed exchange rate regimes or currency board arrangements. Those on the right have more flexible regimes with the central banks pursuing inflation targeting strategies.

Chart 9 Current and capital account balances

(four-quarter averages to Q3 2008 and Q3 2009; as percentages of GDP)



Source: ECB calculations.
Notes: Countries to the left of the centre line have fixed exchange rate regimes or currency board arrangements. Those on the right have more flexible regimes with the central banks pursuing inflation targeting strategies.

The geographical concentration of exports also seems to have played a role in the different trade performances of the CEE countries (see Chart 8). The bulk of CEE countries' exports (ranging from 80% to almost 90% of total exports) are destined for other European countries, a phenomenon that, to a large extent, is related to geographical proximity and the progress made in regional economic integration. However, some cross-country differences prevail. The euro area tends to be the most important export destination for Bulgaria, the Czech Republic, Hungary, Poland and Romania. By contrast, the Baltic States trade heavily with the CEE countries – primarily other Baltic States and Poland – and with the countries in the Commonwealth of Independent States and south-eastern Europe. In particular, the strong linkages among the Baltic States may explain the large negative contribution of the CEE region to the collapse in foreign demand in these countries.

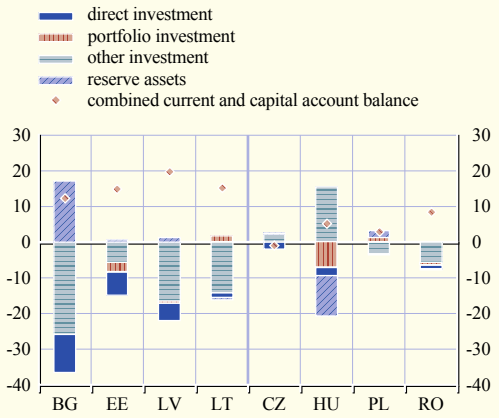
ADJUSTMENTS OF EXTERNAL BALANCES

Mainly as a result of the intensification of the financial crisis, the CEE countries experienced an unwinding of external imbalances. This can be traced back to a substantial decline in domestic demand pressures, leading to a sharp fall in imports, which has more than offset the foreign demand-related contraction in exports. As a consequence, the current and capital account deficits narrowed substantially in all CEE countries except the Czech Republic between the third quarter of 2008 and the third quarter of 2009. At the same time, in the Baltic States the combined current and capital account balances have even turned into surpluses (see Chart 9).

In addition, there have been some notable shifts in the structure of external financing flows (see Chart 10). Since the fourth quarter of 2008 the Baltic States, Bulgaria and Romania in particular have recorded strong net outflows in

Chart 10 Changes in external financing between Q3 2008 and Q3 2009

(percentages of GDP)



Source: ECB calculations.
Notes: The data relate to four quarter averages to Q3 2008 and Q3 2009. Countries to the left of the centre line have fixed exchange rate regimes or currency board arrangements. Those on the right have more flexible regimes with the central banks pursuing inflation targeting strategies.

"other investment", which used to be the prime source of financing before the global financial and economic crisis in some of the countries. The reversal of "other investment" flows can partly be attributed to the reassessment of risks by international financial institutions, the global deleveraging process and the associated transfers of funds by domestic commercial banks to foreign banks, including their parent banks. At the same time, foreign direct investment inflows fell in most countries, although they continued to cover a significant part of the combined current and capital account deficit. Generally, increases in reserve assets are recorded as outflows in the balance of payments statistics. For this reason, net outflows of reserve assets in Bulgaria, which can be traced back to a change in the regulation on reserve requirements by Българска народна банка (Bulgarian National Bank), were recorded as a positive change in the contribution to the financing of the current account deficit. In Hungary a negative change in the contribution to the financing of the current account was related to the disbursements under the country's international financial support programme.

The change in the composition of current account financing appears to have had an impact on the magnitude of overall current and capital account adjustments across countries during the financial crisis. In particular, countries such as the Baltic States which had a large share of "other investment" inflows prior to the crisis experienced a very sharp contraction in their current and capital account deficits.

3 CROSS-COUNTRY DIFFERENCES IN THE POLICY RESPONSE TO THE CRISIS

FISCAL POLICY

Fiscal responses to the crisis differed notably across countries, thereby possibly also contributing to the cross-country differences in the impact of the crisis. The responses reflected the need to balance increasing concerns regarding the sustainability of public finances and other macroeconomic imbalances with the desire to let automatic stabilisers operate or even implement fiscal stimuli to mitigate the detrimental impact of the crisis on economic activity.

In Latvia, Hungary and Romania, the requirements of the IMF and EU financial support programmes imposed strict fiscal consolidation through wide-ranging revenue and expenditure measures from 2009. These measures were targeted at reducing government expenditure by downsizing public administration, lowering public wages, reducing benefit entitlements (e.g. pensions) and reducing capital spending. On the revenue side, measures included inter alia a widening of the tax base.

Bulgaria, Estonia and Lithuania also implemented comprehensive fiscal measures in 2009 aimed at containing the rapid budgetary deterioration. In Estonia and Lithuania, measures comprised in particular cuts in main expenditure items other than social transfers as well as higher taxes. Bulgaria, on the other hand, implemented a number of measures in 2009 aimed at cutting expenditure and raising tax revenue collection

Table 2 Recommendations under the excessive deficit procedures

	Deadline	EU Council recommendation (extract)
Czech Republic	2013	Implement [..] measures in 2010; ensure an average annual fiscal effort of 1% of GDP over [..] 2010-13
Latvia	2012	Ensure an average annual fiscal effort of at least 2.75% of GDP over [..] 2010-12
Lithuania	2012	Implement [..] the corrective measures planned [..] for 2010 [..]; ensure an average annual fiscal effort of at least 2.25% of GDP over [..] 2010-12 [..]
Hungary	2011	Ensure at least a cumulative 0.5% of GDP fiscal effort over 2010-11
Poland	2012	Ensure an average annual fiscal consolidation effort of at least 1.25% of GDP starting in 2010 [..]
Romania	2012	Implement [..] measures in 2010 [..] and continue consolidation in 2011 and 2012; ensure an average annual fiscal effort of at least 1.75% of GDP over [..] 2010-12 [..]

Source: EU Council Opinions.

by improving value added tax and corporate income tax compliance, in order to maintain a sufficiently large fiscal reserve.

In contrast, in the Czech Republic and Poland, fiscal policy was not tightened in 2009 and automatic stabilisers were given room to operate. In Poland the effect of automatic stabilisers was partly offset by cuts in discretionary spending, while some fiscal stimulus measures were implemented in the Czech Republic. In the case of Poland, reductions in labour taxation that had already been approved ahead of the crisis acted as a fiscal stimulus. In the Czech Republic, fiscal consolidation started in 2010 and consisted primarily of measures affecting revenues, such as hikes in value added tax and excise taxes and some cuts in benefit entitlements.

Overall, six of the eight CEE countries are subject to an EU Council decision on the existence of an excessive deficit, and hence their fiscal response to the crisis has also been determined by the recommendations of the respective excessive deficit procedures (see Table 2). In addition, the European Commission has initiated an excessive deficit procedure against Bulgaria, as the country's budget balance reached -3.9% of GDP in 2009.

Generally, an assessment of the appropriateness of the CEE countries' fiscal policy stance during the crisis is particularly difficult in view of the uncertainty surrounding the level and growth rate of their potential output. This complicates an evaluation of the structural efforts underlying the fiscal policy responses to the economic downturn. According to the European Commission, in 2010 only Bulgaria and Estonia are projected to have a deficit below the 3% of GDP reference value set in the Stability and Growth Pact, while the

Table 3 Fiscal developments in the period 2008-11

(percentages of GDP)

	Expenditure ratio		Budget balance				General government gross debt			
	2010	change[1] 2008-10	2008	2009	2010	2011	2008	2009	2010	2011
Bulgaria	39.7	2.3	1.8	-3.9	-2.8	-2.2	14.1	14.8	17.4	18.8
Czech Republic	47.0	4.1	-2.7	-5.9	-5.7	-5.7	30.0	35.4	39.8	43.5
Estonia	45.8	5.9	-2.7	-1.7	-2.4	-2.4	4.6	7.2	9.6	12.4
Latvia	44.8	6.2	-4.1	-9.0	-8.6	-9.9	19.5	36.1	48.5	57.3
Lithuania	42.5	5.1	-3.3	-8.9	-8.4	-8.5	15.6	29.3	38.6	45.4
Hungary	48.8	-0.4	-3.8	-4.0	-4.1	-4.0	72.9	78.3	78.9	77.8
Poland	46.0	2.7	-3.7	-7.1	-7.3	-7.0	47.2	51.0	53.9	59.3
Romania	39.9	2.3	-5.4	-8.3	-8.0	-7.4	13.3	23.7	30.5	35.8

Source: European Commission's European economic spring forecast 2010.
1) Changes in the expenditure ratio are expressed in percentage points.

Czech Republic, Latvia, Lithuania, Hungary, Poland and Romania are expected to continue recording large budget deficits. In all CEE countries, other than Hungary, the expenditure-to-GDP ratio is projected to rise significantly in 2010, compared with its level in 2008. Hungary is projected to remain the only country with a debt ratio above 60% of GDP in 2010, while the debt-to-GDP ratios of Poland and Latvia are projected to rise close to this level in 2011. Latvia and Lithuania are also projected to record substantial increases in their debt ratios in 2010, rising to 48.5% of GDP and 38.6% of GDP respectively (see Table 3).

MONETARY POLICY

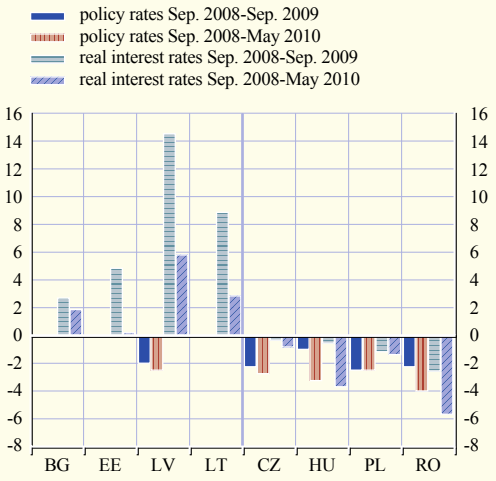
The conduct of monetary policy – both in the run-up to the crisis and in response to the crisis – differed across countries. This may have also contributed to cross-country differences in terms of the impact of the crisis. As noted above, in the countries where monetary policy was not constrained by the pursuit of an exchange rate target, the reduction in real activity since the outbreak of the crisis has been considerably smaller compared with countries with fixed exchange rates, such as Bulgaria and the three Baltic States. This was partly because of the overheating of the economies with fixed exchange rate regimes in the pre-crisis period, which was driven by strong credit growth fuelled by very low or even negative interest rates. In addition, the countries with fixed exchange rate regimes had very limited scope for autonomous monetary policy responses to the crisis. On the contrary, following the sharp decline in their inflation outlook as a result of the crisis, real short-term interest rates have even increased in these countries, in particular Latvia and Lithuania, compared with their pre-crisis levels, despite the lowering of policy rates by the ECB (see Chart 11). This may have further contributed to the sharp contraction in their GDP growth.

In the countries pursuing inflation targeting strategies, namely the Czech Republic, Hungary, Poland and Romania, the build-up of imbalances and the dependence on foreign financing was generally lower in the pre-crisis period, thereby limiting the susceptibility of the economies to a drying-up of external financing. At the same time, the inflation targets seem to have served the countries relatively well as an anchor for inflation expectations. However, in some countries, such as Hungary and Romania, the disinflation process was far from complete in the pre-crisis period, hindered notably by the imprudent conduct of fiscal policy in the past. Overall, the countries with inflation targets were able to engineer large cuts in policy rates in reaction to the crisis.

The pace and extent to which policy rates were cut after the intensification of the crisis differed across countries. In the Czech Republic and Poland, policy rates were cut sharply shortly after September 2008, and the pronounced currency depreciation provided some further support to the economy. In contrast, interest rates were initially increased in Hungary and left unchanged in Romania, before being cut

Chart 11 Changes in policy rates and real short-term interest rates

(percentage points)



Sources: ECB and Consensus Forecast.
Notes: Real interest rates are defined as three-month money market rates deflated by Consensus inflation forecasts for one year ahead. Countries to the left of the centre line have fixed exchange rate regimes or currency board arrangements. Those on the right have more flexible regimes with the central banks pursuing inflation targeting strategies.

significantly in the course of 2009 and early 2010. In the latter two countries, inflationary pressures remained strong. In addition, exchange rate devaluations posed a major risk to financial stability, given the very high exposure of the private sector to movements in the exchange rate, as a sizeable share of outstanding loans to the private sector was denominated in foreign currency (above 50%).[3] Following the increase in risk aversion on the part of international investors, the central banks of Hungary and Romania had to consider the risks associated with a further depreciation of the exchange rate and subsequent inflationary pressures, as well as the adverse impact on the balance sheets of companies and households. In addition, the fiscal situation in these two countries was particularly difficult, thereby hampering the ability of monetary policy to react to the crisis.

At the same time, the effectiveness of monetary policy was seriously reduced in most CEE countries owing to the global financial crisis, with risk and liquidity premia on the interbank markets generally increasing significantly. The extent to which the crisis impaired the monetary policy transmission mechanism seems to have varied across countries, reflecting the differences between their financial markets in terms of size and liquidity. In view of the impaired transmission mechanism, a number of central banks adopted additional monetary policy measures in order to ease overall monetary conditions and avoid a credit crunch. Some countries also addressed foreign currency liquidity constraints through the establishment of swap facilities with domestic financial institutions.

4 CONCLUDING REMARKS AND OUTLOOK

There are manifold possible explanations for the considerable differences in the impact of the crisis across the CEE countries – and also the varying policy responses to it. The build-up of imbalances prior to the crisis seems to have played an important role in cross-country differences. Countries with the most significant signs of overheating and the most pronounced imbalances were more vulnerable to and generally affected more severely by the crisis. Moreover, the impact of the crisis differed across countries with respect to both the fall in domestic demand and exposure to the collapse in foreign demand. In fact, countries with a high degree of openness, a fixed exchange rate regime and a geographical concentration of exports to other CEE countries and the Commonwealth of Independent States were particularly exposed to the crisis via the foreign demand channel.

Cross-country differences also derived from the different macroeconomic policies pursued across countries before and after the crisis. It appears that the impact of the crisis was particularly pronounced in countries where monetary policy was constrained by an exchange rate target in its response to both overheating pressures prior to the crisis and the subsequent economic downturn. In the absence of sufficiently supportive policies in other areas, such as fiscal policy and regulatory reforms to ensure sustainable credit developments, this contributed to greater output and inflation volatility in these countries. In some countries with inflation targets, a large share of foreign currency denominated debt limited the scope for easing monetary policy in response to the crisis, as exchange rate-related balance sheet effects gave rise to financial stability concerns. Furthermore, in some countries, fiscal policy was not sufficiently tight before the crisis, contributing to overheating pressures and fiscal sustainability concerns. This also limited the scope for fiscal policy to counter the impact of the crisis by, at a minimum, allowing automatic stabilisers to work.

Looking ahead, it is crucial for the CEE countries to avoid the re-emergence of macroeconomic imbalances in the future and to ensure a sustainable convergence process. Countries need to commit to lasting policy adjustments and strengthen the necessary counter-cyclical

3 In Hungary, new regulatory measures came into force in March 2010 to limit the country's high exposure in terms of foreign currency loans to the private sector.

policy tools so that they are in a position to better cope with shocks in an environment where macro-financial linkages seem to play an increasingly prominent role. In particular, given the virtual absence of autonomous monetary policy in countries with tightly pegged exchange rates, it is imperative that other policy areas provide the economy with the wherewithal to cope with shocks and to avoid the recurrence of macroeconomic imbalances.

To allow for a more balanced growth pattern, many countries need to shift resources from the non-tradable sector to the tradable sector. They must also avoid returning to a situation in which the catching-up process is largely driven by excessively strong, externally financed credit growth and asset price increases. Policy adjustments should be geared towards limiting the countries' vulnerabilities, including with respect to foreign currency lending, while at the same time further increasing their capacity to deal with economic shocks, in particular as regards their labour market flexibility.

With respect to fiscal policy, it is important that the CEE countries achieve and maintain sound and sustainable fiscal positions. For many of the countries concerned, having a fiscal surplus is an appropriate objective to limit the risk of boom-bust cycles in the future. Countries that are subject to an excessive deficit procedure must comply with their commitments in a credible and timely manner. Additional mainly expenditure-based consolidation measures are also required in those countries that have yet to attain their medium-term budgetary objectives. Strong fiscal frameworks should also support fiscal consolidation and limit slippages in public expenditure, while helping to prevent a re-emergence of macroeconomic imbalances. With respect to monetary policy, it is crucial for the CEE countries to achieve and maintain price stability on a lasting basis. Once the temporary disinflationary factors related to the economic and financial crisis have abated, this will, in particular, require an overall policy stance which will prevent overheating pressures from re-emerging.

EURO AREA STATISTICS

CONTENTS [1]

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

Conventions used in the tables

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

EURO AREA OVERVIEW

Summary of economic indicators for the euro area

(annual percentage changes, unless otherwise indicated)

1. Monetary developments and interest rates [1]

	M1 [2]	M2 [2]	M3 [2,3]	M3 [2,3] 3-month moving average (centred)	MFI loans to euro area residents excluding MFIs and general government [2]	Securities other than shares issued in euro by non-MFI corporations [2]	3-month interest rate (EURIBOR; % per annum; period averages)	10-year spot rate (% per annum; end of period) [4]
	1	2	3	4	5	6	7	8
2008	2.4	9.6	9.7	-	9.5	18.9	4.64	3.69
2009	9.5	4.8	3.3	-	1.6	24.1	1.22	3.76
2009 Q3	12.2	4.5	2.7	-	0.4	24.4	0.87	3.64
Q4	12.3	2.2	0.3	-	-0.6	19.7	0.72	3.76
2010 Q1	11.3	1.7	-0.2	-	-0.4	10.7	0.66	3.46
Q2	.	.	.	-	.	.	0.69	3.03
2010 Jan.	11.5	1.8	0.0	-0.2	-0.6	12.2	0.68	3.66
Feb.	11.0	1.6	-0.4	-0.2	-0.4	9.6	0.66	3.49
Mar.	10.8	1.6	-0.1	-0.2	-0.2	8.9	0.64	3.46
Apr.	10.7	1.3	-0.2	-0.2	0.1	7.5	0.64	3.40
May	10.3	1.4	-0.2	.	0.2	.	0.69	3.00
June	.	.	.	.	.	.	0.73	3.03

2. Prices, output, demand and labour markets

	HICP [1]	Industrial producer prices	Hourly labour costs	Real GDP	Industrial production excluding construction	Capacity utilisation in manufacturing (%)	Employment	Unemployment (% of labour force)
	1	2	3	4	5	6	7	8
2008	3.3	6.1	3.5	0.6	-1.7	81.8	0.7	7.5
2009	0.3	-5.1	2.7	-4.1	-15.1	71.1	-1.9	9.4
2009 Q4	0.4	-4.6	1.7	-2.1	-7.7	71.7	-2.0	9.8
2010 Q1	1.1	-0.2	2.1	0.6	4.6	73.9	-1.2	9.9
Q2	.	.	.	.	.	.	.	.
2010 Jan.	1.0	-1.0	-	-	1.7	72.3	-	9.9
Feb.	0.9	-0.4	-	-	4.1	-	-	9.9
Mar.	1.4	0.9	-	-	7.8	-	-	10.0
Apr.	1.5	2.8	-	-	9.5	75.5	-	10.0
May	1.6	3.1	-	-	.	-	-	10.0
June	1.4	.	-	-	.	-	-	.

3. External statistics

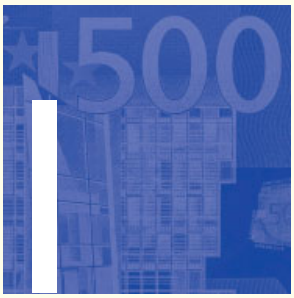
(EUR billions, unless otherwise indicated)

	Balance of payments (net transactions)			Reserve assets (end-of-period positions)	Net international investment position (as a % of GDP)	Gross external debt (as a % of GDP)	Effective exchange rate of the euro: EER-21 [5] (index: 1999 Q1 = 100)		USD/EUR exchange rate
	Current and capital accounts	Goods	Combined direct and portfolio investment				Nominal	Real (CPI)	
	1	2	3	4	5	6	7	8	9
2008	-144.0	-19.1	145.4	374.2	-17.6	118.2	110.5	110.1	1.4708
2009	-47.8	39.5	222.2	462.4	-16.4	116.6	111.7	110.6	1.3948
2009 Q3	-2.2	13.8	54.4	430.9	-17.7	116.1	112.1	110.9	1.4303
Q4	9.9	19.4	55.3	462.4	-16.4	116.6	113.8	112.2	1.4779
2010 Q1	-16.9	3.5	-36.2	498.7	.	.	108.7	106.9	1.3829
Q2	.	.	.	.	.	.	103.1	101.7	1.2708
2010 Jan.	-13.0	-7.4	-3.8	468.8	.	.	110.8	108.9	1.4272
Feb.	-5.3	5.1	8.1	492.6	.	.	108.0	106.1	1.3686
Mar.	1.4	5.7	-40.5	498.7	.	.	107.4	105.7	1.3569
Apr.	-7.1	3.6	18.5	521.6	.	.	106.1	104.5	1.3406
May	.	.	.	569.7	.	.	102.8	101.4	1.2565
June	.	.	.	.	.	.	100.7	99.2	1.2209

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

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

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



MONETARY POLICY STATISTICS

1.1 Consolidated financial statement of the Eurosystem

(EUR millions)

1. Assets

	11 June 2010	18 June 2010	25 June 2010	2 July 2010
Gold and gold receivables	286,691	286,691	286,690	352,092
Claims on non-euro area residents in foreign currency	213,657	213,718	212,992	232,639
Claims on euro area residents in foreign currency	28,591	27,875	28,287	31,344
Claims on non-euro area residents in euro	17,033	16,451	16,276	16,883
Lending to euro area credit institutions in euro	829,523	844,913	870,354	680,576
Main refinancing operations	122,039	126,672	151,512	162,912
Longer-term refinancing operations	707,076	718,199	718,236	405,927
Fine-tuning reverse operations	0	0	0	111,237
Structural reverse operations	0	0	0	0
Marginal lending facility	367	11	565	484
Credits related to margin calls	41	32	42	16
Other claims on euro area credit institutions in euro	40,451	39,365	42,231	43,771
Securities of euro area residents in euro	406,461	410,377	414,448	416,735
Securities held for monetary policy purposes	103,733	109,603	115,097	120,062
Other securities	302,729	300,774	299,351	296,674
General government debt in euro	35,576	35,576	35,576	35,085
Other assets	249,141	249,774	247,391	240,685
Total assets	2,107,126	2,124,740	2,154,245	2,049,811

2. Liabilities

	11 June 2010	18 June 2010	25 June 2010	2 July 2010
Banknotes in circulation	809,744	808,925	809,750	816,470
Liabilities to euro area credit institutions in euro	562,610	574,912	580,559	424,032
Current accounts (covering the minimum reserve system)	137,814	295,683	245,063	160,380
Deposit facility	384,260	232,045	284,357	231,717
Fixed-term deposits	40,500	47,000	51,000	31,866
Fine-tuning reverse operations	0	0	0	0
Deposits related to margin calls	36	184	138	68
Other liabilities to euro area credit institutions in euro	723	1,044	1,038	818
Debt certificates issued	0	0	0	0
Liabilities to other euro area residents in euro	130,605	139,563	163,543	123,841
Liabilities to non-euro area residents in euro	41,146	41,794	41,429	41,882
Liabilities to euro area residents in foreign currency	1,092	1,051	957	926
Liabilities to non-euro area residents in foreign currency	15,434	14,698	14,648	15,481
Counterpart of special drawing rights allocated by the IMF	53,033	53,033	53,033	56,711
Other liabilities	165,611	162,591	162,161	162,640
Revaluation accounts	249,205	249,205	249,205	328,818
Capital and reserves	77,922	77,922	77,922	78,191
Total liabilities	2,107,126	2,124,740	2,154,245	2,049,811

Source: ECB.

1.2 Key ECB interest rates

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

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

Source: ECB.

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

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

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

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

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

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

(EUR millions; interest rates in percentages per annum)

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

Date of settlement	Bids (amount)	Number of participants	Allotment (amount)	Fixed rate tender procedures	Variable rate tender procedures			Running for (...) days
				Fixed rate	Minimum bid rate	Marginal rate [4)]	Weighted average rate	
	1	2	3	4	5	6	7	8
	Main refinancing operations							
2010 10 Mar.	78,402	71	78,402	1.00	-	-	-	7
17	79,032	79	79,032	1.00	-	-	-	7
24	81,062	81	81,062	1.00	-	-	-	7
31	78,266	73	78,266	1.00	-	-	-	7
7 Apr.	71,535	67	71,535	1.00	-	-	-	7
14	70,577	68	70,577	1.00	-	-	-	7
21	70,228	67	70,228	1.00	-	-	-	7
28	75,624	66	75,624	1.00	-	-	-	7
5 May	90,317	76	90,317	1.00	-	-	-	7
12	99,570	81	99,570	1.00	-	-	-	7
19	104,752	81	104,752	1.00	-	-	-	7
26	106,014	83	106,014	1.00	-	-	-	7
2 June	117,727	86	117,727	1.00	-	-	-	7
9	122,039	96	122,039	1.00	-	-	-	7
16	126,672	101	126,672	1.00	-	-	-	7
23	151,511	114	151,511	1.00	-	-	-	7
30	162,912	157	162,912	1.00	-	-	-	7
7 July	229,070	151	229,070	1.00	-	-	-	7
	Longer-term refinancing operations							
2010 10 Feb.	2,757	14	2,757	1.00	-	-	-	28
25	10,205	23	10,205	1.00	-	-	-	91
10 Mar.	9,315	11	9,315	1.00	-	-	-	35
1 Apr.	2,015	11	2,015	1.00	-	-	-	91
1 [5)]	17,876	62	17,876	.	-	-	-	182
14	15,730	12	15,730	1.00	-	-	-	28
29 [3)]	4,846	24	4,846	-	1.00	1.00	1.15	91
12 May	20,480	18	20,480	1.00	-	-	-	35
13 [5)]	35,668	56	35,668	.	-	-	-	182
27	12,163	35	12,163	1.00	-	-	-	91
16 June	31,603	23	31,603	1.00	-	-	-	28
1 July	131,933	171	131,933	1.00	-	-	-	91

2. Other tender operations

Date of settlement	Type of operation	Bids (amount)	Number of participants	Allotment (amount)	Fixed rate tender procedures	Variable rate tender procedures				Running for (...) days
					Fixed rate	Minimum bid rate	Maximum bid rate	Marginal rate [4)]	Weighted average rate	
	1	2	3	4	5	6	7	8	9	10
2010 19 Jan.	Collection of fixed-term deposits	259,013	188	258,907	-	-	1.00	0.80	0.75	1
9 Feb.	Collection of fixed-term deposits	270,783	187	270,566	-	-	1.00	0.80	0.76	1
9 Mar.	Collection of fixed-term deposits	295,461	193	294,486	-	-	1.00	0.80	0.76	1
13 Apr.	Collection of fixed-term deposits	292,470	186	292,295	-	-	1.00	0.80	0.76	1
11 May	Collection of fixed-term deposits	319,752	193	319,693	-	-	1.00	0.80	0.76	1
19	Collection of fixed-term deposits	162,744	223	16,500	-	-	1.00	0.29	0.28	7
26	Collection of fixed-term deposits	86,003	93	26,500	-	-	1.00	0.28	0.27	7
2 June	Collection of fixed-term deposits	73,576	68	35,000	-	-	1.00	0.28	0.28	7
9	Collection of fixed-term deposits	75,627	64	40,500	-	-	1.00	0.35	0.31	7
15	Collection of fixed-term deposits	363,775	174	363,475	-	-	1.00	0.80	0.77	1
16	Collection of fixed-term deposits	71,078	66	47,000	-	-	1.00	0.30	0.28	7
23	Collection of fixed-term deposits	71,560	67	51,000	-	-	1.00	0.40	0.31	7
30	Collection of fixed-term deposits	31,866	45	31,866	-	-	1.00	1.00	0.54	7
1 July	Reverse transaction	111,237	78	111,237	1.00	-	-	-	-	6
7	Collection of fixed-term deposits	87,431	88	59,000	-	-	1.00	0.75	0.56	7

Source: ECB.

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

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

3) On 8 June 2000 the ECB announced that, starting from the operation to be settled on 28 June 2000, the main refinancing operations of the Eurosystem would be conducted as variable rate tender procedures. The minimum bid rate refers to the minimum interest rate at which counterparties may place their bids. On 8 October 2008 the ECB announced that, starting from the operation to be settled on 15 October 2008, the weekly main refinancing operations would be carried out through a fixed rate tender procedure with full allotment at the interest rate on the main refinancing operations. On 4 March 2010 the ECB decided to return to variable rate tender procedures in the regular three-month longer-term refinancing operations, starting with the operation to be allotted on 28 April 2010 and settled on 29 April 2010.

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

5) In the final one-year longer-term refinancing operation, which was settled on 17 December 2009, as well as in the six-month longer-term refinancing operations settled on 1 April and 13 May 2010, the rate at which all bids were satisfied was indexed to the average minimum bid rate in the main refinancing operations over the life of the operation.

1.4 Minimum reserve and liquidity statistics

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

1. Reserve base of credit institutions subject to reserve requirements

Reserve base as at: [1]	Total	Liabilities to which a 2% reserve coefficient is applied		Liabilities to which a 0% reserve coefficient is applied		
		Overnight deposits and deposits with an agreed maturity or notice period of up to 2 years	Debt securities issued with a maturity of up to 2 years	Deposits with an agreed maturity or notice period of over 2 years	Repos	Debt securities issued with a maturity of over 2 years
	1	2	3	4	5	6
2008	18,169.6	10,056.8	848.7	2,376.9	1,243.5	3,643.7
2009	18,318.2	9,808.5	760.4	2,475.7	1,170.1	4,103.5
2009 Dec.	18,318.2	9,808.5	760.4	2,475.7	1,170.1	4,103.5
2010 Jan.	18,454.5	9,829.1	766.1	2,465.6	1,225.0	4,168.7
Feb.	18,516.2	9,828.1	759.3	2,479.5	1,282.5	4,166.8
Mar.	18,587.9	9,807.3	782.8	2,506.7	1,283.5	4,207.6
Apr.	18,861.5	9,912.0	764.4	2,584.6	1,345.7	4,254.8

2. Reserve maintenance

Maintenance period ending on:	Required reserves	Credit institutions' current accounts	Excess reserves	Deficiencies	Interest rate on minimum reserves
	1	2	3	4	5
2008	217.2	218.7	1.5	0.0	3.25
2009	210.2	211.4	1.2	0.0	1.00
2010 9 Feb.	209.5	210.9	1.4	0.0	1.00
9 Mar.	210.9	211.8	1.0	0.0	1.00
13 Apr.	211.4	212.5	1.2	0.0	1.00
11 May	211.2	212.4	1.2	0.0	1.00
15 June	211.3	212.5	1.3	0.0	1.00
13 July	213.0	.	.	.	.

3. Liquidity

Maintenance period ending on:	Liquidity-providing factors					Liquidity-absorbing factors					Credit institutions' current accounts	Base money
		Monetary policy operations of the Eurosystem										
	Eurosystem's net assets in gold and foreign currency	Main refinancing operations	Longer-term refinancing operations	Marginal lending facility	Other liquidity-providing operations [2]	Deposit facility	Other liquidity-absorbing operations [3]	Banknotes in circulation	Central government deposits with the Eurosystem	Other factors (net)		
	1	2	3	4	5	6	7	8	9	10	11	12
2008	580.5	337.3	457.2	2.7	0.0	200.9	4.9	731.1	107.8	114.3	218.7	1,150.7
2009	407.6	55.8	593.4	0.7	24.6	65.7	9.9	775.2	150.1	-130.2	211.4	1,052.3
2010 19 Jan.	413.0	60.6	648.4	0.4	28.4	147.0	8.1	796.8	119.8	-132.1	211.2	1,155.0
9 Feb.	425.6	59.7	662.2	0.2	33.5	168.3	13.3	783.6	122.6	-117.5	210.9	1,162.8
9 Mar.	426.9	80.5	641.1	0.9	38.0	186.4	10.5	784.6	113.2	-119.3	211.8	1,182.9
13 Apr.	439.8	77.7	650.5	0.4	43.6	200.7	8.4	792.9	113.6	-116.1	212.5	1,206.1
11 May	457.0	76.7	666.4	0.9	49.4	218.2	11.4	796.6	112.1	-100.3	212.4	1,227.2
15 June	462.4	110.0	706.7	0.3	86.9	288.8	34.1	806.2	123.1	-98.4	212.5	1,307.5

Source: ECB.

1) End of period.

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

3) Includes liquidity absorbed as a result of the Eurosystem's foreign exchange swap operations.

For more information, please see: http://www.ecb.europa.eu/mopo/liq/html/index.en.html

2 MONEY, BANKING AND INVESTMENT FUNDS

2.1 Aggregated balance sheet of euro area MFIs [1]

(EUR billions; outstanding amounts at end of period)

1. Assets

	Total	Loans to euro area residents				Holdings of securities other than shares issued by euro area residents				Money market fund shares/ units [2]	Holdings of shares/ other equity issued by euro area residents	External assets	Fixed assets	Remaining assets
		Total	General government	Other euro area residents	MFIs	Total	General government	Other euro area residents	MFIs					
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Eurosystem													
2007	2,046.2	1,029.6	19.9	0.6	1,009.1	300.7	257.2	1.9	41.6	-	17.4	431.1	8.9	258.4
2008	2,982.9	1,803.0	20.6	0.6	1,781.8	362.3	319.6	2.4	40.3	-	14.4	484.7	8.6	309.9
2009 Q4	2,829.9	1,475.6	19.5	0.7	1,455.4	451.7	368.3	3.6	79.8	-	16.5	557.7	8.5	320.0
2010 Q1	2,880.9	1,476.1	19.6	0.7	1,455.9	472.4	376.1	4.1	92.2	-	16.6	583.0	8.4	324.4
2010 Jan.	2,823.5	1,464.9	19.5	0.7	1,444.8	451.7	364.3	3.8	83.6	-	16.2	563.2	8.4	319.1
Feb.	2,867.1	1,479.4	19.5	0.7	1,459.3	465.4	373.7	3.9	87.9	-	16.1	585.8	8.4	312.0
Mar.	2,880.9	1,476.1	19.6	0.7	1,455.9	472.4	376.1	4.1	92.2	-	16.6	583.0	8.4	324.4
Apr.	2,946.5	1,511.9	19.0	0.7	1,492.3	478.9	377.6	4.5	96.8	-	16.4	609.9	8.4	321.0
May [p]	3,259.2	1,732.5	19.0	0.7	1,712.9	516.5	408.6	4.8	103.1	-	15.9	665.5	8.5	320.4
	MFIs excluding the Eurosystem													
2007	29,500.2	16,893.0	954.5	10,144.3	5,794.2	3,950.6	1,197.1	1,013.2	1,740.3	93.5	1,293.8	4,878.9	205.7	2,184.7
2008	31,842.1	18,052.6	968.4	10,772.1	6,312.0	4,630.0	1,245.9	1,406.8	1,977.4	98.7	1,196.1	4,754.3	211.4	2,898.9
2009 Q4	31,153.8	17,703.7	1,002.3	10,780.3	5,921.1	5,061.5	1,483.9	1,496.8	2,080.8	85.1	1,234.9	4,258.1	220.4	2,590.2
2010 Q1	31,566.8	17,742.3	1,033.0	10,795.4	5,913.9	5,128.0	1,551.6	1,482.1	2,094.2	77.7	1,227.6	4,421.9	218.0	2,751.3
2010 Jan.	31,408.1	17,723.1	1,013.9	10,770.2	5,939.0	5,077.0	1,496.5	1,493.2	2,087.4	86.9	1,250.2	4,383.5	219.7	2,667.6
Feb.	31,525.0	17,712.6	1,009.1	10,773.5	5,930.0	5,094.9	1,523.7	1,497.4	2,073.7	85.6	1,232.7	4,432.0	218.2	2,749.0
Mar.	31,566.8	17,742.3	1,033.0	10,795.4	5,913.9	5,128.0	1,551.6	1,482.1	2,094.2	77.7	1,227.6	4,421.9	218.0	2,751.3
Apr.	31,977.9	17,895.9	1,037.5	10,816.9	6,041.5	5,131.6	1,561.3	1,490.0	2,080.3	76.6	1,270.6	4,517.2	218.0	2,868.1
May [p]	32,707.6	18,178.6	1,050.4	10,859.5	6,268.7	5,103.6	1,563.3	1,474.8	2,065.5	74.7	1,254.6	4,663.4	218.7	3,214.0

2. Liabilities

	Total	Currency in circulation	Deposits of euro area residents				Money market fund shares/ units [3]	Debt securities issued [4]	Capital and reserves	External liabilities	Remaining liabilities
			Total	Central government	Other general government/ other euro area residents	MFIs					
	1	2	3	4	5	6	7	8	9	10	11
	Eurosystem										
2007	2,046.2	697.0	739.1	23.9	19.1	696.2	-	0.1	238.0	113.9	258.1
2008	2,982.9	784.7	1,240.7	68.8	16.6	1,155.2	-	0.1	273.8	377.8	305.9
2009 Q4	2,829.9	829.3	1,185.7	102.6	22.6	1,060.5	-	0.1	320.9	140.2	353.7
2010 Q1	2,880.9	819.9	1,222.8	101.2	22.0	1,099.6	-	0.1	353.0	135.4	349.6
2010 Jan.	2,823.5	806.2	1,204.1	116.3	23.5	1,064.2	-	0.1	328.4	133.5	351.3
Feb.	2,867.1	807.0	1,225.9	107.0	23.6	1,095.2	-	0.1	344.7	138.1	351.4
Mar.	2,880.9	819.9	1,222.8	101.2	22.0	1,099.6	-	0.1	353.0	135.4	349.6
Apr.	2,946.5	821.1	1,264.2	87.8	22.0	1,154.4	-	0.1	369.2	140.1	351.8
May [p]	3,259.2	828.4	1,511.6	128.8	23.3	1,359.5	-	0.1	407.0	155.3	356.9
	MFIs excluding the Eurosystem										
2007	29,500.2	-	15,141.9	126.9	8,927.5	6,087.5	754.1	4,630.9	1,683.6	4,538.6	2,751.1
2008	31,842.1	-	16,740.2	191.0	9,690.4	6,858.8	824.8	4,848.4	1,767.6	4,404.3	3,256.9
2009 Q4	31,153.8	-	16,465.8	144.2	10,034.6	6,287.1	732.3	4,919.1	1,921.0	4,099.8	3,015.8
2010 Q1	31,566.8	-	16,419.7	166.3	10,024.3	6,229.1	705.8	5,013.0	1,928.1	4,290.0	3,210.3
2010 Jan.	31,408.1	-	16,461.2	161.1	10,009.6	6,290.5	738.8	4,975.7	1,920.4	4,227.0	3,084.9
Feb.	31,525.0	-	16,460.3	166.5	10,012.0	6,281.8	729.4	4,961.0	1,916.9	4,285.4	3,172.0
Mar.	31,566.8	-	16,419.7	166.3	10,024.3	6,229.1	705.8	5,013.0	1,928.1	4,290.0	3,210.3
Apr.	31,977.9	-	16,591.5	159.7	10,111.5	6,320.2	710.6	5,018.7	1,931.7	4,409.4	3,316.1
May [p]	32,707.6	-	16,865.4	155.2	10,136.6	6,573.5	694.1	5,028.2	1,939.1	4,562.4	3,618.4

Source: ECB.

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

2.2 Consolidated balance sheet of euro area MFIs [1]

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

1. Assets

	Total	Loans to euro area residents			Holdings of securities other than shares issued by euro area residents			Holdings of shares/ other equity issued by other euro area residents	External assets	Fixed assets	Remaining assets
		Total	General government	Other euro area residents	Total	General government	Other euro area residents				
	1	2	3	4	5	6	7	8	9	10	11
	Outstanding amounts										
2007	22,380.4	11,119.4	974.4	10,144.9	2,469.4	1,454.3	1,015.1	882.2	5,310.0	214.6	2,384.7
2008	24,126.7	11,761.8	989.0	10,772.8	2,974.7	1,565.5	1,409.2	784.2	5,239.0	220.0	3,147.1
2009 Q4	23,862.6	11,802.7	1,021.7	10,781.0	3,352.5	1,852.2	1,500.3	811.8	4,815.8	228.9	2,851.0
2010 Q1	24,312.0	11,848.7	1,052.6	10,796.0	3,413.9	1,927.7	1,486.2	793.6	5,004.9	226.4	3,024.5
2010 Jan.	24,090.2	11,804.2	1,033.3	10,770.9	3,357.7	1,860.7	1,497.0	815.6	4,946.7	228.1	2,937.7
Feb.	24,260.7	11,802.7	1,028.5	10,774.2	3,398.7	1,897.4	1,501.2	801.4	5,017.8	226.6	3,013.6
Mar.	24,312.0	11,848.7	1,052.6	10,796.0	3,413.9	1,927.7	1,486.2	793.6	5,004.9	226.4	3,024.5
Apr.	24,626.9	11,874.0	1,056.5	10,817.6	3,433.4	1,938.9	1,494.5	825.3	5,127.1	226.4	3,140.7
May [p]	25,223.0	11,929.5	1,069.3	10,860.2	3,451.5	1,971.9	1,479.6	800.9	5,328.9	227.1	3,485.0
	Transactions										
2007	2,621.2	1,014.4	-10.0	1,024.4	289.0	-38.3	327.3	55.5	832.9	-1.2	431.1
2008	1,711.0	599.0	12.8	586.2	499.4	90.1	409.2	-56.0	-56.3	-3.0	728.9
2009 Q4	-124.1	-3.2	10.2	-13.4	-5.7	-11.4	5.7	9.2	-34.7	3.9	-93.5
2010 Q1	272.7	29.3	30.4	-1.1	52.2	71.7	-19.5	-13.0	53.9	-2.6	152.8
2010 Jan.	126.4	-18.1	11.3	-29.5	2.0	8.6	-6.6	4.9	62.5	-0.7	75.8
Feb.	118.5	-1.7	-4.9	3.3	34.4	31.9	2.5	-12.1	16.7	-1.8	83.0
Mar.	27.7	49.1	24.0	25.1	15.9	31.2	-15.3	-5.9	-25.3	0.0	-6.0
Apr.	271.9	31.4	3.6	27.8	20.6	13.0	7.6	34.9	69.7	0.0	115.3
May [p]	393.2	36.0	12.4	23.6	15.8	31.6	-15.7	-18.9	12.9	0.7	346.6

2. Liabilities

	Total	Currency in circulation	Deposits of central government	Deposits of other general government/ other euro area residents	Money market fund shares/ units [2]	Debt securities issued [3]	Capital and reserves	External liabilities	Remaining liabilities	Excess of inter-MFI liabilities over inter-MFI assets
	1	2	3	4	5	6	7	8	9	10
	Outstanding amounts									
2007	22,380.4	638.6	150.8	8,946.6	660.4	2,849.1	1,492.7	4,652.5	3,009.2	-19.7
2008	24,126.7	722.9	259.8	9,707.1	725.7	2,830.7	1,615.2	4,782.1	3,562.7	-79.9
2009 Q4	23,862.6	770.1	246.8	10,057.2	646.9	2,758.5	1,802.3	4,240.0	3,369.6	-29.0
2010 Q1	24,312.0	768.7	267.4	10,046.3	628.1	2,826.6	1,830.6	4,425.4	3,559.9	-41.0
2010 Jan.	24,090.2	757.2	277.4	10,033.2	651.9	2,804.8	1,798.1	4,360.4	3,436.2	-29.1
Feb.	24,260.7	759.7	273.5	10,035.6	643.7	2,799.4	1,814.1	4,423.5	3,523.4	-12.2
Mar.	24,312.0	768.7	267.4	10,046.3	628.1	2,826.6	1,830.6	4,425.4	3,559.9	-41.0
Apr.	24,626.9	772.7	247.5	10,133.5	633.7	2,841.7	1,839.2	4,549.5	3,667.9	-59.1
May [p]	25,223.0	779.1	284.0	10,159.9	619.2	2,859.7	1,876.4	4,717.7	3,975.3	-48.5
	Transactions									
2007	2,621.2	45.8	-13.4	887.5	54.5	269.3	143.4	857.8	446.6	-70.4
2008	1,711.0	83.3	106.1	700.3	29.4	-32.0	139.0	93.1	616.2	-24.6
2009 Q4	-124.1	29.4	-48.6	103.1	-46.1	-22.8	52.8	-87.6	-139.1	34.8
2010 Q1	272.7	-1.3	20.7	-33.0	-20.1	42.5	-0.7	76.3	194.0	-5.7
2010 Jan.	126.4	-12.8	30.7	-32.3	4.7	30.3	-8.8	56.3	72.6	-14.2
Feb.	118.5	2.4	-3.9	-10.6	-8.2	-13.3	-1.0	28.9	101.7	22.5
Mar.	27.7	9.0	-6.1	9.8	-16.6	25.5	9.2	-8.8	19.7	-14.0
Apr.	271.9	4.0	-20.0	83.0	1.6	8.2	-3.4	94.8	116.1	-12.7
May [p]	393.2	6.4	36.4	6.5	-14.6	-21.4	15.1	16.7	333.4	14.6

Source: ECB.

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

2) Amounts held by euro area residents.

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

2.3 Monetary statistics [1]

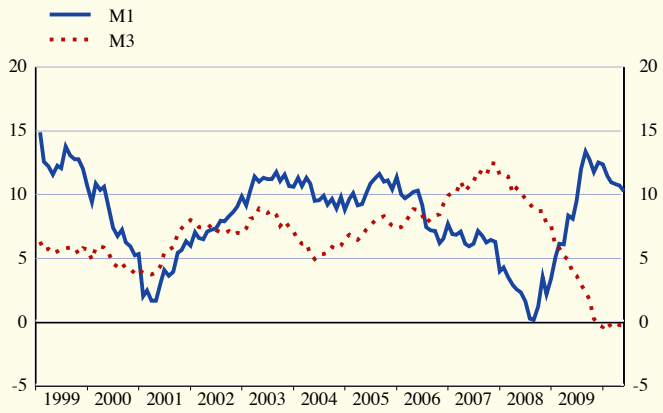
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period; transactions during period)

1. Monetary aggregates [2] and counterparts

	M3					M3 3-month moving average (centred)	Longer-term financial liabilities	Credit to general government	Credit to other euro area residents			Net external assets [3]
	M2			M3-M2						Loans	Memo item: Loans adjusted for sales and securitisation [4]	
	M1	M2-M1										
	1	2	3	4	5	6	7	8	9	10	11	12
	Outstanding amounts											
2007	3,831.9	3,508.3	7,340.2	1,302.6	8,642.8	-	6,019.1	2,449.9	12,053.7	10,153.6	-	638.7
2008	3,980.2	4,033.1	8,013.3	1,372.0	9,385.4	-	6,285.9	2,576.2	12,965.8	10,777.2	-	437.2
2009 Q4	4,492.2	3,688.4	8,180.6	1,146.3	9,327.0	-	6,757.7	2,899.9	13,083.3	10,779.2	-	555.7
2010 Q1	4,567.8	3,652.6	8,220.4	1,103.0	9,323.5	-	6,895.6	2,979.4	13,090.5	10,801.2	-	591.1
2010 Feb.	4,561.1	3,659.6	8,220.7	1,091.1	9,311.8	-	6,872.5	2,929.6	13,118.3	10,795.6	-	572.7
Mar.	4,567.8	3,652.6	8,220.4	1,103.0	9,323.5	-	6,895.6	2,979.4	13,090.5	10,801.2	-	591.1
Apr.	4,649.8	3,613.8	8,263.6	1,121.3	9,384.8	-	6,947.4	2,983.4	13,096.7	10,819.5	-	604.9
May [p]	4,645.1	3,628.5	8,273.6	1,091.5	9,365.2	-	7,003.7	3,034.2	13,102.1	10,857.5	-	653.1
	Transactions											
2007	148.3	528.6	676.9	220.2	897.1	-	507.7	-51.0	1,403.5	1,024.8	1,115.4	-26.0
2008	130.2	484.0	614.1	47.8	661.9	-	253.1	103.1	927.9	581.9	737.8	-150.3
2009 Q4	89.6	-102.4	-12.8	-24.9	-37.7	-	52.5	17.1	-19.8	-4.5	-6.0	27.8
2010 Q1	71.7	-46.3	25.3	-43.5	-18.2	-	74.4	75.2	-9.3	5.8	-3.4	9.3
2010 Feb.	21.2	-11.7	9.5	-8.6	0.9	-	3.4	27.3	19.5	21.6	18.6	-17.6
Mar.	6.7	-7.5	-0.8	11.3	10.5	-	13.5	50.6	-23.0	8.8	6.8	16.7
Apr.	80.8	-41.1	39.8	14.3	54.1	-	31.9	5.6	14.9	24.6	26.9	-9.4
May [p]	-11.8	8.0	-3.7	-29.9	-33.7	-	-11.2	48.8	-9.1	19.0	20.9	10.8
	Growth rates											
2007	4.0	17.8	10.2	20.1	11.6	11.9	9.3	-2.2	13.2	11.2	12.1	-26.0
2008	3.4	13.7	8.3	3.6	7.6	7.1	4.2	4.2	7.7	5.7	7.1	-150.3
2009 Q4	12.4	-9.1	1.6	-11.6	-0.3	-0.2	6.6	11.9	0.6	-0.2	0.2	122.9
2010 Q1	10.8	-8.0	1.6	-10.9	-0.1	-0.2	5.8	9.8	0.1	-0.2	-0.1	155.8
2010 Feb.	11.0	-8.1	1.6	-12.6	-0.4	-0.2	5.6	9.2	0.2	-0.4	-0.2	139.2
Mar.	10.8	-8.0	1.6	-10.9	-0.1	-0.2	5.8	9.8	0.1	-0.2	-0.1	155.8
Apr.	10.7	-8.6	1.3	-9.9	-0.2	-0.2	5.8	8.7	0.4	0.1	0.1	88.1
May [p]	10.3	-8.0	1.4	-10.7	-0.2	.	4.8	9.8	0.1	0.2	0.2	67.9

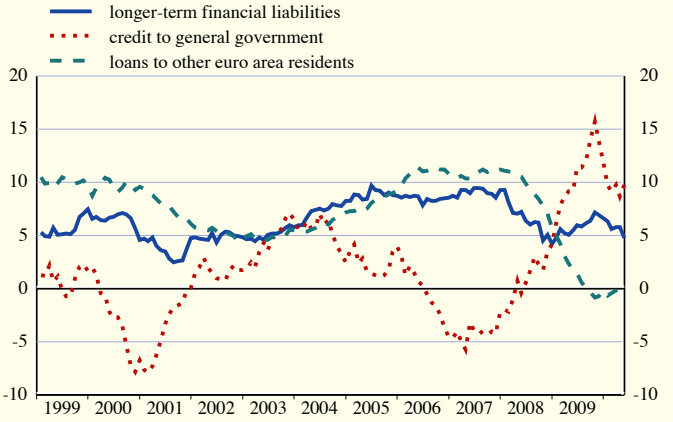
C1 Monetary aggregates [1]

(annual growth rates; seasonally adjusted)



C2 Counterparts [1]

(annual growth rates; seasonally adjusted)



Source: ECB.

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

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

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

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

2.3 Monetary statistics [1]

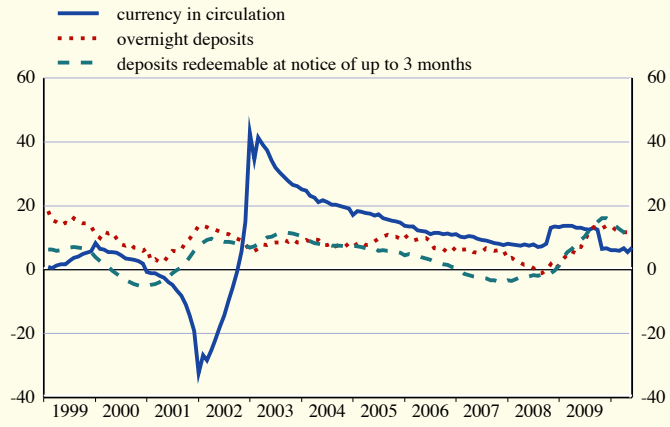
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period; transactions during period)

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

	Currency in circulation	Overnight deposits	Deposits with an agreed maturity of up to 2 years	Deposits redeemable at notice of up to 3 months	Repos	Money market fund shares/units	Debt securities with a maturity of up to 2 years	Debt securities with a maturity of over 2 years	Deposits redeemable at notice of over 3 months	Deposits with an agreed maturity of over 2 years	Capital and reserves
	1	2	3	4	5	6	7	8	9	10	11
	Outstanding amounts										
2007	625.9	3,206.0	1,966.8	1,541.5	304.6	685.8	312.2	2,548.1	119.6	1,867.6	1,483.7
2008	710.6	3,269.7	2,464.5	1,568.6	350.3	754.9	266.9	2,576.0	121.6	1,984.4	1,603.9
2009 Q4	755.3	3,736.9	1,883.0	1,805.4	340.3	673.5	132.6	2,638.4	131.9	2,198.3	1,789.1
2010 Q1	775.5	3,792.4	1,816.8	1,835.8	343.0	625.3	134.8	2,693.5	132.2	2,241.1	1,828.8
2010 Feb.	764.8	3,796.3	1,830.1	1,829.5	323.6	641.7	125.8	2,681.0	131.2	2,245.2	1,815.0
Mar.	775.5	3,792.4	1,816.8	1,835.8	343.0	625.3	134.8	2,693.5	132.2	2,241.1	1,828.8
Apr.	769.2	3,880.6	1,773.1	1,840.6	359.2	624.2	137.9	2,708.3	131.2	2,260.5	1,847.4
May [p]	780.4	3,864.8	1,783.6	1,844.9	358.3	605.6	127.7	2,726.4	129.0	2,253.9	1,894.3
	Transactions										
2007	46.7	101.6	580.6	-52.0	41.0	58.5	120.6	149.3	9.8	207.3	141.3
2008	83.6	46.5	463.4	20.5	47.0	32.6	-31.9	1.2	0.7	114.6	136.7
2009 Q4	8.8	80.9	-147.6	45.2	12.4	-23.6	-13.7	4.4	-1.1	4.9	44.3
2010 Q1	20.2	51.5	-75.7	29.4	2.5	-49.4	3.4	28.0	0.3	35.4	10.7
2010 Feb.	4.0	17.3	-20.6	8.9	14.9	-16.8	-6.7	-15.7	-0.5	14.4	5.2
Mar.	10.7	-4.0	-13.8	6.3	19.4	-17.4	9.3	10.5	1.0	-4.5	6.4
Apr.	-6.2	87.1	-45.7	4.6	16.2	-5.1	3.2	7.7	0.3	17.4	6.6
May [p]	11.2	-22.9	4.2	3.9	-1.1	-18.6	-10.2	-21.2	-1.1	-13.5	24.6
	Growth rates										
2007	8.1	3.3	41.2	-3.3	15.5	9.2	62.1	6.3	9.6	12.4	10.8
2008	13.3	1.4	23.3	1.3	15.3	4.7	-10.6	0.1	0.5	6.1	9.3
2009 Q4	6.1	13.8	-24.4	15.1	-2.8	-1.8	-50.1	3.0	7.2	9.6	8.6
2010 Q1	6.8	11.7	-22.0	11.8	1.3	-11.8	-29.4	3.2	5.5	7.0	8.2
2010 Feb.	6.0	12.0	-22.5	12.7	-1.2	-9.4	-41.0	2.7	5.9	8.1	7.2
Mar.	6.8	11.7	-22.0	11.8	1.3	-11.8	-29.4	3.2	5.5	7.0	8.2
Apr.	5.5	11.8	-22.7	10.6	7.3	-11.8	-31.6	3.6	4.8	7.0	7.6
May [p]	6.8	11.0	-21.2	9.6	9.8	-13.9	-33.8	2.3	2.3	5.6	7.8

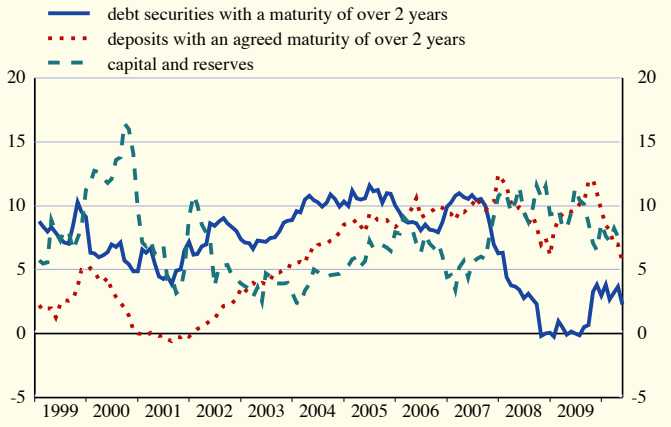
C3 Components of monetary aggregates [1]

(annual growth rates; seasonally adjusted)



C4 Components of longer-term financial liabilities [1]

(annual growth rates; seasonally adjusted)



Source: ECB.

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

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

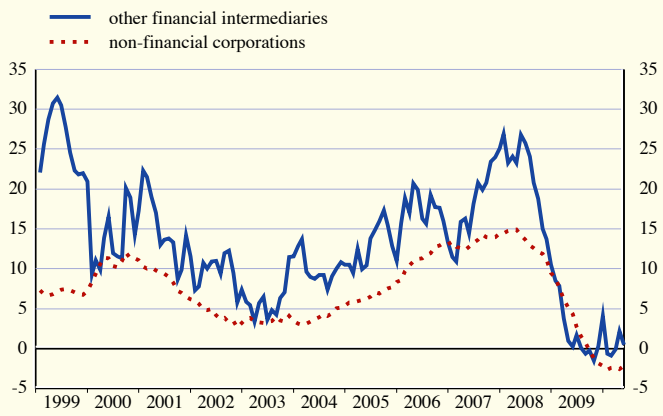
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period; transactions during period)

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

	Insurance corporations and pension funds	Other financial intermediaries [3)]	Non-financial corporations				Households [4)]			
	Total	Total	Total	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Total	Consumer credit	Loans for house purchase	Other loans
	1	2	3	4	5	6	7	8	9	10
	Outstanding amounts									
2007	107.5	876.6	4,384.6	1,282.9	859.8	2,241.9	4,784.9	616.7	3,421.0	747.3
2008	104.9	973.0	4,822.5	1,381.6	961.1	2,479.8	4,876.8	631.0	3,482.3	763.5
2009 Q4	90.0	1,059.9	4,685.9	1,185.8	936.9	2,563.2	4,943.4	630.3	3,542.4	770.6
2010 Q1	87.4	1,048.6	4,683.9	1,173.3	923.0	2,587.6	4,981.2	622.0	3,580.4	778.8
2010 Feb.	91.3	1,042.4	4,694.8	1,183.9	931.2	2,579.7	4,967.1	624.8	3,565.5	776.9
Mar.	87.4	1,048.6	4,683.9	1,173.3	923.0	2,587.6	4,981.2	622.0	3,580.4	778.8
Apr.	90.5	1,069.6	4,663.1	1,156.4	918.4	2,588.3	4,996.3	623.4	3,593.1	779.8
May [p)]	90.2	1,071.8	4,688.3	1,168.1	917.1	2,603.1	5,007.3	623.0	3,604.0	780.3
	Transactions									
2007	16.7	175.2	554.9	145.6	155.7	253.6	278.0	31.4	226.5	20.0
2008	-3.7	87.2	418.7	86.8	119.8	212.0	79.8	10.4	52.3	17.1
2009 Q4	-3.4	10.3	-46.4	-45.4	-15.1	14.0	35.1	0.6	30.2	4.3
2010 Q1	-2.7	-32.4	1.7	-3.0	-10.9	15.6	39.2	-4.4	35.8	7.8
2010 Feb.	3.7	-6.6	12.8	-2.2	1.9	13.0	11.7	-1.7	10.4	3.0
Mar.	-3.9	3.6	-6.0	-0.1	-6.3	0.5	15.0	-0.9	13.9	1.9
Apr.	3.0	19.5	-14.2	-16.9	-1.1	3.8	16.3	0.1	12.7	3.5
May [p)]	-0.5	-7.4	18.3	10.3	-2.4	10.4	8.6	-1.2	8.8	1.0
	Growth rates									
2007	18.2	24.7	14.5	12.8	22.0	12.8	6.2	5.4	7.1	2.7
2008	-3.5	10.0	9.5	6.7	13.9	9.4	1.7	1.7	1.5	2.3
2009 Q4	-13.0	3.6	-2.2	-13.1	-1.9	3.8	1.3	-0.1	1.5	1.6
2010 Q1	-11.3	0.1	-2.4	-10.6	-4.4	2.8	2.1	-1.0	2.6	2.8
2010 Feb.	-5.4	-0.6	-2.4	-12.0	-3.5	3.2	1.8	-0.8	2.1	2.7
Mar.	-11.3	0.1	-2.4	-10.6	-4.4	2.8	2.1	-1.0	2.6	2.8
Apr.	-7.4	2.3	-2.6	-10.9	-5.0	2.7	2.5	-0.4	2.9	3.1
May [p)]	-7.8	0.5	-2.1	-9.8	-5.1	2.9	2.6	-0.4	3.1	2.9

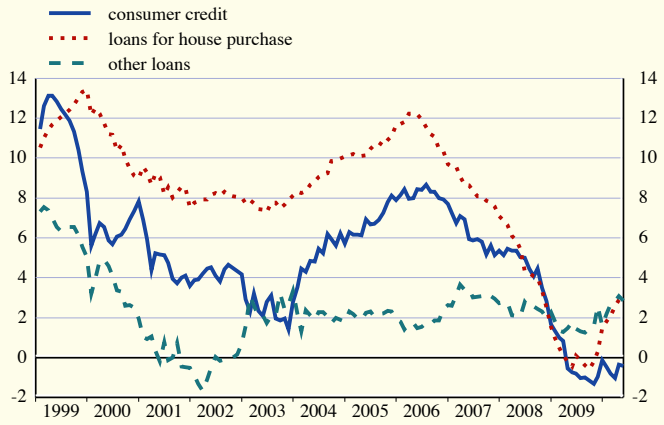
C5 Loans to other financial intermediaries and non-financial corporations [2)]

(annual growth rates; not seasonally adjusted)



C6 Loans to households [2)]

(annual growth rates; not seasonally adjusted)



Source: ECB.

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

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

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

2. Loans to financial intermediaries and non-financial corporations

	Insurance corporations and pension funds				Other financial intermediaries [3)]				Non-financial corporations			
	Total	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9	10	11	12
	Outstanding amounts											
2008	93.7	69.3	6.2	18.2	962.5	555.4	169.0	238.1	4,828.2	1,377.4	961.3	2,489.5
2009 Q4	80.3	57.4	7.0	15.9	1,052.9	593.4	186.2	273.3	4,692.3	1,181.7	937.3	2,573.3
2010 Q1	87.1	65.4	5.8	15.9	1,056.2	594.5	184.8	276.9	4,680.5	1,170.0	924.2	2,586.2
2010 Mar.	87.1	65.4	5.8	15.9	1,056.2	594.5	184.8	276.9	4,680.5	1,170.0	924.2	2,586.2
Apr.	92.1	70.2	5.9	16.0	1,077.4	613.6	185.9	277.8	4,667.1	1,160.0	919.9	2,587.2
May [p]	93.8	71.6	5.7	16.6	1,084.4	617.6	186.3	280.4	4,687.1	1,164.8	919.0	2,603.2
	Transactions											
2008	-3.4	-3.1	-1.3	1.0	90.2	27.7	20.1	42.4	419.2	86.1	120.0	213.1
2009 Q4	-14.0	-14.2	-0.8	1.0	-9.9	-5.5	-5.2	0.8	-29.5	-46.1	-12.5	29.0
2010 Q1	6.6	7.9	-1.3	0.0	-17.8	-14.9	-5.9	3.0	-8.2	-2.2	-10.1	4.1
2010 Mar.	-1.2	-1.1	0.0	-0.1	17.7	19.2	-1.8	0.2	-4.6	0.4	-3.7	-1.2
Apr.	5.1	4.9	0.1	0.1	19.6	18.3	0.7	0.6	-6.6	-10.0	-0.7	4.1
May [p]	1.4	1.2	-0.3	0.5	-2.6	-2.4	-1.0	0.8	13.0	3.4	-2.0	11.6
	Growth rates											
2008	-3.5	-4.3	-17.8	6.1	10.5	5.5	13.5	22.0	9.5	6.7	13.9	9.4
2009 Q4	-13.1	-17.1	14.2	-4.8	4.1	4.3	4.4	3.1	-2.2	-13.1	-1.9	3.8
2010 Q1	-11.2	-12.5	-13.4	-3.2	-0.1	-0.7	-5.6	5.3	-2.3	-10.6	-4.4	2.8
2010 Mar.	-11.2	-12.5	-13.4	-3.2	-0.1	-0.7	-5.6	5.3	-2.3	-10.6	-4.4	2.8
Apr.	-7.5	-8.1	-4.6	-4.7	2.2	3.6	-5.4	4.2	-2.6	-10.9	-5.0	2.7
May [p]	-7.9	-8.7	-9.5	-2.4	0.5	0.5	-5.8	5.0	-2.1	-9.8	-5.1	2.9

3. Loans to households [4)]

	Total	Consumer credit				Loans for house purchase				Other loans			
		Total	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9	10	11	12	13
	Outstanding amounts												
2008	4,887.8	633.0	138.8	196.2	298.0	3,490.4	17.2	67.5	3,405.7	764.4	155.0	90.4	519.0
2009 Q4	4,954.8	632.3	135.6	195.0	301.8	3,550.8	14.8	60.9	3,475.1	771.6	146.2	87.3	538.1
2010 Q1	4,971.6	619.8	130.5	191.1	298.2	3,574.8	14.8	60.7	3,499.3	777.1	147.0	85.5	544.6
2010 Mar.	4,971.6	619.8	130.5	191.1	298.2	3,574.8	14.8	60.7	3,499.3	777.1	147.0	85.5	544.6
Apr.	4,980.2	621.0	130.1	191.4	299.5	3,582.2	14.8	60.6	3,506.9	776.9	145.7	83.9	547.3
May [p]	4,994.3	620.8	131.2	190.0	299.6	3,595.3	14.9	60.4	3,520.0	778.2	144.8	83.9	549.4
	Transactions												
2008	80.2	10.4	1.0	-9.1	18.6	52.6	1.1	-3.8	55.3	17.1	2.5	-5.4	20.0
2009 Q4	40.0	0.7	3.0	-1.0	-1.3	34.5	-0.4	-1.6	36.5	4.8	-2.4	0.0	7.2
2010 Q1	18.2	-8.7	-3.5	-2.6	-2.6	21.7	0.0	0.1	21.7	5.2	0.3	-1.0	6.0
2010 Mar.	13.2	1.9	1.0	0.7	0.2	9.3	0.1	0.2	9.0	2.0	0.1	-0.1	2.0
Apr.	9.8	0.0	-0.4	-0.5	0.9	7.5	0.0	-0.1	7.6	2.3	-1.2	-0.5	3.9
May [p]	11.7	-1.0	0.3	-1.5	0.1	10.9	0.2	-0.3	11.0	1.8	-0.3	0.0	2.0
	Growth rates												
2008	1.7	1.7	0.7	-4.4	6.7	1.5	7.0	-5.2	1.7	2.3	1.7	-5.2	4.0
2009 Q4	1.3	-0.1	-0.9	-2.1	1.6	1.5	-15.3	-12.0	1.8	1.6	-5.1	-1.9	4.2
2010 Q1	2.1	-1.0	-1.7	-2.4	0.1	2.6	-10.4	-7.4	2.8	2.8	-2.2	-1.5	5.0
2010 Mar.	2.1	-1.0	-1.7	-2.4	0.1	2.6	-10.4	-7.4	2.8	2.8	-2.2	-1.5	5.0
Apr.	2.5	-0.4	-0.7	-1.8	0.8	2.9	-7.7	-7.4	3.1	3.1	-1.3	-2.4	5.2
May [p]	2.6	-0.4	0.3	-2.4	0.5	3.1	-6.7	-7.7	3.3	2.9	-1.0	-2.4	4.8

Source: ECB.

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

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

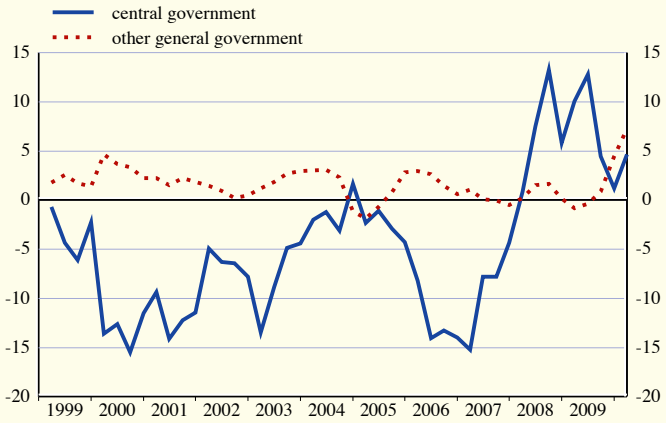
(EUR billions and annual growth rates; not seasonally adjusted; outstanding amounts and growth rates at end of period; transactions during period)

4. Loans to government and non-euro area residents

	General government					Non-euro area residents				
	Total	Central government	Other general government			Total	Banks [3)]	Non-banks		
			State government	Local government	Social security funds			Total	General government	Other
	1	2	3	4	5	6	7	8	9	10
	Outstanding amounts									
2008	968.4	227.1	210.1	509.0	22.2	3,247.8	2,282.0	965.8	57.8	908.1
2009	1,002.3	229.9	211.0	527.7	33.8	2,826.3	1,917.4	908.9	46.3	862.6
2009 Q2	999.0	249.4	206.5	514.5	28.6	2,949.2	1,999.9	949.3	57.1	892.2
Q3	994.7	235.9	209.7	518.3	30.7	2,808.1	1,894.1	914.0	47.7	866.2
Q4	1,002.3	229.9	211.0	527.7	33.8	2,826.3	1,917.4	908.9	46.3	862.6
2010 Q1 [(p)]	1,033.0	244.0	210.5	543.6	34.9	2,956.1	1,986.9	969.1	47.5	921.6
	Transactions									
2008	13.7	12.4	-8.1	16.5	-7.2	-59.3	-85.8	26.4	0.3	26.1
2009	36.0	2.8	0.9	20.8	11.5	-385.5	-346.8	-39.3	-1.5	-37.8
2009 Q2	28.0	16.9	0.9	2.6	7.6	-72.3	-78.9	6.9	-1.1	8.1
Q3	-4.2	-13.4	3.2	3.9	2.1	-75.1	-70.0	-5.1	0.8	-5.9
Q4	10.2	-6.2	1.3	12.0	3.1	-4.0	10.6	-15.4	-1.4	-14.0
2010 Q1 [(p)]	30.3	13.6	-0.4	16.0	1.2	55.8	23.5	32.1	0.0	32.1
	Growth rates									
2008	1.4	5.8	-3.7	3.3	-24.5	-1.8	-3.6	2.8	0.5	3.0
2009	3.7	1.2	0.5	4.1	52.0	-11.8	-15.1	-4.1	-3.1	-4.2
2009 Q2	2.6	12.8	-4.1	3.9	-31.9	-13.8	-16.5	-7.5	-7.8	-7.5
Q3	1.7	4.5	-0.2	4.4	-32.3	-18.2	-21.9	-9.4	-1.3	-9.9
Q4	3.7	1.2	0.5	4.1	52.0	-11.8	-15.1	-4.1	-3.1	-4.2
2010 Q1 [(p)]	6.6	4.7	2.4	6.8	66.2	-3.1	-5.5	2.0	-3.5	2.3

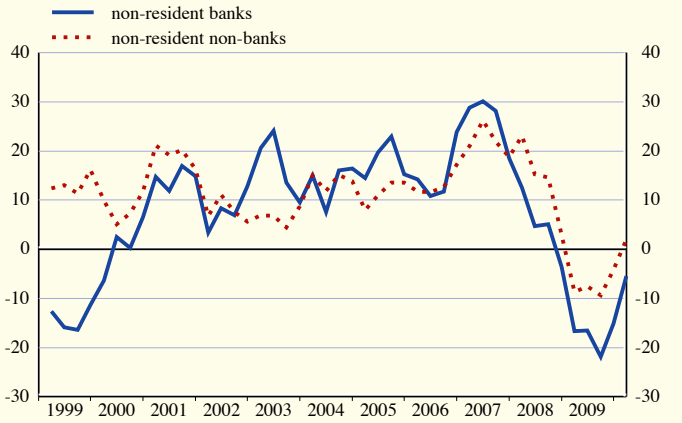
C7 Loans to government [2)]

(annual growth rates; not seasonally adjusted)



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

(annual growth rates; not seasonally adjusted)



Source: ECB.

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

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

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

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

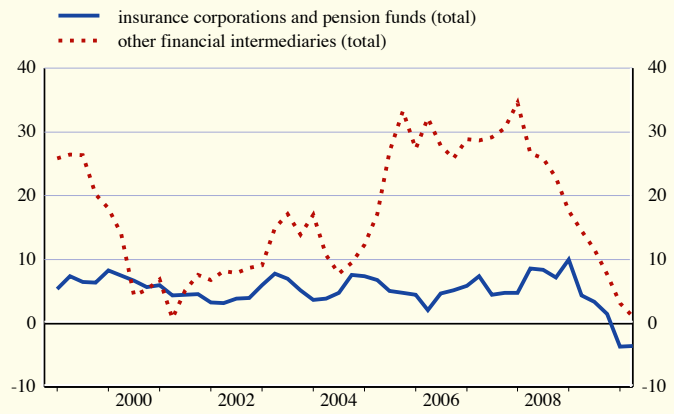
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period; transactions during period)

1. Deposits by financial intermediaries

	Insurance corporations and pension funds							Other financial intermediaries [3)]						
	Total	Overnight	With an agreed maturity of:		Redeemable at notice of:		Repos	Total	Overnight	With an agreed maturity of:		Redeemable at notice of:		Repos
			Up to 2 years	Over 2 years	Up to 3 months	Over 3 months				Up to 2 years	Over 2 years	Up to 3 months	Over 3 months	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Outstanding amounts													
2007	689.5	70.8	69.6	526.4	0.8	1.1	20.8	1,525.0	311.8	345.5	708.1	12.2	0.3	147.1
2008	761.9	84.4	114.3	537.5	1.1	1.5	23.1	1,803.1	320.3	420.6	852.9	12.3	0.1	197.0
2009 Q4	738.3	84.2	87.0	543.3	2.2	1.4	20.2	1,873.1	313.4	335.3	957.6	15.9	0.0	250.9
2010 Q1	735.8	87.1	84.9	539.7	2.5	1.4	20.2	1,886.8	329.1	311.9	956.7	17.1	0.1	272.0
2010 Feb.	736.4	90.3	85.6	539.5	2.3	1.4	17.3	1,897.4	334.4	327.4	962.9	17.0	0.2	255.5
Mar.	735.8	87.1	84.9	539.7	2.5	1.4	20.2	1,886.8	329.1	311.9	956.7	17.1	0.1	272.0
Apr.	736.1	88.4	84.9	540.6	2.5	1.4	18.3	1,949.0	367.2	301.9	965.9	18.3	0.2	295.4
May [p)]	732.3	91.3	87.2	536.4	2.4	0.3	14.8	1,952.2	368.6	299.4	966.7	12.4	0.2	304.9
	Transactions													
2007	31.3	0.8	10.4	24.7	-0.3	-0.3	-4.1	394.9	33.9	98.7	236.3	1.7	0.1	24.1
2008	69.4	12.4	42.8	12.3	-0.3	0.1	2.2	268.9	4.5	71.8	142.3	-0.3	-0.3	51.0
2009 Q4	-4.6	0.6	0.8	-7.3	0.3	0.0	1.1	-17.1	-1.9	-4.3	-9.8	1.4	-0.1	-2.4
2010 Q1	-3.8	2.7	-3.1	-3.7	0.3	0.0	0.0	-3.0	13.4	-30.2	-8.3	1.1	0.1	20.9
2010 Feb.	-7.2	-3.8	2.4	-0.7	0.0	0.0	-5.0	9.2	-8.8	-0.9	-2.9	-0.1	0.1	21.8
Mar.	-1.4	-3.2	-1.5	0.2	0.2	0.0	3.0	-12.0	-5.7	-16.2	-6.6	0.0	0.0	16.5
Apr.	0.2	1.3	-0.1	-0.2	0.0	1.1	-1.9	58.8	37.3	-11.6	8.4	1.2	0.0	23.4
May [p)]	-5.8	2.5	2.0	-6.7	-0.1	0.0	-3.5	-5.2	-1.1	-4.1	-3.4	-6.0	0.1	9.2
	Growth rates													
2007	4.8	1.1	17.5	4.9	-25.3	-	-16.4	34.5	12.0	39.7	49.5	16.4	-	19.1
2008	10.0	17.3	60.0	2.3	-23.4	-	10.5	17.6	1.4	20.9	20.0	-2.5	-	34.6
2009 Q4	-3.6	-1.1	-26.5	1.0	96.8	-	-12.3	3.1	2.0	-22.0	10.0	30.0	-	27.4
2010 Q1	-3.5	-4.7	-16.4	-1.1	53.8	-	-5.6	1.1	2.7	-15.2	3.0	18.1	-	15.9
2010 Feb.	-3.2	-3.1	-14.6	-0.8	64.7	-	-18.9	3.1	2.1	-13.0	5.7	21.7	-	20.6
Mar.	-3.5	-4.7	-16.4	-1.1	53.8	-	-5.6	1.1	2.7	-15.2	3.0	18.1	-	15.9
Apr.	-3.6	-2.1	-15.4	-1.8	42.2	-	-12.1	2.8	11.3	-20.0	3.1	21.6	-	24.1
May [p)]	-3.5	8.4	-12.7	-3.2	28.7	-	-24.9	2.5	16.5	-20.1	0.8	-17.1	-	27.3

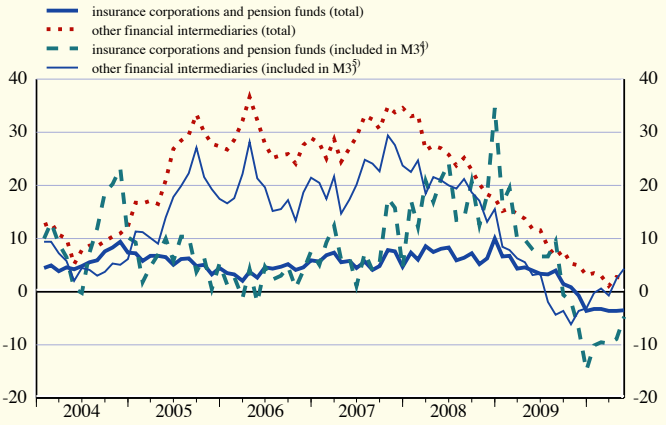
C9 Total deposits by sector [2)]

(annual growth rates)



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

(annual growth rates)



Source: ECB.

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

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

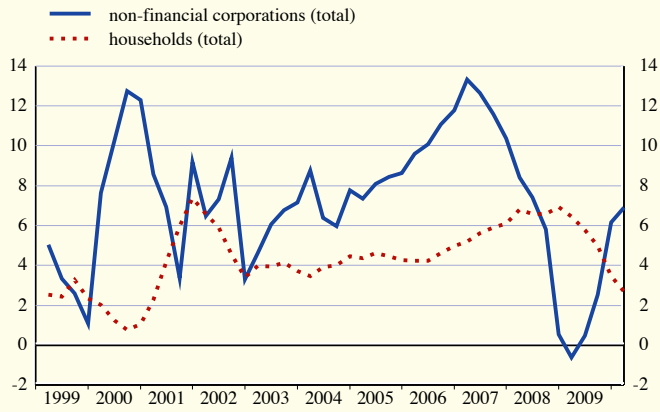
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period; transactions during period)

2. Deposits by non-financial corporations and households

	Non-financial corporations							Households [3)]						
	Total	Overnight	With an agreed maturity of:		Redeemable at notice of:		Repos	Total	Overnight	With an agreed maturity of:		Redeemable at notice of:		Repos
			Up to 2 years	Over 2 years	Up to 3 months	Over 3 months				Up to 2 years	Over 2 years	Up to 3 months	Over 3 months	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Outstanding amounts													
2007	1,477.2	884.0	479.4	59.5	29.3	1.4	23.7	4,989.0	1,777.4	993.3	561.5	1,458.6	111.1	87.1
2008	1,502.8	883.4	502.2	64.4	27.9	1.3	23.7	5,368.6	1,813.3	1,350.0	517.9	1,490.2	113.6	83.7
2009 Q4	1,603.3	1,001.2	434.7	80.7	68.7	1.7	16.3	5,590.9	2,155.6	988.5	605.6	1,680.2	123.7	37.3
2010 Q1	1,576.5	982.4	423.8	82.9	72.9	1.8	12.6	5,593.7	2,157.8	925.0	631.6	1,721.5	121.7	36.1
2010 Feb.	1,534.7	954.1	414.8	81.7	70.7	1.8	11.7	5,611.7	2,176.5	935.8	625.0	1,715.9	121.6	37.0
Mar.	1,576.5	982.4	423.8	82.9	72.9	1.8	12.6	5,593.7	2,157.8	925.0	631.6	1,721.5	121.7	36.1
Apr.	1,588.0	995.5	417.4	86.7	73.7	1.9	12.8	5,608.3	2,184.0	908.1	636.1	1,726.3	119.8	33.9
May [p)]	1,597.2	1,005.0	415.1	88.5	74.1	1.8	12.7	5,618.3	2,191.1	902.3	641.0	1,733.4	118.1	32.5
	Transactions													
2007	140.2	34.1	126.8	-8.1	-10.8	-0.7	-1.1	282.9	22.4	320.9	-45.4	-43.2	11.2	17.1
2008	7.8	-5.1	13.3	3.2	-3.4	-0.3	0.0	347.5	28.7	335.5	-43.1	28.1	1.7	-3.4
2009 Q4	51.7	49.4	-10.0	2.7	10.4	0.2	-1.1	90.8	102.5	-96.5	45.0	43.3	2.3	-5.8
2010 Q1	-28.5	-20.3	-11.3	2.5	4.2	0.1	-3.7	0.5	2.2	-64.6	25.8	40.4	-2.0	-1.2
2010 Feb.	-14.2	-11.0	-4.0	0.2	2.0	0.0	-1.4	-0.8	2.1	-18.7	9.5	6.9	-0.6	0.0
Mar.	43.0	28.7	9.9	1.3	2.2	0.1	0.9	-17.8	-18.6	-10.7	6.6	5.7	0.1	-0.9
Apr.	11.1	13.1	-6.7	3.7	0.8	0.0	0.2	14.3	26.0	-16.9	4.5	4.7	-1.8	-2.2
May [p)]	3.0	6.6	-5.1	1.4	0.1	0.0	-0.1	7.1	5.8	-7.2	4.8	6.9	-1.8	-1.4
	Growth rates													
2007	10.4	4.0	35.1	-11.8	-26.3	-31.6	-4.4	6.1	1.3	47.7	-7.5	-3.3	11.2	24.4
2008	0.5	-0.6	2.8	5.4	-11.0	-16.2	0.0	6.9	1.6	33.2	-7.7	1.9	1.5	-3.9
2009 Q4	6.2	12.9	-13.9	23.1	146.6	28.3	-31.2	3.5	17.5	-27.3	16.4	12.8	7.5	-55.4
2010 Q1	6.9	12.7	-10.7	17.8	89.7	37.2	-29.4	2.7	13.6	-27.8	20.5	10.0	5.3	-41.2
2010 Feb.	5.1	11.3	-12.9	18.1	100.9	32.4	-45.1	3.1	15.6	-28.4	19.7	10.8	5.8	-47.1
Mar.	6.9	12.7	-10.7	17.8	89.7	37.2	-29.4	2.7	13.6	-27.8	20.5	10.0	5.3	-41.2
Apr.	6.6	13.8	-12.8	21.0	68.0	33.7	-35.1	2.3	11.7	-26.8	20.5	9.0	3.5	-40.3
May [p)]	5.8	12.3	-12.3	22.2	56.7	30.3	-37.5	2.1	10.3	-25.9	20.5	8.7	0.7	-40.0

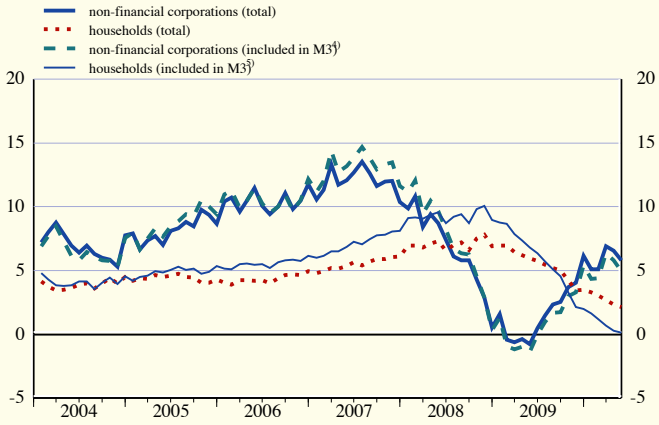
C11 Total deposits by sector [2)]

(annual growth rates)



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

(annual growth rates)



Source: ECB.

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

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

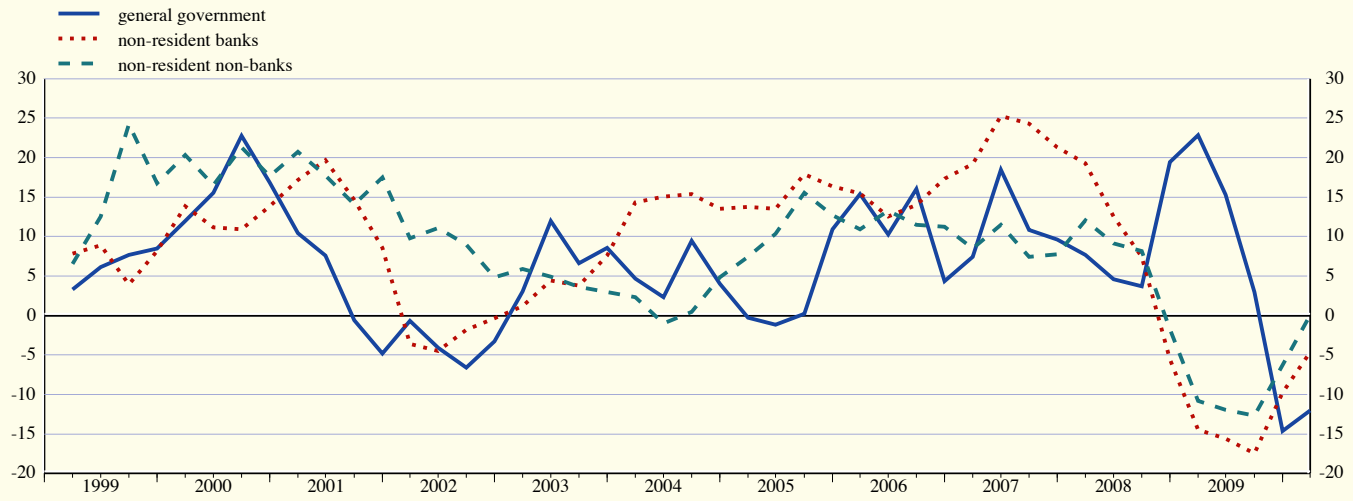
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period; transactions during period)

3. Deposits by government and non-euro area residents

	General government					Non-euro area residents				
	Total	Central government	Other general government			Total	Banks [3)]	Non-banks		
			State government	Local government	Social security funds			Total	General government	Other
	1	2	3	4	5	6	7	8	9	10
	Outstanding amounts									
2007	373.7	126.9	59.0	107.6	80.3	3,862.1	2,953.9	908.2	143.3	764.9
2008	445.0	191.0	52.3	115.9	85.8	3,715.5	2,818.1	897.4	65.8	831.7
2009 Q2	476.6	227.3	48.9	118.9	81.4	3,565.2	2,685.4	879.8	64.3	815.5
Q3	403.0	157.0	51.2	123.0	71.8	3,422.4	2,564.0	858.5	63.5	795.0
Q4	373.1	144.2	45.0	112.7	71.2	3,370.5	2,534.2	836.3	56.9	779.5
2010 Q1 [(p)]	397.7	166.3	51.6	106.5	73.3	3,544.8	2,660.0	884.8	64.7	820.1
	Transactions									
2007	31.9	-3.1	13.6	9.8	11.6	609.4	542.6	66.8	20.2	46.6
2008	72.8	63.5	-6.5	8.7	7.1	-183.5	-165.9	-17.6	-36.9	19.3
2009	-64.9	-38.2	-7.2	-4.0	-15.5	-331.6	-275.8	-55.8	-4.5	-51.3
2009 Q2	11.8	10.9	-1.6	4.5	-2.0	-61.4	-67.8	6.4	0.7	5.7
Q3	-62.1	-58.9	2.3	4.1	-9.6	-80.1	-73.1	-7.0	-0.2	-6.9
Q4	-30.2	-12.8	-6.1	-10.3	-0.9	-80.4	-56.3	-24.1	-2.7	-21.5
2010 Q1 [(p)]	24.6	22.1	6.5	-6.1	2.1	93.6	68.3	25.4	6.8	18.6
	Growth rates									
2007	9.7	-2.4	29.9	10.7	16.9	17.9	21.3	7.7	15.8	6.3
2008	19.5	49.9	-11.0	8.1	8.8	-4.6	-5.6	-1.8	-25.6	2.7
2009 Q2	15.3	43.7	-13.0	5.3	-4.9	-14.7	-15.6	-11.9	-21.9	-10.4
Q3	2.9	18.6	-16.6	8.2	-15.4	-16.3	-17.4	-12.7	-27.0	-10.3
Q4	-14.6	-20.1	-13.8	-3.4	-17.9	-8.9	-9.8	-6.2	-6.9	-6.2
2010 Q1 [(p)]	-12.1	-17.5	2.0	-6.9	-12.5	-3.5	-4.7	0.1	8.1	-0.5

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

(annual growth rates)



Source: ECB.

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

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

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

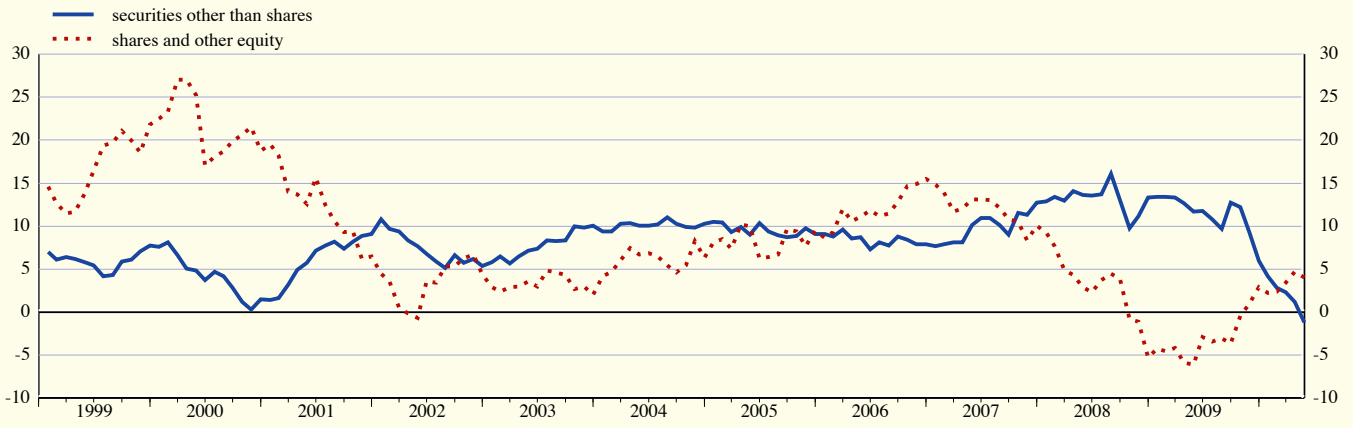
2.6 MFI holdings of securities: breakdown [1), 2)]

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

	Securities other than shares								Shares and other equity			
	Total	MFIs		General government		Other euro area residents		Non-euro area residents	Total	MFIs	Non-MFIs	Non-euro area residents
		Euro	Non-euro	Euro	Non-euro	Euro	Non-euro					
	1	2	3	4	5	6	7	8	9	10	11	12
	Outstanding amounts											
2007	5,185.3	1,656.4	84.0	1,180.5	16.6	979.9	33.3	1,234.7	1,636.5	424.5	869.3	342.7
2008	5,857.6	1,884.9	92.4	1,226.6	19.3	1,355.6	51.2	1,227.5	1,473.3	421.7	774.4	277.2
2009 Q4	6,209.6	1,971.7	109.2	1,467.9	16.1	1,457.3	39.4	1,148.0	1,515.9	434.7	800.2	281.0
2010 Q1	6,302.8	1,980.3	114.0	1,534.9	16.7	1,442.1	40.0	1,174.8	1,515.6	445.7	781.9	288.0
2010 Feb.	6,275.5	1,964.1	109.6	1,507.4	16.3	1,456.8	40.6	1,180.7	1,516.0	442.6	790.1	283.2
Mar.	6,302.8	1,980.3	114.0	1,534.9	16.7	1,442.1	40.0	1,174.8	1,515.6	445.7	781.9	288.0
Apr.	6,309.9	1,966.2	114.1	1,544.2	17.0	1,449.7	40.3	1,178.3	1,560.1	456.8	813.8	289.5
May (p)	6,273.7	1,955.2	110.3	1,545.2	18.2	1,445.6	29.2	1,170.1	1,543.0	464.8	789.8	288.4
	Transactions											
2007	592.4	136.0	18.1	-86.2	1.5	318.3	9.5	195.2	147.8	51.3	55.4	41.0
2008	696.1	214.4	5.9	38.3	1.9	389.7	19.0	26.9	-84.8	22.4	-56.5	-50.7
2009 Q4	-97.7	-44.5	4.4	-17.8	-2.2	12.7	-7.3	-43.1	14.8	1.7	8.9	4.2
2010 Q1	47.4	7.1	-0.3	65.2	-0.3	-17.9	-2.1	-4.3	8.8	12.5	-13.0	9.3
2010 Feb.	9.0	-14.3	-2.7	26.4	-3.1	3.8	-1.3	0.3	-15.0	-4.0	-12.1	1.1
Mar.	23.8	16.4	3.7	28.8	0.4	-14.4	-1.2	-9.9	5.0	3.7	-5.9	7.2
Apr.	-3.3	-12.8	-1.4	9.9	0.1	7.5	-0.2	-6.3	48.7	12.7	34.9	1.0
May (p)	-85.2	-9.7	-10.7	0.5	-0.3	-2.3	-13.7	-49.0	-8.6	10.1	-18.9	0.1
	Growth rates											
2007	12.7	8.7	25.4	-6.8	10.7	50.2	33.4	17.7	10.0	13.7	6.9	13.9
2008	13.4	12.8	8.1	3.2	9.9	39.9	57.2	2.2	-5.3	5.3	-6.7	-15.3
2009 Q4	6.0	4.4	17.5	18.7	-16.0	7.6	-23.2	-5.3	2.9	7.0	1.5	0.7
2010 Q1	2.3	-0.4	7.8	12.0	-19.1	3.0	-23.2	-4.1	3.4	7.3	0.6	5.5
2010 Feb.	2.8	-0.7	5.4	13.5	-18.5	5.8	-24.8	-5.1	2.4	6.8	0.4	1.3
Mar.	2.3	-0.4	7.8	12.0	-19.1	3.0	-23.2	-4.1	3.4	7.3	0.6	5.5
Apr.	1.2	-2.6	9.7	11.3	-19.1	1.7	-23.1	-4.0	4.7	8.8	2.3	5.2
May (p)	-1.2	-4.3	-6.8	9.6	-17.2	0.6	-47.7	-8.2	4.0	10.0	0.3	5.4

C14 MFI holdings of securities [2)]

(annual growth rates)



Source: ECB.

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

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

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

(EUR billions)

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

	Consumer credit				Lending for house purchase				Other lending			
	Total	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9	10	11	12
2007	-4.2	-1.2	-1.4	-1.6	-2.7	-0.2	-0.2	-2.3	-6.9	-0.8	-2.3	-3.7
2008	-4.6	-1.1	-1.5	-1.9	-2.7	0.0	-0.2	-2.5	-6.7	-1.2	-2.3	-3.2
2009	-7.5	-1.8	-2.3	-3.4	-4.0	-0.1	-0.2	-3.7	-7.4	-1.6	-1.3	-4.5
2009 Q3	-1.7	-0.3	-0.5	-0.9	-0.8	0.0	0.0	-0.7	-1.6	-0.3	-0.2	-1.0
Q4	-2.5	-0.8	-0.8	-0.9	-1.1	0.0	-0.1	-1.0	-2.3	-0.4	-0.6	-1.2
2010 Q1	-1.9	-1.1	-0.6	-0.2	-1.1	0.0	0.0	-1.1	-2.3	-0.5	-0.3	-1.4
2010 Jan.	-0.6	-0.4	0.0	-0.2	-0.4	0.0	0.0	-0.4	-1.1	-0.4	-0.2	-0.6
Feb.	-0.3	0.0	-0.1	-0.2	-0.4	0.0	0.0	-0.5	-0.6	-0.1	-0.1	-0.4
Mar.	-1.0	-0.7	-0.5	0.2	-0.2	0.0	0.0	-0.2	-0.6	-0.1	-0.1	-0.5
Apr.	-0.3	0.0	-0.1	-0.2	-0.2	0.0	0.0	-0.2	-0.4	-0.1	-0.1	-0.3
May [p]	-0.4	-0.1	-0.1	-0.2	-0.4	0.0	0.0	-0.4	-0.5	-0.1	-0.1	-0.3

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

	Non-financial corporations				Non-euro area residents		
	Total	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year
	1	2	3	4	5	6	7
2007	-12.5	-2.1	-5.4	-4.9	-5.2	-3.4	-1.8
2008	-17.8	-4.1	-9.1	-4.6	-6.6	-3.4	-3.2
2009	-35.4	-12.7	-12.5	-10.2	-6.8	-2.6	-4.2
2009 Q3	-7.0	-2.2	-2.1	-2.7	-1.0	-0.5	-0.5
Q4	-15.2	-5.3	-6.3	-3.7	-2.1	-0.5	-1.6
2010 Q1	-11.4	-7.1	-4.0	-0.3	-1.0	-0.4	-0.6
2010 Jan.	-4.2	-1.2	-1.1	-1.9	-0.5	-0.4	-0.2
Feb.	-2.3	-0.5	-1.0	-0.8	-0.4	0.0	-0.4
Mar.	-4.9	-5.4	-2.0	2.4	-0.1	0.0	-0.1
Apr.	-4.6	-1.1	-2.4	-1.1	-0.1	-0.1	-0.1
May [p]	-5.2	-2.2	-1.6	-1.4	-0.5	-0.1	-0.3

3. Revaluation of securities held by MFIs

	Securities other than shares								Shares and other equity			
	Total	MFIs		General government		Other euro area residents		Non-euro area residents	Total	MFIs	Non-MFIs	Non-euro area residents
		Euro	Non-euro	Euro	Non-euro	Euro	Non-euro					
	1	2	3	4	5	6	7	8	9	10	11	12
2007	-14.2	-3.3	0.1	-0.4	-0.2	-3.2	-0.6	-6.7	27.6	3.8	11.7	12.1
2008	-60.5	-12.1	0.0	4.5	0.0	-19.1	-2.2	-31.7	-63.6	-9.2	-46.2	-8.2
2009	4.3	8.2	0.2	-0.8	-0.1	-1.0	0.8	-2.9	1.0	-5.9	3.4	3.5
2009 Q3	19.5	5.7	0.1	3.9	0.0	4.2	0.2	5.3	14.5	3.3	7.6	3.7
Q4	1.1	1.2	0.1	-1.5	-0.1	0.2	-0.1	1.2	-0.4	-1.7	0.6	0.8
2010 Q1	14.3	3.2	0.3	4.5	0.1	2.4	0.1	3.7	0.4	-1.0	-0.2	1.7
2010 Jan.	1.2	-0.1	0.1	-0.5	0.0	0.7	0.1	0.9	-2.7	-1.6	-0.8	-0.3
Feb.	7.9	1.6	0.1	3.6	0.1	1.1	0.0	1.4	-0.9	0.7	-2.1	0.4
Mar.	5.2	1.7	0.1	1.4	0.0	0.6	0.0	1.4	4.1	-0.1	2.6	1.5
Apr.	-4.0	-1.6	0.1	-3.6	0.0	-0.1	0.0	1.2	-4.1	-1.6	-3.0	0.5
May [p]	-0.6	-1.1	0.3	0.1	0.3	-1.6	0.1	1.4	-8.5	-2.1	-5.1	-1.3

Source: ECB.

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

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

3) Including non-profit institutions serving households.

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

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

1. Deposits

	MFIs [3)]							Non-MFIs						
	All currencies (outstanding amount)	Euro [4)]	Non-euro currencies					All currencies (outstanding amount)	Euro [4)]	Non-euro currencies				
			Total	USD	JPY	CHF	GBP			Total	USD	JPY	CHF	GBP
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	By euro area residents													
2007	6,087.5	92.1	7.9	4.8	0.4	1.1	1.0	9,054.4	95.8	4.2	2.2	0.4	0.1	0.5
2008	6,858.8	89.7	10.3	7.3	0.4	1.2	0.8	9,881.4	96.9	3.1	1.9	0.5	0.1	0.4
2009 Q2	6,625.7	92.2	7.8	5.1	0.3	1.1	0.8	10,145.9	97.0	3.0	1.9	0.3	0.1	0.5
Q3	6,287.5	92.4	7.6	4.8	0.4	1.1	0.8	10,061.2	97.0	3.0	1.9	0.3	0.1	0.4
Q4	6,287.1	93.0	7.0	4.4	0.3	1.1	0.7	10,178.7	97.0	3.0	1.9	0.2	0.1	0.4
2010 Q1 [(p)]	6,229.1	93.1	6.9	4.1	0.3	1.2	0.8	10,190.6	97.0	3.0	2.0	0.2	0.1	0.4
	By non-euro area residents													
2007	2,953.9	47.0	53.0	33.5	2.9	2.4	11.0	908.2	50.1	49.9	32.9	1.6	1.8	9.9
2008	2,818.1	48.3	51.7	33.4	2.8	2.6	10.2	897.4	54.9	45.1	28.7	1.4	1.9	9.4
2009 Q2	2,685.4	49.0	51.0	33.2	1.6	2.6	10.7	879.8	51.9	48.1	32.5	1.8	1.8	7.8
Q3	2,564.0	49.1	50.9	34.3	1.5	2.5	9.5	858.5	54.1	45.9	30.6	1.5	1.6	7.7
Q4	2,534.2	49.2	50.8	34.2	1.8	2.2	9.6	836.3	53.5	46.5	31.4	1.1	1.8	7.5
2010 Q1 [(p)]	2,660.0	50.4	49.6	33.2	2.0	2.1	9.1	884.8	54.2	45.8	32.2	1.1	1.4	6.3

2. Debt securities issued by euro area MFIs

	All currencies (outstanding amount)	Euro [4)]	Non-euro currencies				
			Total	USD	JPY	CHF	GBP
	1	2	3	4	5	6	7
2007	4,933.2	81.5	18.5	9.2	1.7	1.9	3.4
2008	5,111.7	83.3	16.7	8.4	2.0	1.9	2.5
2009 Q2	5,225.1	83.6	16.4	8.3	1.8	1.8	2.7
Q3	5,203.1	84.0	16.0	8.2	1.8	1.9	2.3
Q4	5,179.1	83.3	16.7	8.7	1.7	1.9	2.5
2010 Q1 [(p)]	5,289.1	82.5	17.5	9.4	1.6	1.9	2.5

Source: ECB.

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

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

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

3. Loans

	MFIs [3)]							Non-MFIs						
	All currencies (outstanding amount)	Euro [4)]	Non-euro currencies					All currencies (outstanding amount)	Euro [4)]	Non-euro currencies				
			Total	USD	JPY	CHF	GBP			Total	USD	JPY	CHF	GBP
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	To euro area residents													
2007	5,794.2	-	-	-	-	-	-	11,098.9	96.2	3.8	1.8	0.2	0.9	0.6
2008	6,312.0	-	-	-	-	-	-	11,740.6	95.9	4.1	2.1	0.3	1.0	0.4
2009 Q2	6,215.5	-	-	-	-	-	-	11,835.0	96.1	3.9	2.0	0.2	1.0	0.5
Q3	5,911.3	-	-	-	-	-	-	11,763.1	96.2	3.8	1.9	0.2	1.0	0.4
Q4	5,921.1	-	-	-	-	-	-	11,782.6	96.2	3.8	1.9	0.2	1.0	0.4
2010 Q1 [p]	5,913.9	-	-	-	-	-	-	11,828.4	96.1	3.9	2.0	0.2	1.0	0.4
	To non-euro area residents													
2007	2,344.5	48.2	51.8	28.8	2.3	2.4	12.7	955.7	40.9	59.1	41.2	1.2	3.7	8.2
2008	2,282.0	45.8	54.2	31.8	3.0	2.6	11.3	965.8	40.5	59.5	41.9	1.4	4.3	7.4
2009 Q2	1,999.9	45.2	54.8	29.6	2.8	3.2	13.5	949.3	40.2	59.8	42.5	1.1	3.9	7.6
Q3	1,894.1	45.5	54.5	29.9	2.7	3.1	12.6	914.0	40.4	59.6	41.9	1.5	3.8	7.6
Q4	1,917.4	45.8	54.2	29.4	2.7	2.9	12.6	908.9	40.1	59.9	42.0	1.2	3.7	8.0
2010 Q1 [p]	1,986.9	46.4	53.6	29.7	2.5	3.0	11.3	969.1	40.7	59.3	42.2	1.1	3.4	7.4

4. Holdings of securities other than shares

	Issued by MFIs [3)]							Issued by non-MFIs						
	All currencies (outstanding amount)	Euro [4)]	Non-euro currencies					All currencies (outstanding amount)	Euro [4)]	Non-euro currencies				
			Total	USD	JPY	CHF	GBP			Total	USD	JPY	CHF	GBP
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Issued by euro area residents													
2007	1,740.3	95.2	4.8	2.4	0.3	0.3	1.5	2,210.3	97.7	2.3	1.4	0.2	0.1	0.5
2008	1,977.4	95.3	4.7	2.6	0.4	0.2	1.2	2,652.7	97.3	2.7	1.7	0.3	0.1	0.4
2009 Q2	2,123.6	95.0	5.0	2.5	0.5	0.4	1.4	2,961.9	97.7	2.3	1.5	0.2	0.1	0.3
Q3	2,118.3	95.1	4.9	2.9	0.2	0.3	1.3	2,998.1	97.9	2.1	1.4	0.2	0.1	0.4
Q4	2,080.8	94.8	5.2	3.1	0.2	0.3	1.4	2,980.7	98.1	1.9	1.2	0.2	0.1	0.3
2010 Q1 [p]	2,094.2	94.6	5.4	3.3	0.2	0.3	1.4	3,033.7	98.1	1.9	1.2	0.2	0.1	0.3
	Issued by non-euro area residents													
2007	582.4	53.9	46.1	27.3	0.7	0.4	14.4	652.3	35.9	64.1	39.3	4.5	0.8	12.6
2008	580.7	54.1	45.9	28.6	0.9	0.5	13.3	646.8	39.0	61.0	37.1	6.4	0.8	11.0
2009 Q2	571.0	55.3	44.7	24.6	1.7	1.4	14.6	633.1	33.5	66.5	41.4	4.0	0.9	15.0
Q3	562.7	56.3	43.7	25.3	0.6	0.5	14.7	618.5	34.8	65.2	39.3	4.2	0.9	15.1
Q4	547.2	55.8	44.2	26.3	0.4	0.5	14.8	600.9	34.9	65.1	38.5	4.2	0.9	15.2
2010 Q1 [p]	564.0	55.1	44.9	28.0	0.4	0.5	14.9	610.1	32.9	67.1	39.5	4.4	0.9	15.1

Source: ECB.

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

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

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

1. Assets

	Total	Deposits and loan claims	Securities other than shares	Shares and other equity (excl. investment fund/ money market fund shares)	Investment fund/ money market fund shares	Non-financial assets	Other assets (incl. financial derivatives)
	1	2	3	4	5	6	7
	Outstanding amounts						
2009 Oct.	5,175.8	351.2	2,017.8	1,523.5	688.1	207.9	387.2
Nov.	5,240.8	340.4	2,043.5	1,562.3	693.6	208.2	392.8
Dec.	5,370.6	343.7	2,076.7	1,673.4	709.0	212.6	355.2
2010 Jan.	5,453.5	353.3	2,120.1	1,650.3	726.7	215.5	387.7
Feb.	5,527.4	355.6	2,146.3	1,670.2	741.5	216.8	397.0
Mar.	5,779.1	350.5	2,209.7	1,802.9	767.0	233.7	415.4
Apr. (p)	5,857.2	351.5	2,232.7	1,817.6	780.6	235.1	439.6
	Transactions						
2009 Q3	173.1	-9.0	69.9	112.6	9.1	2.7	-12.1
Q4	87.2	-11.9	58.2	42.7	15.5	5.9	-23.2
2010 Q1	184.6	-3.3	65.9	30.5	29.9	17.8	43.8

2. Liabilities

	Total	Loans and deposits received	Investment fund shares issued				Other liabilities (incl. financial derivatives)
			Total	Held by euro area residents		Held by non-euro area residents	
					Investment funds		
	1	2	3	4	5	6	7
	Outstanding amounts						
2009 Oct.	5,175.8	97.5	4,747.0	3,875.1	522.9	871.9	331.3
Nov.	5,240.8	98.2	4,808.0	3,911.5	528.8	896.5	334.6
Dec.	5,370.6	101.2	4,965.2	4,020.1	539.6	945.1	304.2
2010 Jan.	5,453.5	101.1	5,014.7	4,042.9	546.7	971.8	337.7
Feb.	5,527.4	101.0	5,077.1	4,082.1	559.3	995.0	349.3
Mar.	5,779.1	113.1	5,293.0	4,221.8	582.6	1,071.2	373.0
Apr. (p)	5,857.2	114.0	5,354.3	4,234.9	594.0	1,119.4	389.0
	Transactions						
2009 Q3	173.1	0.8	186.2	94.7	16.7	91.4	-13.9
Q4	87.2	4.0	107.7	77.1	15.3	30.6	-24.5
2010 Q1	184.6	5.4	132.4	96.2	22.2	36.2	46.8

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

	Total	Funds by investment policy						Funds by type		Memo item: Money market funds
		Bond funds	Equity funds	Mixed funds	Real estate funds	Hedge funds	Other funds	Open-end funds	Closed-end funds	
	1	2	3	4	5	6	7	8	9	10
	Outstanding amounts									
2009 Sep.	4,739.2	1,531.5	1,344.6	1,164.8	227.8	77.4	393.1	4,671.3	67.9	1,253.0
Oct.	4,747.0	1,547.8	1,323.7	1,178.3	232.3	78.8	386.2	4,679.3	67.7	1,246.2
Nov.	4,808.0	1,561.5	1,350.4	1,194.1	234.9	78.8	388.3	4,740.5	67.5	1,223.7
Dec.	4,965.2	1,577.6	1,451.1	1,215.6	240.3	84.4	396.1	4,893.8	71.4	1,201.6
2010 Jan.	5,014.7	1,613.9	1,422.4	1,237.8	242.5	93.7	404.4	4,944.7	70.0	1,215.5
Feb.	5,077.1	1,639.3	1,441.4	1,248.5	244.3	95.6	408.0	5,006.4	70.7	1,202.0
Mar.	5,293.0	1,701.9	1,551.3	1,272.3	250.5	97.9	419.1	5,218.4	74.6	1,174.8
Apr. (p)	5,354.3	1,727.1	1,569.1	1,286.6	249.3	99.7	422.4	5,279.7	74.6	1,182.5
	Transactions									
2009 Oct.	36.6	14.1	5.7	16.3	2.6	1.1	-3.3	36.9	-0.2	-5.2
Nov.	20.0	8.6	5.3	4.4	1.2	-0.5	1.0	20.0	-0.1	-18.6
Dec.	51.1	4.9	18.8	15.4	7.0	2.7	2.2	47.3	3.7	-36.7
2010 Jan.	60.9	20.2	10.6	11.2	7.9	7.3	3.8	60.2	0.8	3.0
Feb.	21.8	13.3	4.1	3.0	1.1	0.2	0.0	21.6	0.1	-16.7
Mar.	49.7	39.6	2.3	-5.6	1.2	3.6	8.6	48.3	1.4	-30.1
Apr. (p)	28.6	15.0	-0.7	11.6	0.5	-0.1	2.2	28.9	-0.3	-2.2

Source: ECB.

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

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

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

1. Securities other than shares

	Total	Euro area						Rest of the world			
		Total	MFIs	General government	Other financial intermediaries	Insurance corporations and pension funds	Non-financial corporations		EU Member States outside the euro area	United States	Japan
	1	2	3	4	5	6	7	8	9	10	11
	Outstanding amounts										
2009 Q2	1,872.9	1,293.8	357.9	635.7	173.3	4.0	122.9	579.1	161.9	234.6	21.8
Q3	1,998.6	1,384.6	388.6	669.0	186.0	4.9	136.2	614.0	180.2	234.4	21.8
Q4	2,076.7	1,413.3	387.7	689.1	186.8	5.5	144.3	663.3	198.8	252.0	15.9
2010 Q1 (p)	2,209.7	1,463.1	392.5	710.1	199.5	5.9	155.1	746.6	211.4	290.2	15.3
	Transactions										
2009 Q3	69.9	47.6	10.6	20.9	6.1	0.3	9.7	22.2	11.2	3.5	-1.0
Q4	58.2	23.9	-2.9	19.0	0.2	0.5	7.1	34.3	15.9	13.3	-6.2
2010 Q1 (p)	65.9	24.4	0.3	9.0	8.2	0.0	6.8	41.5	10.7	16.4	-1.6

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

	Total	Euro area						Rest of the world			
		Total	MFIs	General government	Other financial intermediaries	Insurance corporations and pension funds	Non-financial corporations		EU Member States outside the euro area	United States	Japan
	1	2	3	4	5	6	7	8	9	10	11
	Outstanding amounts										
2009 Q2	1,251.3	565.6	69.5	-	28.7	16.8	450.4	685.8	110.8	210.9	59.7
Q3	1,544.6	701.4	97.2	-	35.8	24.8	543.4	843.2	127.0	265.1	61.8
Q4	1,673.4	723.3	97.5	-	36.1	23.8	565.7	950.1	138.4	295.4	65.8
2010 Q1 (p)	1,802.9	742.3	92.8	-	37.5	28.3	583.5	1,060.5	147.2	327.8	75.3
	Transactions										
2009 Q3	112.6	34.6	7.5	-	4.1	2.3	20.6	78.0	2.4	34.0	1.4
Q4	42.7	3.4	4.6	-	1.0	-0.7	-1.5	39.3	3.2	7.4	3.5
2010 Q1 (p)	30.5	8.7	-0.1	-	0.6	1.8	6.4	21.8	0.2	1.8	0.9

3. Investment fund/money market fund shares

	Total	Euro area						Rest of the world			
		Total	MFIs [2]	General government	Other financial intermediaries [2]	Insurance corporations and pension funds	Non-financial corporations		EU Member States outside the euro area	United States	Japan
	1	2	3	4	5	6	7	8	9	10	11
	Outstanding amounts										
2009 Q2	628.0	540.2	82.9	-	457.3	-	-	87.9	12.9	16.2	0.4
Q3	680.4	592.0	78.1	-	514.0	-	-	88.4	14.5	18.9	0.3
Q4	709.0	614.1	74.4	-	539.6	-	-	95.0	15.7	19.0	0.3
2010 Q1 (p)	767.0	654.1	71.5	-	582.6	-	-	112.9	18.2	33.5	0.5
	Transactions										
2009 Q3	9.1	10.5	-6.2	-	16.7	-	-	-1.5	0.9	-0.3	0.0
Q4	15.5	10.9	-4.4	-	15.3	-	-	4.6	0.9	-0.4	0.1
2010 Q1 (p)	29.9	18.4	-3.7	-	22.2	-	-	11.5	1.3	12.2	0.2

Source: ECB.

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

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

EURO AREA ACCOUNTS

3.1 Integrated economic and financial accounts by institutional sector

(EUR billions)

Uses 2009 Q4	Euro area	Households	Non-financial corporations	Financial corporations	General government	Rest of the world
External account						
Exports of goods and services						471.4
Trade balance [1]						-29.2
Generation of income account						
Gross value added (basic prices)						
Taxes less subsidies on products						
Gross domestic product (market prices)						
Compensation of employees	1,189.9	120.7	743.2	60.5	265.5	
Other taxes less subsidies on production	31.1	7.2	13.4	5.0	5.5	
Consumption of fixed capital	351.2	96.8	196.9	11.4	46.1	
Net operating surplus and mixed income [1]	526.2	277.2	225.5	26.0	-2.5	
Allocation of primary income account						
Net operating surplus and mixed income						
Compensation of employees						4.9
Taxes less subsidies on production						
Property income	635.6	34.6	233.5	307.5	59.9	91.4
Interest	366.0	31.6	59.1	215.4	59.9	52.3
Other property income	269.6	3.0	174.5	92.1	0.0	39.1
Net national income [1]	1,991.6	1,646.1	83.6	22.2	239.7	
Secondary distribution of income account						
Net national income						
Current taxes on income, wealth, etc.	293.6	244.3	42.1	6.8	0.3	1.4
Social contributions	448.9	448.9				1.1
Social benefits other than social transfers in kind	471.1	1.5	16.1	33.5	420.0	0.8
Other current transfers	208.4	75.1	27.3	47.9	58.2	9.1
Net non-life insurance premiums	45.0	32.1	11.2	1.0	0.7	1.3
Non-life insurance claims	45.3			45.3		0.6
Other	118.1	43.0	16.0	1.6	57.4	7.2
Net disposable income [1]	1,959.2	1,443.6	26.8	29.0	459.8	
Use of income account						
Net disposable income						
Final consumption expenditure	1,865.1	1,321.2			544.0	
Individual consumption expenditure	1,647.3	1,321.2			326.1	
Collective consumption expenditure	217.9				217.9	
Adjustment for the change in the net equity of households in pension fund reserves	14.8	0.1	0.2	14.6	0.0	0.0
Net saving/current external account [1]	94.0	137.1	26.6	14.4	-84.1	-7.0
Capital account						
Net saving/current external account						
Gross capital formation	438.3	138.7	207.4	13.1	79.1	
Gross fixed capital formation	461.6	137.9	231.6	12.9	79.1	
Changes in inventories and acquisitions less disposals of valuables	-23.3	0.8	-24.2	0.1	0.0	
Consumption of fixed capital						
Acquisitions less disposals of non-produced non-financial assets	-0.2	-1.8	0.8	0.1	0.7	0.2
Capital transfers	60.9	13.9	1.2	1.3	44.4	5.4
Capital taxes	10.9	10.6	0.3	0.0		0.0
Other capital transfers	49.9	3.4	0.9	1.3	44.4	5.4
Net lending (+)/net borrowing (-) (from capital account) [1]	10.5	97.1	46.3	14.3	-147.2	-10.5
Statistical discrepancy	0.0	2.3	-2.3	0.0	0.0	0.0

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

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

(EUR billions)

Resources 2009 Q4	Euro area	Households	Non-financial corporations	Financial corporations	General government	Rest of the world
External account						
Imports of goods and services						442.2
Trade balance						
Generation of income account						
Gross value added (basic prices)	2,098.4	501.9	1,179.0	102.9	314.6	
Taxes less subsidies on products	234.2					
Gross domestic product (market prices)[2]	2,332.6					
Compensation of employees						
Other taxes less subsidies on production						
Consumption of fixed capital						
Net operating surplus and mixed income						
Allocation of primary income account						
Net operating surplus and mixed income	526.2	277.2	225.5	26.0	-2.5	
Compensation of employees	1,191.3	1,191.3				3.6
Taxes less subsidies on production	279.9				279.9	-14.6
Property income	629.8	212.2	91.6	303.8	22.1	97.2
Interest	354.5	53.9	36.4	255.6	8.7	63.7
Other property income	275.2	158.4	55.3	48.2	13.4	33.5
Net national income						
Secondary distribution of income account						
Net national income	1,991.6	1,646.1	83.6	22.2	239.7	
Current taxes on income, wealth, etc.	294.2				294.2	0.8
Social contributions	448.9	1.3	16.9	48.5	382.2	1.1
Social benefits other than social transfers in kind	469.1	469.1				2.8
Other current transfers	177.4	97.0	11.7	46.4	22.2	40.2
Net non-life insurance premiums	45.3			45.3		1.1
Non-life insurance claims	44.4	34.2	9.2	0.7	0.3	1.4
Other	87.7	62.9	2.5	0.4	21.9	37.7
Net disposable income						
Use of income account						
Net disposable income	1,959.2	1,443.6	26.8	29.0	459.8	
Final consumption expenditure						
Individual consumption expenditure						
Collective consumption expenditure						
Adjustment for the change in the net equity of households in pension fund reserves	14.8	14.8				0.0
Net saving/current external account						
Capital account						
Net saving/current external account	94.0	137.1	26.6	14.4	-84.1	-7.0
Gross capital formation						
Gross fixed capital formation						
Changes in inventories and acquisitions less disposals of valuables						
Consumption of fixed capital	351.2	96.8	196.9	11.4	46.1	
Acquisitions less disposals of non-produced non-financial assets						
Capital transfers	64.2	14.0	32.3	2.9	15.1	2.0
Capital taxes	10.9				10.9	0.0
Other capital transfers	53.3	14.0	32.3	2.9	4.1	2.0
Net lending (+)/net borrowing (-) (from capital account)						
Statistical discrepancy						

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

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

(EUR billions)

Assets 2009 Q4	Euro area	Households	Non-financial corporations	MFIs	Other financial inter-mediaries	Insurance corporations and pension funds	General govern-ment	Rest of the world
Opening balance sheet, financial assets								
Total financial assets		17,858.5	15,622.3	32,292.6	12,592.4	6,270.2	3,434.4	15,134.1
Monetary gold and special drawing rights (SDRs)				285.9				
Currency and deposits		6,305.3	1,732.0	9,325.4	1,988.5	845.7	707.7	3,700.9
Short-term debt securities		34.3	134.5	632.4	318.3	360.4	24.6	874.5
Long-term debt securities		1,445.0	176.8	6,408.4	2,006.3	2,045.7	372.8	3,137.6
Loans		75.4	2,917.0	12,705.3	3,034.2	419.3	469.8	1,740.6
of which: Long-term		58.0	1,614.3	9,776.9	2,526.4	312.1	360.1	.
Shares and other equity		4,144.0	7,146.8	2,050.7	4,996.7	2,147.3	1,265.6	5,137.5
Quoted shares		720.2	1,212.4	522.9	1,716.2	409.7	295.2	.
Unquoted shares and other equity		2,047.0	5,550.1	1,179.4	2,631.3	437.7	824.2	.
Mutual fund shares		1,376.7	384.3	348.4	649.2	1,299.8	146.2	.
Insurance technical reserves		5,383.6	145.0	1.9	0.0	191.3	3.2	140.3
Other accounts receivable and financial derivatives		471.0	3,370.3	882.5	248.4	260.6	590.6	402.5
Net financial worth								
Financial account, transactions in financial assets								
Total transactions in financial assets		161.6	154.0	28.5	196.7	78.9	-46.2	91.1
Monetary gold and SDRs				1.0				-1.0
Currency and deposits		111.9	54.4	62.4	-29.1	-1.5	-51.2	-97.1
Short-term debt securities		-21.9	3.7	-20.4	-10.6	21.5	7.2	-20.7
Long-term debt securities		-17.0	17.3	-55.5	85.6	10.5	-19.4	68.9
Loans		-0.3	24.8	-8.3	1.6	0.0	-15.0	24.0
of which: Long-term		-0.5	9.1	65.8	4.1	3.5	3.1	.
Shares and other equity		0.0	-27.3	-18.3	138.9	48.6	3.2	110.9
Quoted shares		-6.9	-18.3	13.6	69.0	-1.3	3.8	.
Unquoted shares and other equity		6.7	8.3	-3.9	56.2	1.1	-4.0	.
Mutual fund shares		0.3	-17.2	-28.1	13.7	48.9	3.4	.
Insurance technical reserves		73.5	-0.4	0.1	0.0	0.8	0.0	6.6
Other accounts receivable and financial derivatives		15.5	81.4	67.6	10.3	-1.1	28.8	-0.6
Changes in net financial worth due to transactions								
Other changes account, financial assets								
Total other changes in financial assets		53.5	233.9	42.1	39.0	71.6	27.1	115.6
Monetary gold and SDRs				30.0				
Currency and deposits		0.6	-2.0	35.9	12.3	2.6	-0.9	30.0
Short-term debt securities		-0.9	-0.3	3.0	-6.7	6.2	0.0	-12.9
Long-term debt securities		2.1	12.9	-16.6	15.3	29.2	-2.4	-0.5
Loans		0.0	-0.5	-0.7	-12.3	-0.8	-1.5	4.6
of which: Long-term		0.0	-5.3	-13.9	-13.5	-0.8	4.7	.
Shares and other equity		30.3	261.8	-6.7	21.8	34.7	12.7	74.6
Quoted shares		18.1	115.9	-23.1	20.3	8.3	-11.1	.
Unquoted shares and other equity		0.4	142.5	3.8	-13.5	-0.2	26.2	.
Mutual fund shares		11.9	3.4	12.6	14.9	26.6	-2.4	.
Insurance technical reserves		21.5	0.1	0.0	0.0	-0.1	0.0	5.3
Other accounts receivable and financial derivatives		-0.2	-38.1	-2.8	8.6	-0.3	19.3	14.6
Other changes in net financial worth								
Closing balance sheet, financial assets								
Total financial assets		18,073.6	16,010.2	32,363.2	12,828.2	6,420.6	3,415.3	15,341.7
Monetary gold and SDRs				316.9				
Currency and deposits		6,417.9	1,784.4	9,423.6	1,971.8	846.7	655.7	3,633.8
Short-term debt securities		11.5	137.9	615.0	301.0	388.2	31.8	841.0
Long-term debt securities		1,430.1	207.0	6,336.3	2,107.2	2,085.4	351.0	3,206.0
Loans		75.0	2,941.3	12,696.4	3,023.5	418.5	453.4	1,769.2
of which: Long-term		57.4	1,618.2	9,828.7	2,517.0	314.9	367.9	.
Shares and other equity		4,174.3	7,381.3	2,025.7	5,157.3	2,230.6	1,281.5	5,323.0
Quoted shares		731.3	1,310.0	513.5	1,805.5	416.7	287.8	.
Unquoted shares and other equity		2,054.1	5,700.8	1,179.4	2,674.0	438.7	846.5	.
Mutual fund shares		1,388.9	370.5	332.9	677.8	1,375.3	147.1	.
Insurance technical reserves		5,478.6	144.7	2.0	0.0	192.1	3.2	152.2
Other accounts receivable and financial derivatives		486.3	3,413.5	947.4	267.3	259.2	638.8	416.6
Net financial worth								

Source: ECB.

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

(EUR billions)

Liabilities 2009 Q4	Euro area	Households	Non-financial corporations	MFIs	Other financial inter-mediaries	Insurance corporations and pension funds	General govern-ment	Rest of the world
Opening balance sheet, liabilities								
Total liabilities		6,431.3	24,377.8	31,527.4	12,565.9	6,419.4	8,158.4	13,438.4
Monetary gold and special drawing rights (SDRs)								
Currency and deposits			29.5	21,916.5	27.2	0.0	223.4	2,409.0
Short-term debt securities			326.2	680.2	63.5	9.2	1,051.0	248.8
Long-term debt securities			490.7	4,599.3	2,564.9	39.4	5,129.0	2,769.3
Loans		5,762.9	8,308.5		2,780.9	256.6	1,345.8	2,907.0
of which: Long-term		5,403.6	5,892.6		1,796.3	99.5	1,132.5	.
Shares and other equity			11,849.0	3,008.5	6,905.8	489.2	5.4	4,624.0
Quoted shares			3,299.0	595.0	189.7	176.1	0.0	.
Unquoted shares and other equity		6.6	8,549.9	1,160.7	2,157.7	312.3	5.4	.
Mutual fund shares				1,252.7	4,558.4			.
Insurance technical reserves		33.9	332.2	67.3	0.8	5,430.7	0.4	
Other accounts payable and financial derivatives		627.9	3,041.6	1,255.6	222.7	194.4	403.5	480.3
Net financial worth [1]	-1,409.7	11,427.3	-8,755.5	765.2	26.6	-149.3	-4,724.0	
Financial account, transactions in liabilities								
Total transactions in liabilities		62.2	109.9	48.7	180.9	60.2	101.0	101.6
Monetary gold and SDRs								
Currency and deposits			-0.1	35.6	-3.4	0.0	10.7	7.1
Short-term debt securities			-12.6	5.2	9.8	-0.7	-44.0	1.2
Long-term debt securities			22.0	-39.8	30.1	0.7	71.0	6.4
Loans		45.4	19.4		-10.8	-18.5	4.2	-12.9
of which: Long-term		45.6	38.6		-2.3	-2.4	32.8	.
Shares and other equity			30.5	-30.3	143.7	3.0	1.6	107.6
Quoted shares			9.5	14.5	8.7	2.7	0.0	.
Unquoted shares and other equity		0.0	21.0	15.7	38.3	0.2	1.6	.
Mutual fund shares				-60.5	96.7			.
Insurance technical reserves		0.1	0.1	1.8	0.0	78.7	0.0	
Other accounts payable and financial derivatives		16.7	50.7	76.2	11.5	-3.0	57.5	-7.8
Changes in net financial worth due to transactions [1]	10.5	99.3	44.1	-20.2	15.8	18.7	-147.2	-10.5
Other changes account, liabilities								
Total other changes in liabilities		1.4	261.3	19.9	101.4	27.7	-40.4	181.4
Monetary gold and SDRs								
Currency and deposits			0.0	58.1	0.0	0.0	0.0	20.2
Short-term debt securities			-9.5	2.4	-1.4	1.1	1.1	-5.1
Long-term debt securities			4.3	14.8	14.7	0.5	-33.3	39.0
Loans		-3.5	-15.1		14.6	-1.7	-0.2	-5.3
of which: Long-term		-2.2	-3.1		5.0	-1.2	-0.1	.
Shares and other equity			283.6	-42.7	88.7	-3.9	-0.6	104.0
Quoted shares			121.1	-36.2	-6.3	-6.9	0.0	.
Unquoted shares and other equity		0.1	162.5	-15.6	-8.3	3.0	-0.6	.
Mutual fund shares				9.1	103.3			.
Insurance technical reserves		0.2	0.0	0.0	0.0	26.7	0.0	
Other accounts payable and financial derivatives		4.6	-1.9	-12.6	-15.1	5.2	-7.5	28.5
Other changes in net financial worth [1]	95.8	52.1	-27.4	22.2	-62.4	43.8	67.6	-65.8
Closing balance sheet, liabilities								
Total liabilities		6,494.9	24,749.0	31,596.0	12,848.2	6,507.3	8,219.0	13,721.4
Monetary gold and SDRs								
Currency and deposits			29.4	22,010.3	23.8	0.0	234.0	2,436.3
Short-term debt securities			304.1	687.7	71.9	9.6	1,008.1	244.9
Long-term debt securities			517.0	4,574.3	2,609.8	40.6	5,166.7	2,814.7
Loans		5,804.8	8,312.8		2,784.7	236.3	1,349.9	2,888.8
of which: Long-term		5,447.0	5,928.1		1,799.0	95.8	1,165.2	.
Shares and other equity			12,163.0	2,935.4	7,138.2	488.3	6.4	4,835.7
Quoted shares			3,429.7	573.4	192.1	171.9	0.0	.
Unquoted shares and other equity		6.7	8,733.4	1,160.8	2,187.7	315.5	6.4	.
Mutual fund shares				1,201.3	4,758.3			.
Insurance technical reserves		34.1	332.3	69.1	0.8	5,536.0	0.4	
Other accounts payable and financial derivatives		649.3	3,090.4	1,319.2	219.1	196.6	453.5	501.0
Net financial worth [1]	-1,303.4	11,578.7	-8,738.9	767.2	-20.0	-86.7	-4,803.7	

Source: ECB.

3.2 Euro area non-financial accounts

(EUR billions; four-quarter cumulated flows)

Uses	2005	2006	2007	2008 Q1-2008 Q4	2008 Q2-2009 Q1	2008 Q3-2009 Q2	2008 Q4-2009 Q3	2009 Q1-2009 Q4
Generation of income account								
Gross value added (basic prices)								
Taxes less subsidies on products								
Gross domestic product (market prices)								
Compensation of employees	3,906.8	4,069.0	4,256.9	4,433.7	4,439.5	4,437.3	4,428.8	4,420.4
Other taxes less subsidies on production	129.8	129.3	137.1	131.7	128.7	121.8	116.5	109.2
Consumption of fixed capital	1,190.3	1,250.6	1,318.1	1,381.5	1,391.8	1,398.7	1,403.5	1,407.4
Net operating surplus and mixed income [1]	2,067.3	2,183.2	2,328.7	2,342.6	2,277.8	2,197.2	2,152.2	2,141.6
Allocation of primary income account								
Net operating surplus and mixed income								
Compensation of employees								
Taxes less subsidies on production								
Property income	2,585.5	3,013.8	3,580.0	3,864.4	3,740.9	3,495.6	3,224.1	2,985.4
Interest	1,344.6	1,643.3	2,058.0	2,306.8	2,211.9	2,051.3	1,836.2	1,640.7
Other property income	1,240.9	1,370.5	1,522.0	1,557.6	1,528.9	1,444.3	1,387.8	1,344.7
Net national income [1]	6,967.8	7,321.7	7,703.1	7,787.9	7,703.1	7,610.2	7,547.1	7,532.9
Secondary distribution of income account								
Net national income								
Current taxes on income, wealth, etc.	935.9	1,028.2	1,111.7	1,122.8	1,111.6	1,074.4	1,044.6	1,017.7
Social contributions	1,477.9	1,539.8	1,595.2	1,660.9	1,668.4	1,668.3	1,670.5	1,672.0
Social benefits other than social transfers in kind	1,505.5	1,553.4	1,598.9	1,665.6	1,690.0	1,721.3	1,752.3	1,781.5
Other current transfers	712.0	723.3	752.8	792.0	786.8	779.0	770.3	767.7
Net non-life insurance premiums	179.6	179.9	184.3	189.8	187.0	183.5	179.0	175.0
Non-life insurance claims	180.5	180.2	184.1	190.9	188.0	184.2	179.6	175.4
Other	351.9	363.2	384.4	411.3	411.8	411.2	411.7	417.3
Net disposable income [1]	6,881.4	7,229.5	7,608.5	7,682.5	7,597.5	7,503.6	7,438.5	7,422.9
Use of income account								
Net disposable income								
Final consumption expenditure	6,355.4	6,631.8	6,893.4	7,161.8	7,169.8	7,164.5	7,158.9	7,174.5
Individual consumption expenditure	5,690.5	5,946.6	6,181.8	6,410.6	6,407.8	6,394.9	6,382.4	6,392.8
Collective consumption expenditure	664.9	685.3	711.6	751.2	762.0	769.6	776.5	781.7
Adjustment for the change in the net equity of households in pension fund reserves	60.8	62.9	60.1	64.9	64.7	63.0	60.9	59.5
Net saving [1]	526.4	597.9	715.2	520.7	427.7	339.1	279.6	248.5
Capital account								
Net saving								
Gross capital formation	1,716.7	1,875.4	2,019.9	2,058.1	1,991.4	1,891.8	1,808.9	1,738.0
Gross fixed capital formation	1,709.9	1,853.4	1,992.6	2,022.5	1,970.7	1,899.7	1,839.0	1,795.7
Changes in inventories and acquisitions less disposals of valuables	6.8	22.1	27.4	35.6	20.7	-7.9	-30.0	-57.6
Consumption of fixed capital								
Acquisitions less disposals of non-produced non-financial assets	-0.4	-0.4	-1.1	0.7	1.1	0.7	0.4	0.2
Capital transfers	183.7	169.9	151.5	160.8	159.1	170.1	172.2	179.0
Capital taxes	24.4	22.5	24.3	23.8	23.6	28.6	29.0	33.9
Other capital transfers	159.3	147.4	127.2	137.0	135.5	141.6	143.3	145.2
Net lending (+)/net borrowing (-) (from capital account) [1]	13.5	-12.0	29.3	-145.7	-164.5	-145.9	-117.1	-73.1

Sources: ECB and Eurostat.

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

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

(EUR billions; four-quarter cumulated flows)

Resources	2005	2006	2007	2008 Q1-2008 Q4	2008 Q2-2009 Q1	2008 Q3-2009 Q2	2008 Q4-2009 Q3	2009 Q1-2009 Q4
Generation of income account								
Gross value added (basic prices)	7,294.3	7,632.1	8,040.8	8,289.6	8,237.8	8,155.0	8,101.1	8,078.5
Taxes less subsidies on products	845.3	914.0	959.5	946.5	930.2	913.7	902.7	895.1
Gross domestic product (market prices)[2]	8,139.6	8,546.1	9,000.4	9,236.1	9,168.0	9,068.7	9,003.8	8,973.6
Compensation of employees								
Other taxes less subsidies on production								
Consumption of fixed capital								
Net operating surplus and mixed income								
Allocation of primary income account								
Net operating surplus and mixed income	2,067.3	2,183.2	2,328.7	2,342.6	2,277.8	2,197.2	2,152.2	2,141.6
Compensation of employees	3,914.1	4,076.5	4,264.9	4,442.1	4,447.7	4,445.4	4,436.6	4,427.4
Taxes less subsidies on production	988.2	1,054.7	1,103.6	1,084.3	1,064.6	1,042.3	1,027.6	1,019.7
Property income	2,583.8	3,021.0	3,585.9	3,783.4	3,654.0	3,420.9	3,154.7	2,929.7
Interest	1,319.0	1,613.7	2,016.4	2,245.4	2,146.8	1,984.9	1,767.3	1,574.4
Other property income	1,264.8	1,407.3	1,569.5	1,538.0	1,507.2	1,436.0	1,387.5	1,355.2
Net national income								
Secondary distribution of income account								
Net national income	6,967.8	7,321.7	7,703.1	7,787.9	7,703.1	7,610.2	7,547.1	7,532.9
Current taxes on income, wealth, etc.	939.5	1,032.9	1,119.1	1,131.0	1,119.6	1,080.7	1,050.1	1,023.4
Social contributions	1,477.2	1,539.0	1,594.4	1,660.3	1,667.5	1,667.2	1,669.5	1,671.2
Social benefits other than social transfers in kind	1,497.9	1,545.4	1,590.0	1,657.5	1,681.9	1,713.4	1,744.6	1,773.7
Other current transfers	630.5	635.3	660.5	687.2	682.1	675.1	664.8	660.5
Net non-life insurance premiums	180.5	180.2	184.1	190.9	188.0	184.2	179.6	175.4
Non-life insurance claims	178.3	177.1	181.5	187.3	184.3	180.8	176.1	172.1
Other	271.6	277.9	294.9	309.1	309.8	310.1	309.1	313.0
Net disposable income								
Use of income account								
Net disposable income	6,881.4	7,229.5	7,608.5	7,682.5	7,597.5	7,503.6	7,438.5	7,422.9
Final consumption expenditure								
Individual consumption expenditure								
Collective consumption expenditure								
Adjustment for the change in the net equity of households in pension fund reserves	61.0	63.1	60.3	64.9	64.7	63.0	60.9	59.5
Net saving								
Capital account								
Net saving	526.4	597.9	715.2	520.7	427.7	339.1	279.6	248.5
Gross capital formation								
Gross fixed capital formation								
Changes in inventories and acquisitions less disposals of valuables								
Consumption of fixed capital	1,190.3	1,250.6	1,318.1	1,381.5	1,391.8	1,398.7	1,403.5	1,407.4
Acquisitions less disposals of non-produced non-financial assets								
Capital transfers	196.8	184.4	166.2	171.7	167.5	178.9	181.3	188.4
Capital taxes	24.4	22.5	24.3	23.8	23.6	28.6	29.0	33.9
Other capital transfers	172.3	161.9	142.0	147.9	144.0	150.4	152.3	154.5
Net lending (+)/net borrowing (-) (from capital account)								

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

3.3 Households

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

	2005	2006	2007	2008 Q1-2008 Q4	2008 Q2-2009 Q1	2008 Q3-2009 Q2	2008 Q4-2009 Q3	2009 Q1-2009 Q4
Income, saving and changes in net worth								
Compensation of employees (+)	3,914.1	4,076.5	4,264.9	4,442.1	4,447.7	4,445.4	4,436.6	4,427.4
Gross operating surplus and mixed income (+)	1,338.9	1,415.3	1,499.4	1,550.8	1,543.7	1,531.4	1,520.4	1,515.9
Interest receivable (+)	225.4	261.6	304.9	336.6	321.9	296.2	263.5	235.4
Interest payable (-)	130.5	163.4	209.1	233.7	217.4	192.6	164.0	139.8
Other property income receivable (+)	702.7	747.7	790.2	795.4	787.3	762.1	745.1	736.3
Other property income payable (-)	9.5	9.8	10.0	10.1	10.2	10.3	10.3	10.2
Current taxes on income and wealth (-)	741.7	794.3	851.7	892.3	890.3	877.8	871.8	860.8
Net social contributions (-)	1,474.0	1,535.7	1,591.0	1,656.5	1,664.0	1,663.7	1,665.9	1,667.2
Net social benefits (+)	1,492.6	1,539.9	1,584.3	1,651.7	1,676.0	1,707.5	1,738.7	1,767.8
Net current transfers receivable (+)	66.4	66.7	69.4	72.1	73.6	76.7	79.8	82.1
= Gross disposable income	5,384.4	5,604.3	5,851.5	6,056.1	6,068.3	6,074.9	6,072.1	6,086.9
Final consumption expenditure (-)	4,690.6	4,897.9	5,088.5	5,267.0	5,249.0	5,225.1	5,198.6	5,197.8
Changes in net worth in pension funds (+)	60.6	62.7	59.8	64.6	64.3	62.7	60.6	59.2
= Gross saving	754.4	769.2	822.8	853.7	883.6	912.4	934.0	948.3
Consumption of fixed capital (-)	326.0	345.2	366.0	384.1	386.5	388.2	389.4	389.8
Net capital transfers receivable (+)	24.0	18.7	12.0	13.5	13.1	14.3	15.7	10.9
Other changes in net worth [1] (+)	565.8	523.4	62.3	-1,689.2	-1,330.9	-722.3	56.9	524.0
= Changes in net worth [1]	1,018.1	966.1	531.1	-1,206.1	-820.7	-183.8	617.2	1,093.4
Investment, financing and changes in net worth								
Net acquisition of non-financial assets (+)	552.6	605.3	644.7	642.3	623.0	598.2	575.1	557.2
Consumption of fixed capital (-)	326.0	345.2	366.0	384.1	386.5	388.2	389.4	389.8
Main items of financial investment (+)								
Short-term assets	205.4	308.1	423.2	427.4	381.2	290.4	194.7	33.6
Currency and deposits	246.8	284.1	349.8	439.0	398.4	335.6	256.3	121.8
Money market fund shares	-21.4	1.4	38.3	-13.1	1.8	-17.1	-22.0	-43.1
Debt securities [2]	-20.0	22.6	35.1	1.5	-19.0	-28.0	-39.5	-45.1
Long-term assets	412.8	336.8	153.0	39.4	72.8	171.7	302.9	449.7
Deposits	-7.6	1.9	-31.1	-27.4	-13.7	15.7	55.1	88.1
Debt securities	-2.6	56.1	45.4	56.2	43.2	25.6	27.4	14.8
Shares and other equity	130.2	-19.4	-83.4	-115.9	-90.2	-33.5	28.1	96.1
Quoted and unquoted shares and other equity	63.2	-4.5	-4.5	12.1	25.2	39.0	47.5	42.7
Mutual fund shares	67.0	-14.9	-78.8	-128.0	-115.4	-72.5	-19.4	53.4
Life insurance and pension fund reserves	292.7	298.2	222.2	126.6	133.5	163.8	192.3	250.7
Main items of financing (-)								
Loans	398.9	395.2	356.9	206.1	154.8	126.0	98.5	98.3
of which: From euro area MFIs	358.5	349.0	283.7	82.8	20.1	10.3	-15.8	63.1
Other changes in financial assets (+)								
Shares and other equity	473.3	468.3	55.6	-1,407.7	-1,069.6	-628.3	-61.1	335.5
Life insurance and pension fund reserves	109.5	46.7	25.1	-252.6	-201.2	-99.6	55.5	152.9
Remaining net flows (+)	-10.5	-58.6	-47.7	-64.7	-85.7	-2.0	38.0	52.6
= Changes in net worth [1]	1,018.1	966.1	531.1	-1,206.1	-820.7	-183.8	617.2	1,093.4
Financial balance sheet								
Financial assets (+)								
Short-term assets	4,478.6	4,744.5	5,199.8	5,698.3	5,772.1	5,787.1	5,745.9	5,731.7
Currency and deposits	4,173.7	4,453.9	4,842.8	5,314.4	5,375.7	5,431.0	5,397.6	5,468.3
Money market fund shares	291.2	252.7	289.4	317.2	342.3	310.9	307.6	243.6
Debt securities [2]	13.6	37.9	67.6	66.7	54.0	45.2	40.7	19.8
Long-term assets	11,075.6	11,988.0	12,168.2	10,452.6	10,184.5	10,638.6	11,225.5	11,439.1
Deposits	998.8	1,009.8	943.4	883.7	859.4	878.4	907.7	949.5
Debt securities	1,238.8	1,306.6	1,332.1	1,366.7	1,337.7	1,372.7	1,438.6	1,421.7
Shares and other equity	4,570.6	5,059.3	5,033.1	3,468.6	3,243.7	3,507.9	3,836.4	3,930.7
Quoted and unquoted shares and other equity	3,234.3	3,641.6	3,674.1	2,488.1	2,309.3	2,497.0	2,767.2	2,785.4
Mutual fund shares	1,336.2	1,417.7	1,359.1	980.5	934.4	1,010.9	1,069.2	1,145.3
Life insurance and pension fund reserves	4,267.4	4,612.3	4,859.6	4,733.6	4,743.8	4,879.6	5,042.8	5,137.1
Remaining net assets (+)	270.8	241.9	211.7	228.5	211.1	238.3	218.7	212.6
Liabilities (-)								
Loans	4,766.1	5,165.6	5,510.9	5,708.0	5,701.9	5,739.4	5,762.9	5,804.8
of which: From euro area MFIs	4,201.0	4,553.1	4,825.5	4,901.1	4,878.7	4,899.0	4,916.2	4,956.0
= Net financial wealth	11,058.9	11,808.8	12,068.8	10,671.4	10,465.8	10,924.5	11,427.3	11,578.7

Sources: ECB and Eurostat.

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

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

3.4 Non-financial corporations

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

	2005	2006	2007	2008 Q1-2008 Q4	2008 Q2-2009 Q1	2008 Q3-2009 Q2	2008 Q4-2009 Q3	2009 Q1-2009 Q4
Income and saving								
Gross value added (basic prices) (+)	4,163.1	4,369.3	4,620.3	4,750.3	4,693.1	4,612.1	4,556.3	4,528.4
Compensation of employees (-)	2,471.3	2,583.9	2,713.6	2,831.9	2,828.1	2,818.6	2,802.5	2,787.2
Other taxes less subsidies on production (-)	72.8	75.4	80.3	76.1	74.0	68.9	64.2	59.1
= Gross operating surplus (+)	1,619.0	1,710.0	1,826.4	1,842.2	1,791.0	1,724.6	1,689.6	1,682.1
Consumption of fixed capital (-)	670.5	701.9	738.6	774.2	780.2	783.6	786.2	788.6
= Net operating surplus (+)	948.4	1,008.1	1,087.8	1,068.1	1,010.8	941.0	903.4	893.5
Property income receivable (+)	433.8	506.0	574.0	594.1	570.8	536.6	507.7	478.6
Interest receivable	141.3	169.7	198.9	223.8	211.8	194.9	174.3	157.0
Other property income receivable	292.5	336.3	375.1	370.3	358.9	341.6	333.4	321.7
Interest and rents payable (-)	236.1	284.0	345.7	400.1	381.4	350.5	310.7	274.2
= Net entrepreneurial income (+)	1,146.1	1,230.1	1,316.1	1,262.1	1,200.2	1,127.0	1,100.5	1,097.9
Distributed income (-)	857.5	926.2	987.4	1,030.3	1,018.2	976.1	941.3	917.2
Taxes on income and wealth payable (-)	149.1	189.8	211.9	193.5	186.5	165.8	144.8	131.6
Social contributions receivable (+)	72.8	74.9	63.7	66.0	65.6	65.6	65.5	65.6
Social benefits payable (-)	60.7	60.6	62.0	63.5	63.7	64.0	64.3	64.4
Other net transfers (-)	61.4	65.8	56.6	58.9	58.3	58.5	59.5	60.4
= Net saving	90.1	62.5	62.0	-18.2	-60.9	-71.8	-43.9	-10.1
Investment, financing and saving								
Net acquisition of non-financial assets (+)	253.0	311.7	363.9	354.3	298.2	212.9	149.8	95.4
Gross fixed capital formation (+)	915.9	989.9	1,077.1	1,095.1	1,059.7	1,006.9	967.6	942.2
Consumption of fixed capital (-)	670.5	701.9	738.6	774.2	780.2	783.6	786.2	788.6
Net acquisition of other non-financial assets (+)	7.7	23.8	25.4	33.4	18.7	-10.3	-31.6	-58.2
Main items of financial investment (+)								
Short-term assets	128.5	159.8	168.4	61.7	3.7	35.0	81.0	114.5
Currency and deposits	113.8	146.1	154.4	13.7	-6.4	10.2	37.7	90.0
Money market fund shares	7.4	2.3	-19.2	28.7	29.1	36.4	41.9	42.6
Debt securities [1]	7.4	11.5	33.2	19.3	-19.0	-11.5	1.3	-18.1
Long-term assets	390.4	517.6	736.0	663.1	685.5	561.3	413.4	207.2
Deposits	31.8	24.0	-25.6	22.6	36.5	39.7	11.9	-2.1
Debt securities	-34.4	14.0	-32.4	-71.5	-3.0	17.2	-6.4	-6.2
Shares and other equity	234.2	285.4	446.9	365.7	376.1	340.8	283.7	137.5
Other (mainly intercompany loans)	158.8	194.3	347.2	346.2	275.9	163.6	124.2	78.1
Remaining net assets (+)	87.8	117.4	110.1	53.2	-102.6	-75.8	-76.6	-54.4
Main items of financing (-)								
Debt	432.7	732.4	843.0	760.7	575.7	405.7	230.4	82.5
of which: Loans from euro area MFIs	276.7	449.0	544.2	392.6	252.0	98.2	-35.0	-151.4
of which: Debt securities	14.0	40.0	33.5	62.6	67.5	79.2	92.2	76.9
Shares and other equity	275.9	238.8	404.7	311.1	287.6	317.3	297.5	206.2
Quoted shares	101.7	38.1	70.4	2.5	13.2	47.1	57.9	58.6
Unquoted shares and other equity	174.2	200.7	334.2	308.5	274.4	270.2	239.5	147.6
Net capital transfers receivable (-)	60.6	72.3	69.8	76.3	78.8	77.4	78.3	81.0
= Net saving	90.1	62.5	62.0	-18.2	-60.9	-71.8	-43.9	-10.1
Financial balance sheet								
Financial assets								
Short-term assets	1,509.3	1,675.1	1,827.7	1,889.0	1,876.5	1,908.3	1,957.9	1,999.2
Currency and deposits	1,229.6	1,367.3	1,507.7	1,537.6	1,510.0	1,551.2	1,579.5	1,634.1
Money market fund shares	173.4	181.4	157.4	182.2	208.1	213.6	220.4	206.5
Debt securities [1]	106.3	126.4	162.6	169.2	158.4	143.6	158.0	158.6
Long-term assets	8,809.7	10,197.0	11,102.2	9,365.6	9,098.1	9,494.4	10,149.1	10,452.8
Deposits	107.9	151.8	156.0	173.6	173.9	162.4	152.6	150.3
Debt securities	282.4	296.9	262.7	177.5	181.9	157.7	153.2	186.3
Shares and other equity	6,432.5	7,564.1	8,178.4	6,160.1	5,838.3	6,280.5	6,926.4	7,174.9
Other (mainly intercompany loans)	1,986.9	2,184.1	2,505.2	2,854.4	2,904.0	2,893.9	2,917.0	2,941.3
Remaining net assets	335.8	352.9	385.2	461.1	448.8	479.6	503.2	497.2
Liabilities								
Debt	7,195.5	7,892.8	8,633.5	9,381.1	9,414.3	9,450.5	9,457.7	9,466.3
of which: Loans from euro area MFIs	3,524.3	3,981.9	4,507.1	4,895.6	4,859.3	4,825.9	4,759.4	4,708.9
of which: Debt securities	667.1	686.4	684.1	739.6	736.6	771.2	816.9	821.1
Shares and other equity	11,206.7	13,218.6	14,408.5	10,616.8	9,955.0	10,688.9	11,849.0	12,163.0
Quoted shares	3,721.5	4,533.5	5,023.9	2,850.0	2,483.7	2,827.6	3,299.0	3,429.7
Unquoted shares and other equity	7,485.1	8,685.0	9,384.6	7,766.9	7,471.3	7,861.3	8,549.9	8,733.4

Sources: ECB and Eurostat.

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

3.5 Insurance corporations and pension funds

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

	2005	2006	2007	2008 Q1-2008 Q4	2008 Q2-2009 Q1	2008 Q3-2009 Q2	2008 Q4-2009 Q3	2009 Q1-2009 Q4
Financial account, financial transactions								
Main items of financial investment (+)								
Short-term assets	22.9	64.4	69.2	116.5	69.7	54.6	41.8	22.6
Currency and deposits	7.2	11.0	6.5	57.0	18.4	11.8	-0.7	-33.2
Money market fund shares	-0.9	3.4	2.8	20.7	18.6	12.1	7.0	9.0
Debt securities [1]	16.6	49.9	59.9	38.8	32.7	30.6	35.5	46.7
Long-term assets	290.8	293.7	169.9	67.8	49.7	81.6	112.1	178.4
Deposits	16.7	68.4	48.8	-4.7	8.0	9.1	17.2	15.2
Debt securities	132.9	111.5	48.8	33.5	52.8	7.6	12.8	49.1
Loans	-0.5	-1.3	-15.6	21.8	-2.1	10.3	7.9	5.3
Quoted shares	31.3	-2.5	-0.4	-15.2	-20.2	-22.7	-96.9	-84.0
Unquoted shares and other equity	19.0	29.5	22.0	23.3	16.1	11.1	2.4	-5.8
Mutual fund shares	91.5	88.2	66.4	9.2	-4.9	66.3	168.8	198.6
Remaining net assets (+)	-0.7	9.6	-11.5	19.6	8.3	31.2	30.4	32.6
Main items of financing (-)								
Debt securities	-0.4	5.7	3.0	11.7	13.8	9.9	10.0	0.8
Loans	12.8	44.9	-5.3	24.3	-2.3	12.3	5.9	-28.3
Shares and other equity	10.5	9.2	1.7	0.1	1.5	2.3	4.4	4.3
Insurance technical reserves	340.4	307.5	242.3	133.1	117.8	147.8	174.0	258.9
Net equity of households in life insurance and pension fund reserves	296.4	301.0	239.1	129.5	122.5	151.7	178.4	250.1
Prepayments of insurance premiums and reserves for outstanding claims	44.0	6.5	3.2	3.6	-4.6	-3.9	-4.4	8.8
= Changes in net financial worth due to transactions	-50.3	0.5	-14.2	34.6	-3.1	-4.9	-10.0	-2.2
Other changes account								
Other changes in financial assets (+)								
Shares and other equity	197.7	178.8	17.6	-564.7	-433.5	-280.2	-57.6	176.3
Other net assets	60.9	-39.8	-39.7	35.8	30.0	51.5	95.4	91.2
Other changes in liabilities (-)								
Shares and other equity	123.0	41.4	-33.3	-179.1	-187.8	-123.2	-53.4	14.2
Insurance technical reserves	144.7	55.1	27.6	-248.8	-203.9	-97.6	65.9	163.2
Net equity of households in life insurance and pension fund reserves	153.8	51.3	27.7	-249.3	-197.9	-93.9	65.5	166.3
Prepayments of insurance premiums and reserves for outstanding claims	-9.1	3.8	-0.1	0.5	-6.0	-3.7	0.3	-3.1
= Other changes in net financial worth	-9.2	42.5	-16.5	-101.0	-11.9	-7.9	25.4	90.1
Financial balance sheet								
Financial assets (+)								
Short-term assets	430.4	503.0	566.2	688.4	709.9	709.1	695.7	720.2
Currency and deposits	146.6	157.1	163.6	224.5	213.2	196.1	190.3	195.2
Money market fund shares	74.3	80.1	80.7	98.8	112.3	104.2	103.2	99.1
Debt securities [1]	209.5	265.8	321.9	365.2	384.4	408.8	402.2	425.9
Long-term assets	4,715.6	5,125.4	5,273.9	4,796.8	4,749.6	4,909.8	5,122.6	5,249.1
Deposits	519.8	589.8	638.8	636.1	649.4	651.6	655.4	651.5
Debt securities	1,801.1	1,853.9	1,859.5	1,909.3	1,948.1	1,928.2	2,003.9	2,047.6
Loans	411.4	406.9	393.1	413.8	414.6	419.5	419.3	418.5
Quoted shares	634.5	718.1	713.2	417.1	374.9	436.9	409.7	416.7
Unquoted shares and other equity	414.4	487.8	527.2	445.4	417.2	416.1	437.7	438.7
Mutual fund shares	934.4	1,068.9	1,142.2	975.1	945.5	1,057.4	1,196.6	1,276.1
Remaining net assets (+)	182.6	212.6	193.1	235.5	236.6	250.7	257.5	254.8
Liabilities (-)								
Debt securities	21.3	35.9	29.3	46.0	44.9	44.8	48.7	50.2
Loans	201.1	242.8	233.9	265.7	268.4	268.2	256.6	236.3
Shares and other equity	629.8	680.3	648.7	469.8	410.3	436.3	489.2	488.3
Insurance technical reserves	4,597.0	4,959.6	5,229.5	5,113.8	5,116.7	5,260.4	5,430.7	5,536.0
Net equity of households in life insurance and pension fund reserves	3,910.9	4,263.2	4,530.0	4,410.2	4,417.1	4,557.4	4,724.2	4,826.6
Prepayments of insurance premiums and reserves for outstanding claims	686.1	696.3	699.5	703.6	699.6	703.0	706.5	709.4
= Net financial wealth	-120.6	-77.6	-108.3	-174.6	-144.3	-140.1	-149.3	-86.7

Source: ECB.

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

4 FINANCIAL MARKETS

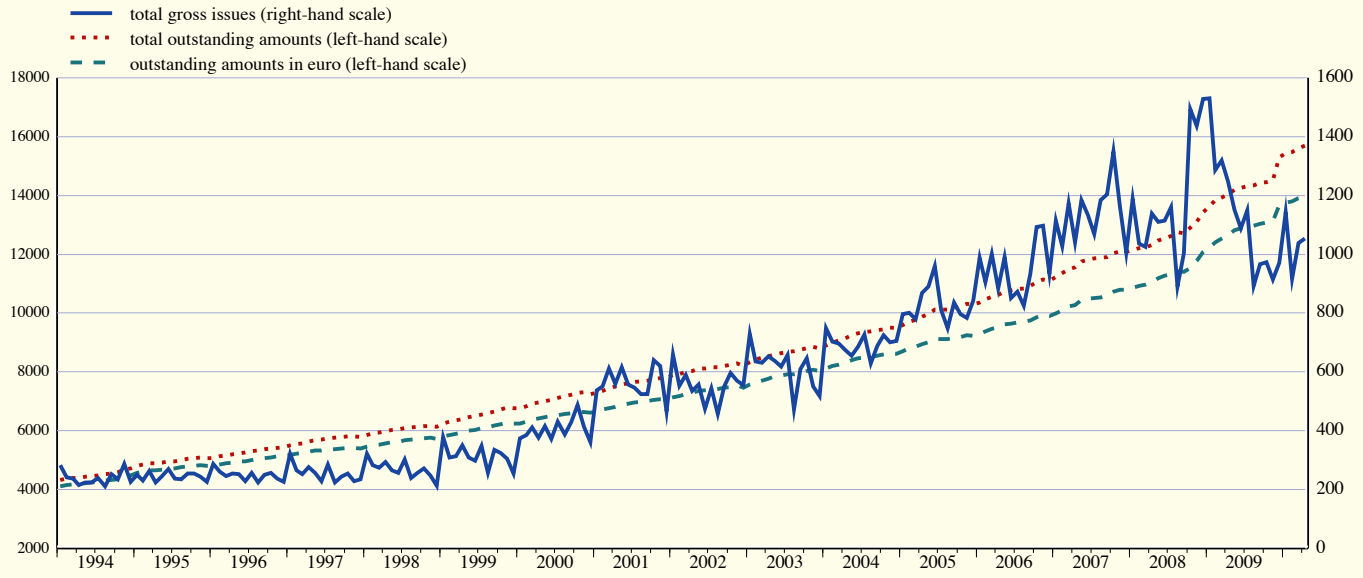
4.1 Securities other than shares by original maturity, residency of the issuer and currency

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

	Total in euro [1]			By euro area residents								
				In euro			In all currencies					
	Outstanding amounts	Gross issues	Net issues	Outstanding amounts	Gross issues	Net issues	Outstanding amounts	Gross issues	Net issues	Annual growth rates	Seasonally adjusted [2]	
											Net issues	6-month growth rates
	1	2	3	4	5	6	7	8	9	10	11	12
	Total											
2009 Apr.	14,840.8	1,233.9	79.6	12,640.1	1,167.6	102.8	14,048.0	1,248.1	107.1	11.9	89.9	14.2
May	15,050.0	1,160.1	208.7	12,815.5	1,070.8	174.8	14,191.2	1,151.3	176.9	11.9	116.5	12.7
June	15,141.4	1,090.0	90.4	12,877.1	1,007.8	60.4	14,262.6	1,088.0	74.7	11.7	92.9	10.5
July	15,173.1	1,124.2	32.3	12,933.0	1,069.5	56.5	14,330.3	1,148.7	69.0	11.6	104.2	10.4
Aug.	15,224.2	883.1	50.0	12,965.2	827.3	31.2	14,351.6	893.4	24.1	10.8	63.7	8.9
Sep.	15,329.6	965.6	106.1	13,043.7	882.4	79.2	14,420.9	966.2	84.7	11.8	149.9	9.1
Oct.	15,331.1	951.3	1.7	13,073.9	901.7	30.4	14,456.5	973.1	38.5	10.9	10.6	7.8
Nov.	15,383.3	889.8	51.4	13,128.3	847.6	53.6	14,515.9	913.4	64.3	9.6	39.3	6.6
Dec.	15,921.3	937.7	-47.6	13,668.2	884.2	-45.8	15,301.3	971.6	-49.5	8.1	22.4	5.3
2010 Jan.	16,005.1	1,089.9	82.5	13,754.3	1,027.3	84.8	15,434.0	1,143.7	105.1	7.7	80.8	4.9
Feb.	16,042.2	870.8	39.0	13,793.0	822.0	40.6	15,480.8	916.5	34.7	6.3	-17.6	3.7
Mar.	16,197.7	1,031.0	154.0	13,906.5	927.1	111.9	15,608.0	1,039.1	120.4	6.0	111.2	3.1
Apr.	.	.	.	13,962.1	943.7	54.0	15,695.7	1,052.9	74.9	5.7	60.3	3.7
	Long-term											
2009 Apr.	13,230.8	292.6	78.8	11,142.5	257.8	71.2	12,350.5	276.6	72.4	10.1	69.8	13.5
May	13,435.1	339.3	204.9	11,313.7	281.4	172.0	12,501.7	301.9	179.4	10.4	116.1	12.9
June	13,556.9	314.2	119.7	11,423.6	275.6	107.4	12,633.6	309.5	130.2	10.6	102.5	11.7
July	13,584.0	269.2	27.3	11,457.3	247.8	33.9	12,677.2	272.7	44.1	10.6	87.1	11.0
Aug.	13,644.3	131.5	59.9	11,502.4	108.9	44.8	12,719.7	121.8	48.8	10.3	98.6	10.3
Sep.	13,716.4	223.7	71.7	11,576.8	197.1	74.0	12,782.0	222.6	75.3	11.3	124.4	10.0
Oct.	13,782.6	245.1	64.2	11,639.0	216.7	60.1	12,845.3	236.1	66.7	11.6	61.5	9.8
Nov.	13,866.1	200.9	81.5	11,718.4	180.1	77.3	12,922.1	195.3	81.7	10.7	46.9	8.6
Dec.	14,387.1	170.5	-19.8	12,249.2	155.0	-10.0	13,676.6	167.0	-19.9	9.1	-23.2	6.2
2010 Jan.	14,468.0	309.3	81.1	12,323.5	277.8	74.4	13,793.3	315.5	92.7	9.0	138.9	6.8
Feb.	14,523.2	211.4	57.4	12,385.3	192.9	63.9	13,865.0	210.8	60.1	7.9	18.2	5.5
Mar.	14,669.7	308.8	145.1	12,506.7	248.8	120.1	13,997.0	280.2	126.9	7.7	132.9	5.4
Apr.	.	.	.	12,559.9	219.1	50.3	14,079.7	250.5	69.1	7.6	66.5	5.4

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

(EUR billions)



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

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

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

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

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

1. Outstanding amounts and gross issues

	Outstanding amounts						Gross issues [1]					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government
	1	2	3	4	5	6	7	8	9	10	11	12
	Total											
2008	13,428	5,272	2,170	709	4,938	340	1,177	817	75	100	162	24
2009	15,301	5,379	3,225	814	5,510	373	1,124	738	58	85	221	22
2009 Q2	14,263	5,438	2,355	769	5,349	351	1,162	750	62	90	241	20
Q3	14,421	5,432	2,379	799	5,452	358	1,003	652	43	84	212	12
Q4	15,301	5,379	3,225	814	5,510	373	953	628	49	73	182	20
2010 Q1	15,608	5,471	3,239	854	5,656	389	1,033	653	57	73	230	20
2010 Jan.	15,434	5,434	3,260	823	5,549	368	1,144	722	80	69	259	14
Feb.	15,481	5,418	3,234	841	5,612	375	916	574	35	71	215	22
Mar.	15,608	5,471	3,239	854	5,656	389	1,039	663	56	80	215	25
Apr.	15,696	5,495	3,254	867	5,686	394	1,053	672	56	83	219	23
	Short-term											
2008	1,595	822	66	116	566	25	961	722	27	92	101	19
2009	1,625	733	75	71	725	21	874	639	14	68	137	15
2009 Q2	1,629	785	44	86	699	16	866	631	14	69	139	13
Q3	1,639	751	35	83	752	19	797	569	10	71	139	8
Q4	1,625	733	75	71	725	21	753	550	14	60	116	13
2010 Q1	1,611	747	63	77	708	17	764	547	24	60	123	10
2010 Jan.	1,641	737	75	74	741	13	828	598	20	61	144	6
Feb.	1,616	734	65	77	723	16	706	499	25	54	115	12
Mar.	1,611	747	63	77	708	17	759	545	26	66	111	12
Apr.	1,616	754	66	78	699	19	802	571	25	68	121	16
	Long-term [2]											
2008	11,834	4,450	2,104	593	4,371	316	216	95	48	8	61	4
2009	13,677	4,646	3,151	743	4,784	353	250	99	44	16	84	6
2009 Q2	12,634	4,653	2,311	684	4,650	335	296	119	48	21	102	7
Q3	12,782	4,681	2,344	717	4,701	339	206	83	33	14	72	4
Q4	13,677	4,646	3,151	743	4,784	353	199	79	35	13	66	6
2010 Q1	13,997	4,724	3,176	777	4,948	371	269	106	33	13	107	10
2010 Jan.	13,793	4,696	3,185	749	4,808	355	316	124	60	8	115	8
Feb.	13,865	4,684	3,170	764	4,890	358	211	75	10	17	100	10
Mar.	13,997	4,724	3,176	777	4,948	371	280	118	30	14	104	13
Apr.	14,080	4,741	3,188	789	4,987	375	251	101	31	15	97	7
	of which: Long-term fixed rate											
2008	7,720	2,306	754	455	3,955	250	120	49	9	6	53	3
2009	8,840	2,587	1,033	610	4,338	271	172	60	18	16	74	4
2009 Q2	8,356	2,472	865	548	4,211	260	210	72	23	20	90	5
Q3	8,491	2,507	892	582	4,251	259	139	49	14	13	61	3
Q4	8,840	2,587	1,033	610	4,338	271	132	46	10	12	59	5
2010 Q1	9,101	2,657	1,048	637	4,482	277	185	61	10	12	95	7
2010 Jan.	8,899	2,628	1,043	612	4,347	269	205	81	13	7	100	4
Feb.	8,997	2,628	1,038	625	4,435	271	160	41	4	14	93	8
Mar.	9,101	2,657	1,048	637	4,482	277	191	61	14	13	92	10
Apr.	9,190	2,681	1,056	649	4,525	280	182	65	14	14	87	4
	of which: Long-term variable rate											
2008	3,601	1,744	1,302	128	363	64	82	36	38	1	5	1
2009	4,399	1,772	2,050	122	374	81	62	28	25	1	6	2
2009 Q2	3,738	1,762	1,402	125	374	74	65	31	24	1	7	2
Q3	3,734	1,747	1,411	125	372	79	49	21	18	1	7	1
Q4	4,399	1,772	2,050	122	374	81	58	26	25	1	5	2
2010 Q1	4,442	1,779	2,059	129	382	93	70	38	20	1	7	3
2010 Jan.	4,446	1,779	2,073	126	382	85	92	34	44	0	8	5
Feb.	4,418	1,766	2,062	129	374	86	40	30	3	3	3	2
Mar.	4,442	1,779	2,059	129	382	93	77	50	14	1	8	4
Apr.	4,441	1,770	2,061	129	387	94	54	29	15	1	7	3

Source: ECB.

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

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

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

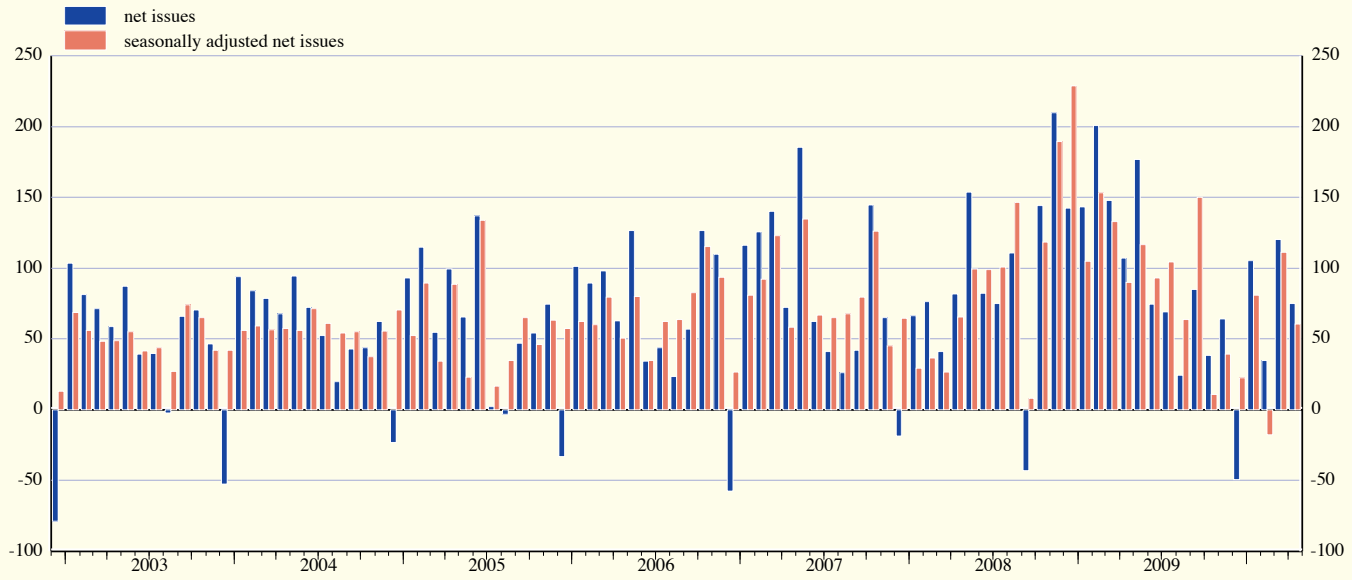
(EUR billions unless otherwise indicated; transactions during the period; nominal values)

2. Net issues

	Non-seasonally adjusted [1]						Seasonally adjusted [1]					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government
	1	2	3	4	5	6	7	8	9	10	11	12
	Total											
2008	95.0	22.9	34.9	4.3	31.8	1.1	95.7	23.1	34.1	4.4	33.1	1.0
2009	90.2	10.2	22.2	8.6	46.4	2.8	90.1	9.9	21.7	8.4	47.3	2.8
2009 Q2	119.6	22.0	28.1	12.8	53.8	2.8	99.8	21.4	27.9	8.7	39.0	2.8
Q3	59.3	0.3	10.2	11.1	35.4	2.3	105.9	9.8	31.6	13.9	47.1	3.5
Q4	17.8	-21.9	18.4	3.6	12.5	5.1	24.1	-12.2	-16.2	5.7	44.3	2.5
2010 Q1	86.7	25.5	0.0	11.7	46.4	3.1	58.1	7.7	17.6	11.4	17.0	4.5
2010 Jan.	105.1	43.3	25.6	6.2	35.7	-5.6	80.8	19.3	69.5	2.2	-8.9	-1.4
Feb.	34.7	-21.4	-28.1	17.0	60.7	6.6	-17.6	-47.1	-30.6	18.2	34.6	7.3
Mar.	120.4	54.6	2.6	12.0	42.8	8.3	111.2	50.7	13.9	13.9	25.1	7.6
Apr.	74.9	19.3	10.0	11.1	29.0	5.7	60.3	8.5	17.7	7.3	21.7	5.0
	Long-term											
2008	65.5	16.0	32.8	2.8	13.4	0.6	64.8	16.1	32.0	2.9	13.3	0.5
2009	89.6	15.4	24.3	12.3	34.5	3.1	89.2	15.5	23.7	12.4	34.6	3.1
2009 Q2	127.3	36.4	28.9	17.1	41.3	3.7	96.1	25.7	27.8	13.4	25.7	3.5
Q3	56.1	12.2	13.0	12.0	17.4	1.4	103.3	22.4	34.7	13.9	29.8	2.5
Q4	42.8	-12.6	16.3	7.4	27.3	4.4	28.4	-3.0	-18.1	7.9	38.1	3.5
2010 Q1	93.2	22.2	4.1	9.9	52.8	4.3	96.7	13.5	21.9	11.6	45.4	4.3
2010 Jan.	92.7	41.2	25.3	3.2	20.9	2.1	138.9	43.7	66.3	4.5	22.7	1.7
Feb.	60.1	-18.5	-17.7	13.7	79.5	3.2	18.2	-41.0	-17.9	14.9	57.9	4.3
Mar.	126.9	43.9	4.6	12.7	58.0	7.5	132.9	37.9	17.2	15.4	55.5	6.8
Apr.	69.1	11.0	7.3	9.9	37.6	3.4	66.5	1.4	15.8	8.0	38.9	2.5

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

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



Source: ECB.

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

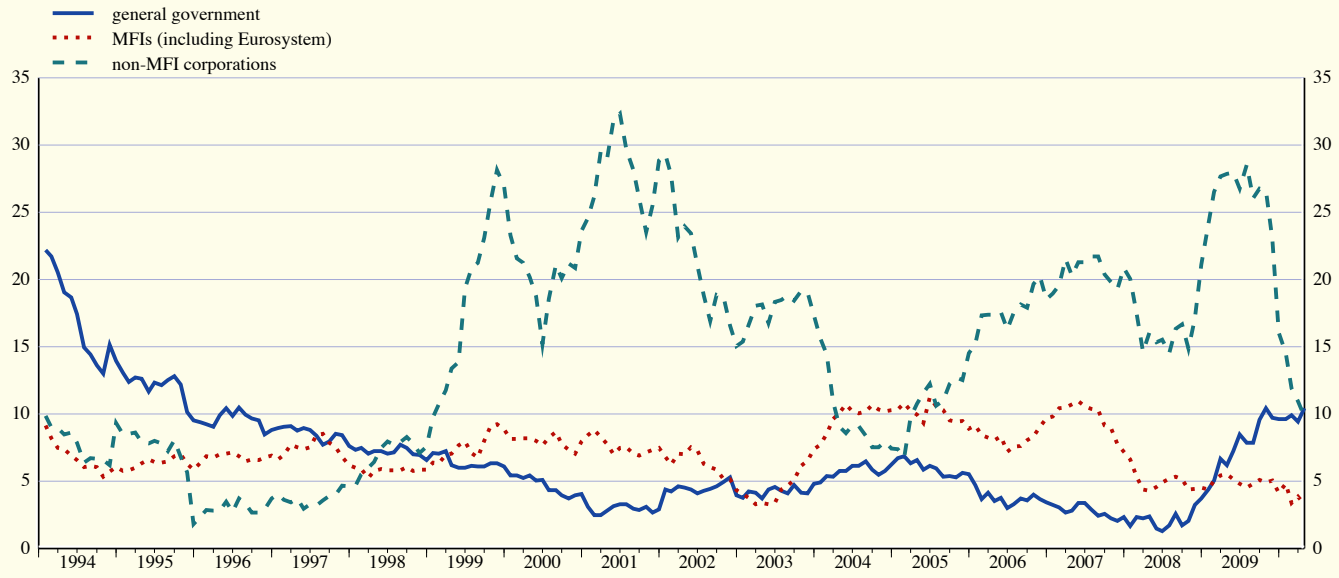
4.3 Growth rates of securities other than shares issued by euro area residents [1)]

(percentage changes)

	Annual growth rates (non-seasonally adjusted)						6-month seasonally adjusted growth rates					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government
	1	2	3	4	5	6	7	8	9	10	11	12
	Total											
2009 Apr.	11.9	6.2	31.6	10.3	11.7	10.6	14.2	5.9	37.9	15.7	15.1	11.3
May	11.9	5.4	31.1	10.4	12.8	9.5	12.7	5.8	31.7	16.4	13.0	11.9
June	11.7	4.8	28.0	12.3	13.7	9.6	10.5	4.8	21.0	11.9	12.0	9.6
July	11.6	4.2	28.8	14.1	13.5	9.4	10.4	4.8	21.1	15.8	11.0	10.3
Aug.	10.8	3.5	25.1	13.8	13.4	9.0	8.9	3.2	16.8	14.4	10.7	10.8
Sep.	11.8	4.1	25.4	16.2	14.9	10.6	9.1	3.5	16.4	19.2	10.2	11.3
Oct.	10.9	3.0	24.8	17.1	13.6	10.4	7.8	0.2	13.0	18.6	12.1	9.4
Nov.	9.6	2.5	20.0	17.0	12.1	10.6	6.6	-0.6	9.5	17.7	11.3	9.3
Dec.	8.1	2.3	12.0	14.6	11.3	9.7	5.3	-0.3	3.5	16.0	10.7	10.4
2010 Jan.	7.7	2.3	12.1	13.8	10.2	9.1	4.9	0.0	3.7	11.7	9.4	7.8
Feb.	6.3	0.6	8.6	15.1	9.8	10.8	3.7	-1.8	0.9	15.7	8.8	11.0
Mar.	6.0	1.4	7.2	16.1	8.6	11.6	3.1	-0.5	-1.2	13.1	6.9	11.9
Apr.	5.7	1.3	6.2	15.7	8.5	10.9	3.7	2.5	-0.2	13.1	5.0	12.4
	Long-term											
2009 Apr.	10.1	5.5	32.8	14.8	6.0	8.7	13.5	5.0	42.6	26.2	10.0	11.8
May	10.4	5.1	32.4	16.3	7.2	8.5	12.9	5.7	35.5	30.5	9.1	14.2
June	10.6	4.8	29.6	19.4	8.5	8.4	11.7	5.7	23.9	29.8	9.8	12.6
July	10.6	4.5	31.1	22.0	7.8	8.0	11.0	6.2	22.0	28.1	8.6	12.0
Aug.	10.3	4.8	27.8	21.6	7.8	8.0	10.3	6.8	17.9	24.0	8.3	13.2
Sep.	11.3	5.1	28.1	24.0	9.6	9.3	10.0	6.4	17.7	27.3	7.5	11.4
Oct.	11.6	4.9	27.2	26.0	10.4	10.4	9.8	4.8	13.5	25.9	11.0	9.0
Nov.	10.7	5.0	21.9	27.2	9.6	10.8	8.6	4.4	9.8	24.2	10.1	7.6
Dec.	9.1	4.1	13.5	24.9	9.5	11.8	6.2	2.5	3.9	20.3	9.0	10.9
2010 Jan.	9.0	4.8	12.4	21.9	9.5	11.4	6.8	3.5	3.4	15.9	10.5	10.7
Feb.	7.9	3.4	9.2	21.8	9.7	12.3	5.5	0.0	1.0	19.6	11.2	11.5
Mar.	7.7	3.8	8.0	22.0	9.2	12.7	5.4	1.3	-0.9	16.9	10.9	14.0
Apr.	7.6	3.3	6.9	20.7	10.4	10.9	5.4	1.8	0.7	15.7	9.8	12.6

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

(annual percentage changes)



Source: ECB.

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

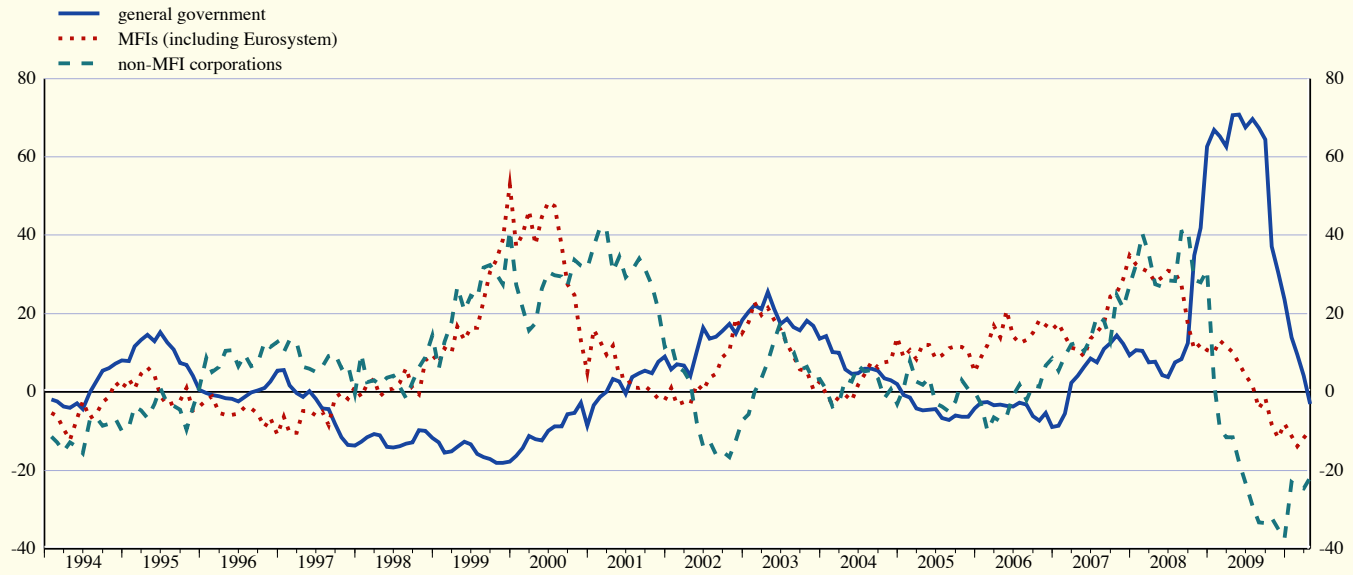
4.3 Growth rates of securities other than shares issued by euro area residents [1] (cont'd)

(percentage changes)

	Long-term fixed rate						Long-term variable rate					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government
	13	14	15	16	17	18	19	20	21	22	23	24
	In all currencies combined											
2008	3.1	4.9	5.7	4.9	1.5	1.4	12.8	5.4	33.4	7.0	7.6	3.2
2009	9.5	7.0	18.2	24.0	8.1	4.2	12.2	1.9	36.2	-1.9	0.1	20.7
2009 Q2	8.9	6.8	17.9	21.2	7.5	4.8	14.4	3.1	43.2	-1.1	-0.6	19.9
Q3	10.5	7.2	21.2	28.2	9.0	3.9	11.4	1.0	35.5	-3.2	-1.6	25.1
Q4	12.2	9.0	21.4	33.5	10.3	6.6	7.7	-1.6	24.4	-4.1	2.0	26.2
2010 Q1	11.1	9.7	14.1	27.9	9.6	8.1	2.4	-3.8	8.6	-2.3	4.6	26.7
2009 Nov.	12.4	9.5	21.7	34.9	10.1	7.1	7.0	-1.7	22.4	-3.9	1.7	25.8
Dec.	11.9	9.7	19.3	32.3	9.7	8.3	2.8	-3.9	10.8	-4.2	3.0	25.2
2010 Jan.	11.5	10.7	16.2	27.7	9.3	7.0	3.5	-3.2	10.1	-3.2	7.3	28.2
Feb.	10.8	9.0	11.6	26.8	10.0	8.3	1.6	-4.4	7.4	-1.5	3.2	27.1
Mar.	10.4	9.1	10.2	26.4	9.4	9.5	1.4	-3.6	5.9	0.0	3.5	24.4
Apr.	10.7	8.9	8.4	24.8	10.7	7.8	0.9	-4.5	4.8	-0.3	7.6	22.1
	In euro											
2008	3.0	4.8	6.1	3.0	1.7	1.3	14.3	6.6	35.1	7.2	7.9	2.0
2009	10.0	8.9	21.4	22.5	8.2	3.6	14.5	3.9	38.7	-2.5	-0.4	21.8
2009 Q2	9.6	8.8	21.8	19.5	7.7	4.2	17.2	5.4	46.3	-1.8	-0.7	21.7
Q3	11.2	9.4	24.4	27.2	9.2	3.3	13.7	2.9	38.1	-3.8	-2.4	27.4
Q4	12.8	11.3	23.5	33.1	10.4	6.1	9.2	-0.1	25.9	-4.9	0.7	26.8
2010 Q1	11.4	10.7	15.3	28.8	9.7	7.8	3.0	-3.3	9.4	-2.5	3.2	26.7
2009 Nov.	12.9	11.9	23.6	34.4	10.2	6.8	8.3	-0.5	23.8	-4.5	0.4	25.9
Dec.	12.2	11.2	20.5	33.0	9.8	8.0	3.7	-3.0	11.9	-4.7	1.7	25.1
2010 Jan.	11.7	11.7	17.8	28.4	9.3	6.6	4.1	-2.8	11.0	-3.7	5.9	28.3
Feb.	11.1	9.9	12.5	27.8	10.1	8.0	2.1	-4.1	8.1	-1.7	1.8	27.0
Mar.	10.7	9.7	11.4	27.4	9.4	9.4	1.9	-3.3	6.5	0.3	2.1	24.5
Apr.	10.8	9.1	8.8	25.9	10.7	7.5	1.3	-4.0	4.9	-0.3	6.3	22.0

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

(annual percentage changes)



Source: ECB.

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

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

(EUR billions, unless otherwise indicated; market values)

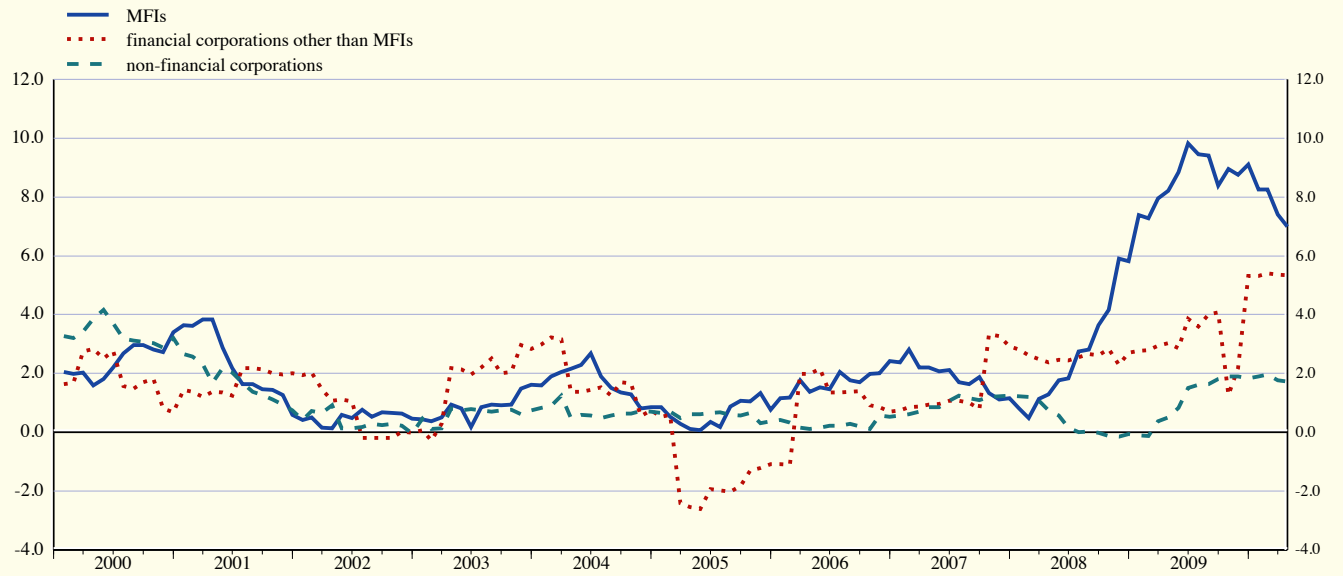
1. Outstanding amounts and annual growth rates

(outstanding amounts as at end of period)

	Total			MFIs		Financial corporations other than MFIs		Non-financial corporations	
	Total	Index: Dec. 2001 = 100	Annual growth rates (%)	Total	Annual growth rates (%)	Total	Annual growth rates (%)	Total	Annual growth rates (%)
	1	2	3	4	5	6	7	8	9
2008 Apr.	5,766.6	104.5	1.0	838.5	1.3	519.6	2.4	4,408.5	0.7
May	5,747.7	104.5	0.9	772.3	1.8	497.1	2.5	4,478.4	0.6
June	5,100.2	104.5	0.6	666.5	1.8	435.8	2.5	3,997.9	0.2
July	4,991.5	104.7	0.6	692.8	2.7	428.2	2.5	3,870.5	0.0
Aug.	5,017.9	104.6	0.7	666.7	2.8	438.4	2.7	3,912.7	0.0
Sep.	4,448.1	104.7	0.7	613.3	3.6	382.3	2.6	3,452.5	0.0
Oct.	3,760.0	105.0	0.7	452.9	4.2	280.5	2.8	3,026.6	-0.1
Nov.	3,504.9	105.2	0.9	395.6	5.9	265.4	2.3	2,843.9	-0.1
Dec.	3,512.7	105.4	1.0	378.1	5.8	282.5	2.7	2,852.1	-0.1
2009 Jan.	3,315.7	105.6	1.1	343.7	7.4	259.0	2.8	2,712.9	-0.1
Feb.	2,943.5	105.6	1.1	275.9	7.3	206.3	2.8	2,461.3	-0.1
Mar.	3,027.4	106.1	1.5	315.5	7.9	223.9	2.9	2,488.0	0.4
Apr.	3,461.0	106.2	1.6	413.7	8.2	274.6	3.0	2,772.7	0.5
May	3,609.3	106.5	1.9	454.1	8.9	283.3	2.9	2,871.9	0.8
June	3,560.2	107.3	2.7	449.5	9.8	279.4	3.9	2,831.4	1.5
July	3,846.1	107.5	2.7	510.4	9.5	301.1	3.6	3,034.6	1.6
Aug.	4,044.3	107.5	2.7	573.3	9.4	321.7	4.0	3,149.3	1.6
Sep.	4,213.9	107.6	2.8	594.0	8.4	351.6	4.1	3,268.3	1.8
Oct.	4,068.7	107.8	2.7	569.0	9.0	326.2	1.3	3,173.6	1.9
Nov.	4,082.3	108.1	2.7	568.5	8.8	317.9	2.2	3,195.9	1.9
Dec.	4,428.9	108.5	3.0	572.1	9.1	348.8	5.3	3,508.0	1.8
2010 Jan.	4,261.5	108.7	2.9	522.5	8.3	338.7	5.3	3,400.3	1.9
Feb.	4,179.3	108.7	3.0	503.6	8.2	337.2	5.4	3,338.4	2.0
Mar.	4,492.7	109.0	2.8	548.3	7.4	363.3	5.4	3,581.1	1.8
Apr.	4,427.9	109.0	2.7	512.7	7.0	343.8	5.3	3,571.4	1.7

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

(annual percentage changes)



Source: ECB.

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

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

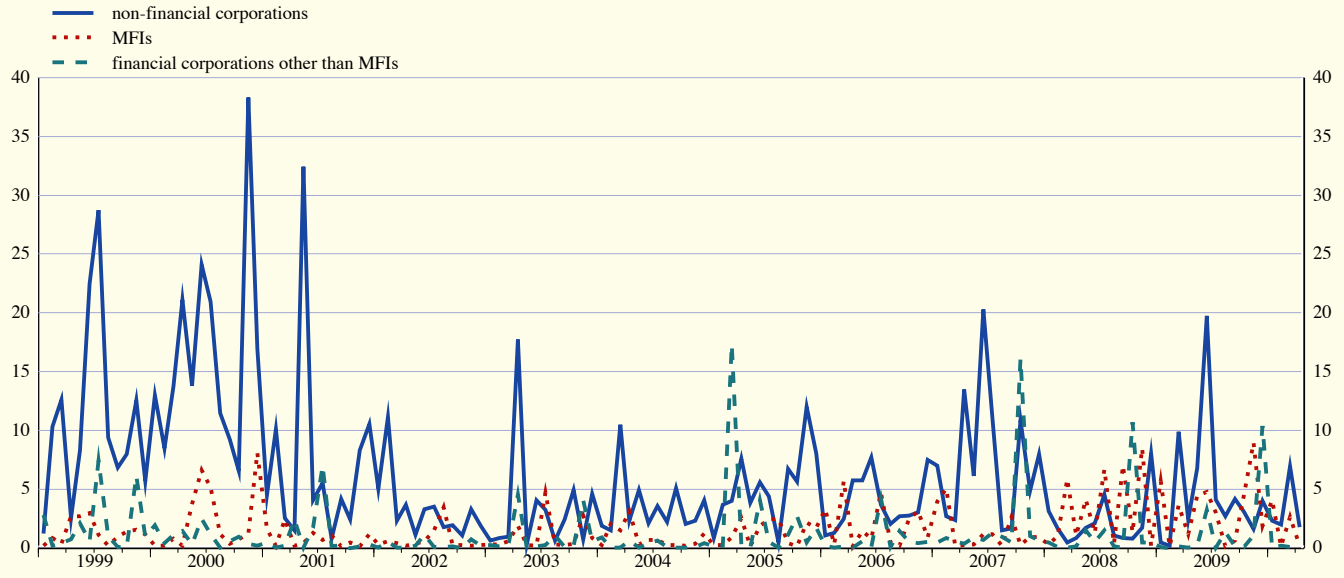
(EUR billions; market values)

2. Transactions during the month

	Total			MFIs			Financial corporations other than MFIs			Non-financial corporations		
	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues
	1	2	3	4	5	6	7	8	9	10	11	12
2008 Apr.	2.1	3.0	-0.9	1.1	0.0	1.1	0.1	0.5	-0.3	0.8	2.5	-1.7
May	7.3	6.0	1.4	4.1	0.1	4.1	1.5	0.3	1.2	1.7	5.6	-3.9
June	3.9	4.8	-0.9	1.3	0.0	1.3	0.5	0.1	0.4	2.1	4.7	-2.6
July	12.7	3.4	9.4	6.7	0.0	6.7	1.5	0.5	1.0	4.5	2.9	1.6
Aug.	1.6	3.0	-1.4	0.3	0.0	0.3	0.1	0.0	0.1	1.1	3.0	-1.9
Sep.	7.8	2.9	5.0	7.0	0.0	7.0	0.0	0.1	-0.1	0.8	2.8	-2.0
Oct.	12.9	0.6	12.2	1.4	0.0	1.4	10.7	0.0	10.7	0.8	0.6	0.1
Nov.	10.6	2.9	7.7	8.4	0.5	8.0	0.5	2.1	-1.6	1.7	0.3	1.4
Dec.	8.5	2.6	6.0	0.0	0.0	0.0	0.5	0.0	0.4	8.0	2.5	5.5
2009 Jan.	6.3	0.5	5.8	5.7	0.0	5.7	0.1	0.0	0.0	0.5	0.4	0.1
Feb.	0.2	0.9	-0.7	0.0	0.0	0.0	0.0	0.1	-0.1	0.2	0.8	-0.6
Mar.	13.7	0.2	13.4	3.6	0.0	3.6	0.2	0.0	0.1	9.9	0.2	9.7
Apr.	3.7	0.3	3.4	1.2	0.0	1.2	0.1	0.0	0.0	2.4	0.3	2.1
May	11.4	0.3	11.1	4.4	0.0	4.4	0.2	0.0	0.1	6.8	0.3	6.5
June	27.8	2.0	25.8	4.8	0.0	4.8	3.3	0.3	3.0	19.7	1.8	18.0
July	7.2	0.2	7.0	3.0	0.0	3.0	0.0	0.0	0.0	4.1	0.2	4.0
Aug.	4.0	3.3	0.7	0.0	0.0	0.0	1.3	0.0	1.3	2.7	3.3	-0.6
Sep.	5.0	0.3	4.7	0.6	0.0	0.6	0.2	0.0	0.1	4.2	0.2	3.9
Oct.	7.7	0.3	7.4	4.5	0.0	4.5	0.1	0.0	0.1	3.1	0.2	2.8
Nov.	11.6	0.2	11.4	9.0	0.0	9.0	1.0	0.0	1.0	1.6	0.2	1.4
Dec.	16.2	0.2	16.1	1.9	0.0	1.9	10.4	0.1	10.3	4.0	0.1	3.9
2010 Jan.	6.4	0.0	6.4	4.1	0.0	4.1	0.1	0.0	0.1	2.3	0.0	2.3
Feb.	2.2	0.3	1.9	0.0	0.0	0.0	0.2	0.0	0.2	2.0	0.3	1.7
Mar.	9.6	0.2	9.4	2.6	0.0	2.6	0.1	0.0	0.1	6.9	0.2	6.7
Apr.	1.8	0.4	1.5	0.1	0.0	0.0	0.0	0.0	0.0	1.8	0.3	1.5

C20 Gross issues of quoted shares by sector of the issuer

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



Source: ECB.

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

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

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

1. Interest rates on deposits (new business)

	Deposits from households						Deposits from non-financial corporations				Repos
	Overnight [2]	With an agreed maturity of:			Redeemable at notice of: [2],[3]		Overnight [2]	With an agreed maturity of:			
		Up to 1 year	Over 1 and up to 2 years	Over 2 years	Up to 3 months	Over 3 months		Up to 1 year	Over 1 and up to 2 years	Over 2 years	
	1	2	3	4	5	6	7	8	9	10	11
2009 June	0.56	1.86	2.38	2.57	1.95	3.52	0.63	1.04	2.17	2.58	0.93
July	0.52	1.86	2.41	2.61	1.86	3.38	0.57	0.82	2.41	2.92	0.68
Aug.	0.50	1.72	2.32	2.64	1.64	3.23	0.54	0.71	2.06	2.93	0.57
Sep.	0.49	1.61	2.27	2.52	1.60	3.12	0.52	0.69	2.10	2.74	0.58
Oct.	0.46	1.68	2.11	2.55	1.55	2.97	0.49	0.66	1.99	2.72	0.56
Nov.	0.46	1.67	2.23	2.56	1.52	2.76	0.48	0.70	2.11	2.92	0.58
Dec.	0.45	1.67	2.31	2.40	1.53	2.45	0.47	0.77	2.00	2.53	0.64
2010 Jan.	0.43	1.74	2.33	2.52	1.47	2.23	0.45	0.72	1.95	2.44	0.53
Feb.	0.42	1.75	2.24	2.36	1.45	2.11	0.44	0.73	2.11	2.39	0.53
Mar.	0.42	1.90	2.38	2.24	1.45	2.05	0.44	0.80	2.73	2.34	0.50
Apr.	0.41	2.02	2.64	2.14	1.42	2.01	0.43	0.78	2.78	2.30	0.58
May	0.40	2.04	2.73	2.24	1.40	1.98	0.43	0.77	2.81	2.26	0.52

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

	Bank overdrafts [2]	Consumer credit				Lending for house purchase					Other lending by initial rate fixation		
		By initial rate fixation			Annual percentage rate of charge [4]	By initial rate fixation				Annual percentage rate of charge [4]			
		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 and up to 10 years	Over 10 years		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9	10	11	12	13
2009 June	9.55	7.26	6.36	8.03	7.83	3.12	4.12	4.51	4.58	4.07	3.55	4.76	4.95
July	9.31	7.63	6.49	8.03	8.02	3.03	4.10	4.54	4.54	4.02	3.35	4.77	4.91
Aug.	9.26	7.93	6.54	7.96	8.17	3.00	4.10	4.54	4.45	4.06	3.24	4.74	4.82
Sep.	9.26	7.69	6.45	7.91	8.00	2.81	4.05	4.48	4.45	3.92	3.13	4.66	4.74
Oct.	9.16	7.32	6.38	7.94	7.87	2.77	4.02	4.45	4.40	3.85	3.21	4.73	4.72
Nov.	9.07	7.03	6.29	7.87	7.76	2.71	3.97	4.46	4.32	3.78	3.16	4.57	4.66
Dec.	8.99	6.42	6.26	7.56	7.43	2.71	3.96	4.42	4.26	3.81	3.08	4.40	4.35
2010 Jan.	8.94	6.83	6.42	8.04	7.86	2.71	3.94	4.38	4.26	3.79	3.13	4.45	4.46
Feb.	9.01	6.72	6.25	7.98	7.78	2.68	3.83	4.32	4.18	3.74	3.17	4.48	4.74
Mar.	8.82	6.35	6.21	7.94	7.59	2.63	3.72	4.21	4.15	3.66	3.05	4.61	4.55
Apr.	8.77	6.83	6.15	7.92	7.69	2.62	3.70	4.18	4.12	3.67	3.06	4.32	4.53
May	8.78	6.76	6.17	7.84	7.65	2.58	3.65	4.14	4.01	3.58	3.09	4.45	4.50

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

	Bank overdrafts [2]	Other loans of up to EUR 1 million by initial rate fixation			Other loans of over EUR 1 million by initial rate fixation		
		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years	Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years
	1	2	3	4	5	6	7
2009 June	4.55	3.64	4.85	4.49	2.57	3.08	3.71
July	4.34	3.56	4.78	4.32	2.37	2.89	3.90
Aug.	4.23	3.42	4.67	4.24	2.30	2.80	3.83
Sep.	4.25	3.36	4.54	4.16	2.06	2.89	3.64
Oct.	4.18	3.33	4.49	4.18	2.14	2.73	3.64
Nov.	4.11	3.34	4.49	4.10	2.22	2.74	3.80
Dec.	4.06	3.28	4.22	3.96	2.19	3.15	3.58
2010 Jan.	4.05	3.25	4.20	3.99	2.02	2.88	3.65
Feb.	4.03	3.25	4.22	4.05	1.94	2.90	3.61
Mar.	3.98	3.24	4.21	4.00	1.99	2.54	3.44
Apr.	3.98	3.19	4.17	3.90	2.00	2.66	3.45
May	3.97	3.25	4.12	3.86	1.96	2.75	3.41

Source: ECB.

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

2) For this instrument category, new business and outstanding amounts coincide. End of period.

3) For this instrument category, households and non-financial corporations are merged and allocated to the household sector, since the outstanding amounts of non-financial corporations are negligible compared with those of the household sector when all participating Member States are combined.

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

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

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

4. Interest rates on deposits (outstanding amounts)

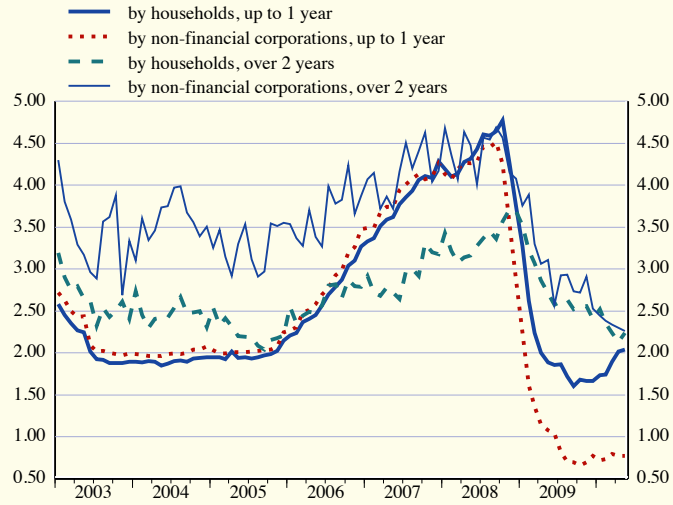
	Deposits from households					Deposits from non-financial corporations			Repos
	Overnight [2)]	With an agreed maturity of:		Redeemable at notice of: [2),3)]		Overnight [2)]	With an agreed maturity of:		
		Up to 2 years	Over 2 years	Up to 3 months	Over 3 months		Up to 2 years	Over 2 years	
	1	2	3	4	5	6	7	8	9
2009 June	0.56	3.25	3.07	1.95	3.52	0.63	2.19	3.65	1.63
July	0.52	3.07	3.03	1.86	3.38	0.57	1.97	3.52	1.53
Aug.	0.50	2.94	3.01	1.64	3.23	0.54	1.89	3.39	1.53
Sep.	0.49	2.83	3.01	1.60	3.12	0.52	1.80	3.39	1.45
Oct.	0.46	2.64	2.96	1.55	2.97	0.49	1.70	3.34	1.35
Nov.	0.46	2.50	2.95	1.52	2.76	0.48	1.62	3.37	1.28
Dec.	0.45	2.36	2.91	1.53	2.45	0.47	1.56	3.30	1.21
2010 Jan.	0.43	2.20	2.80	1.47	2.23	0.45	1.45	3.23	1.20
Feb.	0.42	2.15	2.84	1.45	2.11	0.44	1.42	3.31	1.20
Mar.	0.42	2.13	2.75	1.45	2.05	0.44	1.38	3.26	1.16
Apr.	0.41	2.13	2.75	1.42	2.01	0.43	1.37	3.24	1.16
May	0.40	2.13	2.71	1.40	1.98	0.43	1.42	3.21	1.14

5. Interest rates on loans (outstanding amounts)

	Loans to households						Loans to non-financial corporations		
	Lending for house purchase with a maturity of:			Consumer credit and other loans with a maturity of:			With a maturity of:		
	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Up to 1 year	Over 1 and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9
2009 June	4.50	4.40	4.46	7.97	6.91	5.79	3.91	3.71	4.00
July	4.31	4.31	4.36	7.82	6.79	5.70	3.72	3.59	3.81
Aug.	4.23	4.25	4.28	7.82	6.74	5.65	3.65	3.50	3.73
Sep.	4.18	4.26	4.25	7.80	6.71	5.63	3.62	3.43	3.68
Oct.	4.05	4.19	4.18	7.69	6.66	5.54	3.56	3.37	3.60
Nov.	4.01	4.15	4.12	7.56	6.66	5.51	3.53	3.36	3.57
Dec.	4.07	4.11	4.07	7.55	6.57	5.43	3.46	3.35	3.50
2010 Jan.	3.99	4.05	4.00	7.51	6.52	5.38	3.47	3.31	3.45
Feb.	4.04	4.11	4.03	7.49	6.61	5.43	3.45	3.33	3.43
Mar.	3.99	4.04	3.98	7.44	6.51	5.35	3.43	3.26	3.37
Apr.	3.90	4.01	3.92	7.38	6.51	5.30	3.42	3.21	3.33
May	3.88	3.97	3.90	7.40	6.46	5.29	3.40	3.20	3.32

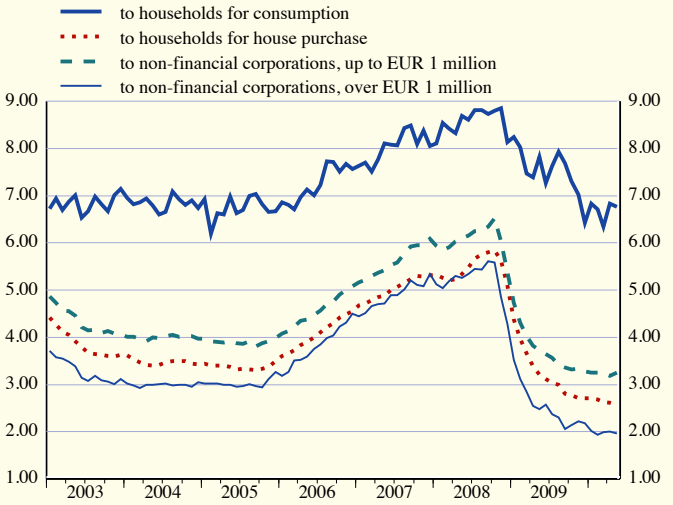
C21 New deposits with an agreed maturity

(percentages per annum excluding charges; period averages)



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

(percentages per annum excluding charges; period averages)



Source: ECB.

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

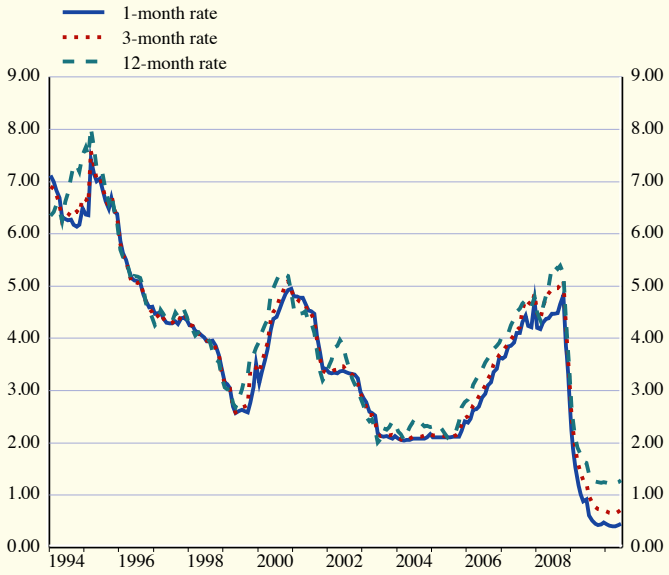
4.6 Money market interest rates

(percentages per annum; period averages)

	Euro area [1), 2)]					United States	Japan
	Overnight deposits (EONIA)	1-month deposits (EURIBOR)	3-month deposits (EURIBOR)	6-month deposits (EURIBOR)	12-month deposits (EURIBOR)	3-month deposits (LIBOR)	3-month deposits (LIBOR)
	1	2	3	4	5	6	7
2007	3.87	4.08	4.28	4.35	4.45	5.30	0.79
2008	3.87	4.28	4.64	4.73	4.83	2.93	0.93
2009	0.71	0.89	1.22	1.43	1.61	0.69	0.47
2009 Q2	0.77	0.94	1.31	1.51	1.67	0.84	0.53
Q3	0.36	0.53	0.87	1.13	1.34	0.41	0.40
Q4	0.36	0.45	0.72	1.00	1.24	0.27	0.31
2010 Q1	0.34	0.42	0.66	0.96	1.22	0.26	0.25
Q2	0.35	0.43	0.69	0.98	1.25	0.44	0.24
2009 June	0.70	0.91	1.23	1.44	1.61	0.62	0.49
July	0.36	0.61	0.97	1.21	1.41	0.52	0.43
Aug.	0.35	0.51	0.86	1.12	1.33	0.42	0.40
Sep.	0.36	0.46	0.77	1.04	1.26	0.30	0.36
Oct.	0.36	0.43	0.74	1.02	1.24	0.28	0.33
Nov.	0.36	0.44	0.72	0.99	1.23	0.27	0.31
Dec.	0.35	0.48	0.71	1.00	1.24	0.25	0.28
2010 Jan.	0.34	0.44	0.68	0.98	1.23	0.25	0.26
Feb.	0.34	0.42	0.66	0.96	1.23	0.25	0.25
Mar.	0.35	0.41	0.64	0.95	1.22	0.27	0.25
Apr.	0.35	0.40	0.64	0.96	1.23	0.31	0.24
May	0.34	0.42	0.69	0.98	1.25	0.46	0.24
June	0.35	0.45	0.73	1.01	1.28	0.54	0.24

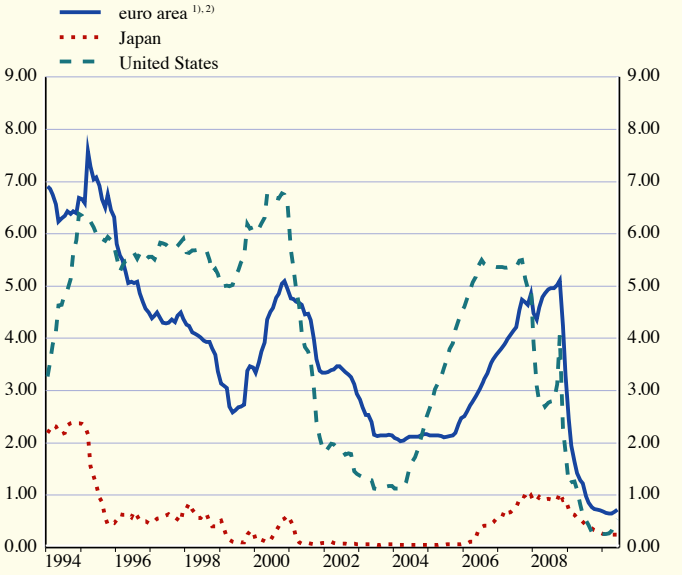
C23 Euro area money market rates [1), 2)]

(monthly averages; percentages per annum)



C24 3-month money market rates

(monthly averages; percentages per annum)



Source: ECB.

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

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

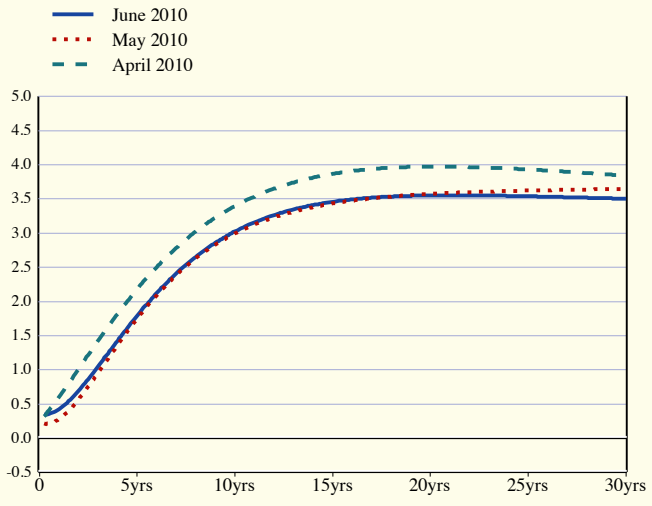
4.7 Euro area yield curves [1)]

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

	Spot rates								Instantaneous forward rates			
	3 months	1 year	2 years	5 years	7 years	10 years	10 years - 3 months (spread)	10 years - 2 years (spread)	1 year	2 years	5 years	10 years
	1	2	3	4	5	6	7	8	9	10	11	12
2007	3.85	4.00	4.01	4.11	4.23	4.38	0.52	0.36	4.06	4.02	4.40	4.78
2008	1.75	1.85	2.14	2.95	3.32	3.69	1.94	1.55	2.09	2.76	4.04	4.60
2009	0.38	0.81	1.38	2.64	3.20	3.76	3.38	2.38	1.41	2.44	4.27	5.20
2009 Q1	0.78	0.88	1.46	2.70	3.23	3.77	3.00	2.31	1.41	2.58	4.24	5.19
Q2	0.62	0.90	1.50	2.85	3.42	3.99	3.37	2.49	1.47	2.67	4.54	5.42
Q3	0.41	0.70	1.33	2.59	3.12	3.64	3.23	2.31	1.34	2.47	4.14	4.96
Q4	0.38	0.81	1.38	2.64	3.20	3.76	3.38	2.38	1.41	2.44	4.27	5.20
2010 Q1	0.33	0.60	1.05	2.28	2.86	3.46	3.13	2.41	1.02	1.98	3.96	5.02
2009 June	0.62	0.90	1.50	2.85	3.42	3.99	3.37	2.49	1.47	2.67	4.54	5.42
July	0.49	0.74	1.43	2.68	3.21	3.74	3.26	2.31	1.49	2.62	4.21	5.13
Aug.	0.44	0.74	1.46	2.69	3.19	3.68	3.24	2.22	1.55	2.66	4.16	4.95
Sep.	0.41	0.70	1.33	2.59	3.12	3.64	3.23	2.31	1.34	2.47	4.14	4.96
Oct.	0.50	0.81	1.43	2.61	3.13	3.68	3.18	2.25	1.49	2.50	4.12	5.11
Nov.	0.44	0.80	1.34	2.49	3.01	3.57	3.13	2.23	1.38	2.32	4.00	5.04
Dec.	0.38	0.81	1.38	2.64	3.20	3.76	3.38	2.38	1.41	2.44	4.27	5.20
2010 Jan.	0.28	0.71	1.25	2.48	3.06	3.66	3.38	2.42	1.28	2.25	4.15	5.23
Feb.	0.30	0.54	1.02	2.29	2.88	3.49	3.19	2.46	0.98	2.01	3.99	5.08
Mar.	0.33	0.60	1.05	2.28	2.86	3.46	3.13	2.41	1.02	1.98	3.96	5.02
Apr.	0.32	0.60	1.01	2.18	2.78	3.40	3.07	2.39	1.00	1.85	3.89	4.94
May	0.21	0.28	0.57	1.75	2.39	3.00	2.78	2.43	0.47	1.28	3.58	4.46
June	0.34	0.42	0.69	1.79	2.41	3.03	2.68	2.33	0.62	1.35	3.54	4.52

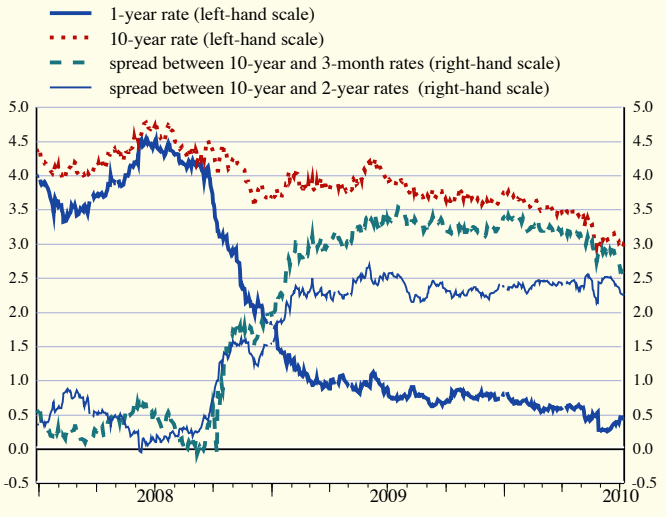
C25 Euro area spot yield curves

(percentages per annum; end of period)



C26 Euro area spot rates and spreads

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



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

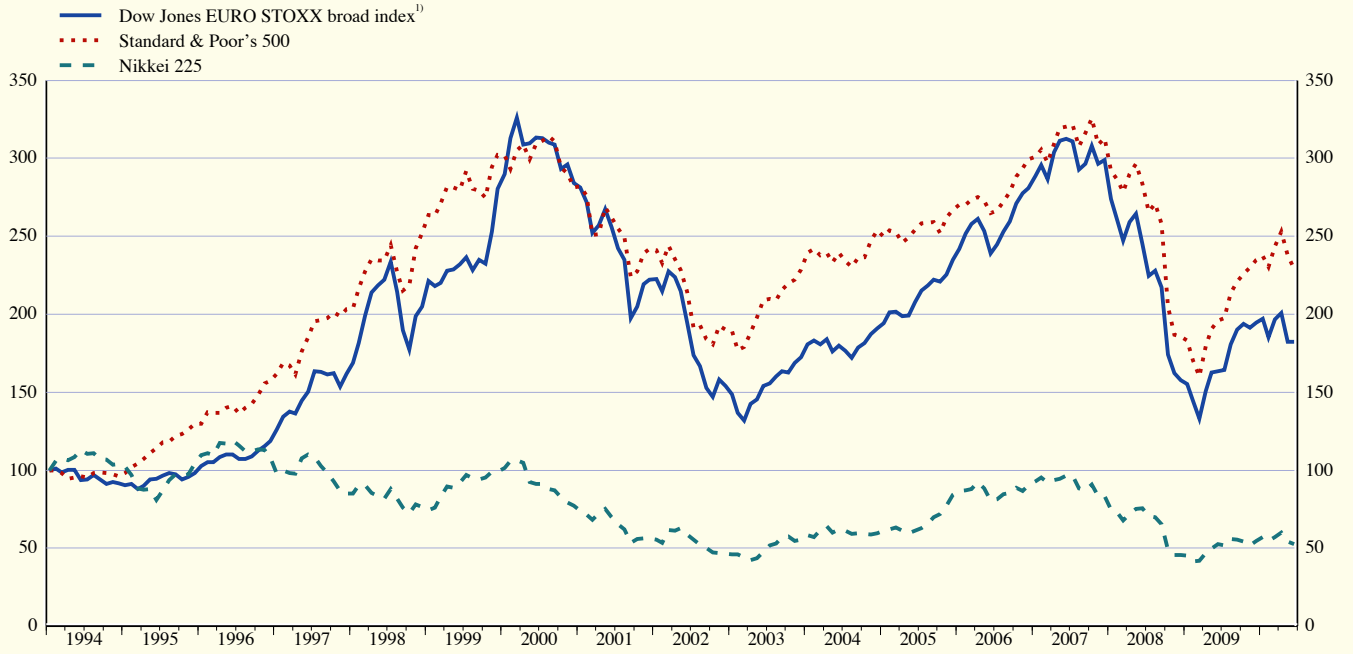
4.8 Stock market indices

(index levels in points; period averages)

	Dow Jones EURO STOXX indices [1]												United States	Japan
	Benchmark		Main industry indices											
	Broad index	50	Basic materials	Consumer services	Consumer goods	Oil and gas	Financials	Industrials	Technology	Utilities	Telecoms	Health care	Standard & Poor's 500	Nikkei 225
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2007	416.4	4,315.8	543.8	235.4	366.5	449.6	408.3	488.4	383.4	561.4	492.7	519.2	1,476.5	16,984.4
2008	313.7	3,319.5	480.4	169.3	290.7	380.9	265.0	350.9	282.5	502.0	431.5	411.5	1,220.7	12,151.6
2009	234.2	2,521.0	353.2	140.5	244.5	293.5	172.1	269.7	200.7	353.7	380.4	363.5	946.2	9,321.6
2009 Q2	220.5	2,376.6	326.9	136.6	229.5	287.3	158.6	251.0	201.1	337.7	351.5	343.8	892.0	9,274.8
Q3	247.2	2,660.6	369.0	142.0	257.1	296.8	192.7	286.0	211.3	361.1	386.0	365.1	994.2	10,117.3
Q4	268.1	2,872.7	422.1	151.5	282.8	316.9	209.7	317.7	214.1	375.3	416.5	399.3	1,088.7	9,969.2
2010 Q1	268.0	2,849.0	445.0	159.3	294.9	320.0	195.5	326.7	229.9	372.4	398.8	426.3	1,123.6	10,511.2
Q2	261.1	2,735.7	446.3	163.7	312.9	305.0	178.8	334.3	229.1	349.6	372.2	412.0	1,134.6	10,345.9
2009 June	226.7	2,449.0	341.0	135.3	235.9	298.3	166.8	255.5	204.3	343.8	349.6	357.0	926.1	9,810.3
July	228.0	2,462.1	337.9	134.8	243.7	288.6	170.6	256.8	198.8	334.7	364.8	352.9	934.1	9,678.3
Aug.	250.7	2,702.7	377.6	142.1	261.8	293.2	198.6	290.3	208.5	365.7	387.2	364.1	1,009.7	10,430.4
Sep.	264.0	2,827.9	393.3	149.5	266.5	308.7	210.2	312.5	227.2	384.4	407.0	378.8	1,044.6	10,302.9
Oct.	268.7	2,865.5	403.7	150.1	277.5	314.2	216.0	318.4	221.3	375.4	415.0	393.6	1,067.7	10,066.2
Nov.	265.4	2,843.8	415.4	149.5	280.0	315.3	208.7	313.6	209.9	369.8	414.5	391.5	1,088.1	9,641.0
Dec.	270.1	2,907.6	447.0	155.0	290.9	321.1	204.3	321.0	211.0	380.5	419.8	412.4	1,110.4	10,169.0
2010 Jan.	273.5	2,922.7	449.4	158.9	295.7	329.8	204.6	331.6	223.1	384.1	407.4	425.5	1,123.6	10,661.6
Feb.	257.0	2,727.5	427.9	154.3	285.3	309.8	183.9	312.3	222.7	360.9	386.8	415.0	1,089.2	10,175.1
Mar.	272.6	2,890.5	456.0	164.0	302.4	320.3	197.7	335.0	242.2	372.2	401.9	436.8	1,152.0	10,671.5
Apr.	278.6	2,937.3	470.9	171.7	313.8	328.6	199.7	349.0	248.8	378.9	396.7	430.0	1,197.3	11,139.8
May	252.7	2,642.1	431.4	159.6	305.2	295.4	170.8	324.8	221.9	341.7	360.0	401.0	1,125.1	10,104.0
June	253.2	2,641.7	438.1	160.4	319.5	292.7	167.5	330.0	218.3	330.5	361.6	406.1	1,083.4	9,786.1

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

(January 1994 = 100; monthly averages)



Source: ECB.

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

PRICES, OUTPUT, DEMAND AND LABOUR MARKETS

5.1 HICP, other prices and costs

(annual percentage changes, unless otherwise indicated)

1. Harmonised Index of Consumer Prices [1]

	Total					Total (s.a.; percentage change vis-à-vis previous period)						Memo item: Administered prices [2]	
	Index: 2005 = 100	Total		Goods	Services	Total	Processed food	Unprocessed food	Non-energy industrial goods	Energy (n.s.a.)	Services	Total HICP excluding administered prices	Administered prices
			Total excl. unprocessed food and energy										
% of total [3]	100.0	100.0	83.1	58.0	42.0	100.0	11.9	7.3	29.3	9.6	42.0	88.9	11.1
	1	2	3	4	5	6	7	8	9	10	11	12	13
2006	102.2	2.2	1.5	2.3	2.0	-	-	-	-	-	-	2.1	2.5
2007	104.4	2.1	2.0	1.9	2.5	-	-	-	-	-	-	2.1	2.3
2008	107.8	3.3	2.4	3.8	2.6	-	-	-	-	-	-	3.4	2.7
2009	108.1	0.3	1.3	-0.9	2.0	-	-	-	-	-	-	0.1	1.7
2009 Q1	107.4	1.0	1.6	0.1	2.2	-0.3	0.0	0.1	0.1	-4.9	0.4	0.7	2.9
Q2	108.3	0.2	1.5	-1.2	2.2	0.3	0.1	-0.8	0.1	0.7	0.5	0.0	1.8
Q3	108.0	-0.4	1.2	-1.9	1.8	0.2	0.3	-0.8	0.0	0.8	0.4	-0.6	1.2
Q4	108.6	0.4	1.0	-0.4	1.7	0.2	0.1	0.1	0.0	0.3	0.4	0.4	0.8
2010 Q1	108.6	1.1	0.9	0.9	1.5	0.4	0.0	0.7	0.0	3.0	0.3	1.2	0.4
2010 Jan.	108.1	1.0	0.9	0.7	1.4	0.2	-0.1	0.3	-0.1	2.1	0.0	1.1	0.4
Feb.	108.4	0.9	0.8	0.6	1.3	0.1	0.0	0.3	0.0	-0.1	0.1	1.0	0.4
Mar.	109.4	1.4	0.9	1.3	1.6	0.4	0.0	0.6	0.0	2.6	0.3	1.6	0.4
Apr.	109.9	1.5	0.8	1.8	1.2	0.2	0.1	0.5	0.1	2.0	-0.1	1.6	1.2
May	110.0	1.6	0.9	1.9	1.3	0.1	0.2	-0.6	0.1	0.6	0.1	1.6	1.4
June [4]	.	1.4	.	.	.	.	.	.	.	.	.	.	.

	Goods						Services					
	Food (incl. alcoholic beverages and tobacco)			Industrial goods			Housing		Transport	Communication	Recreation and personal	Miscellaneous
	Total	Processed food	Unprocessed food	Total	Non-energy industrial goods	Energy		Rents				
% of total [3]	19.2	11.9	7.3	38.9	29.3	9.6	10.2	6.0	6.6	3.3	14.9	7.1
	14	15	16	17	18	19	20	21	22	23	24	25
2006	2.4	2.1	2.8	2.3	0.6	7.7	2.5	2.1	2.5	-3.3	2.3	2.3
2007	2.8	2.8	3.0	1.4	1.0	2.6	2.7	2.0	2.6	-1.9	2.9	3.2
2008	5.1	6.1	3.5	3.1	0.8	10.3	2.3	1.9	3.9	-2.2	3.2	2.5
2009	0.7	1.1	0.2	-1.7	0.6	-8.1	2.0	1.8	2.9	-1.0	2.1	2.1
2009 Q1	2.4	2.1	2.8	-1.1	0.7	-6.1	2.0	1.7	3.6	-1.7	2.7	2.1
Q2	1.0	1.1	0.8	-2.3	0.7	-10.7	2.1	1.8	3.1	-1.2	2.7	2.0
Q3	-0.1	0.6	-1.2	-2.8	0.5	-11.9	2.0	1.8	2.5	-0.6	1.8	2.1
Q4	-0.2	0.5	-1.5	-0.5	0.3	-3.2	1.9	1.7	2.5	-0.6	1.4	2.2
2010 Q1	0.0	0.6	-0.8	1.3	0.1	4.8	1.9	1.6	2.5	-0.5	1.1	1.6
2009 Dec.	-0.2	0.7	-1.6	0.8	0.4	1.8	1.9	1.7	2.5	-0.8	1.2	2.2
2010 Jan.	-0.1	0.6	-1.3	1.1	0.1	4.0	1.9	1.7	2.6	-0.9	1.0	1.6
Feb.	-0.1	0.6	-1.2	0.9	0.1	3.3	1.9	1.6	2.2	-0.4	0.9	1.6
Mar.	0.3	0.5	-0.1	1.8	0.1	7.2	1.9	1.6	2.7	-0.3	1.4	1.5
Apr.	0.7	0.6	0.7	2.3	0.2	9.1	1.9	1.5	2.4	-0.6	0.4	1.4
May	0.7	0.9	0.4	2.5	0.3	9.2	1.8	1.5	2.2	-1.1	0.9	1.5

Sources: Eurostat and ECB calculations.

1) Data refer to the changing composition of the euro area. For further information, see the General Notes.
2) These experimental statistics can only provide an approximate measure of price administration, since changes in administered prices cannot be fully isolated from other influences. Please refer to Eurostat's website (http://epp.eurostat.ec.europa.eu/portal/page/portal/hicp/introduction) for a note explaining the methodology used in the compilation of this indicator.
3) Weighting used in 2010.
4) Estimate based on provisional national releases, which usually cover around 95% of the euro area, as well as on early information on energy prices.

5.1 HICP, other prices and costs

(annual percentage changes, unless otherwise indicated)

2. Industry, construction and residential property prices

	Industrial producer prices excluding construction										Construction [1]	Residential property prices [2]
	Total (index: 2005 = 100)	Total		Industry excluding construction and energy						Energy		
			Manufacturing	Total	Intermediate goods	Capital goods	Consumer goods					
							Total	Durable	Non-durable			
% of total [3]	100.0	100.0	83.0	75.8	30.1	21.9	23.7	2.7	21.0	24.2		
	1	2	3	4	5	6	7	8	9	10	11	12
2006	105.1	5.1	3.5	2.7	4.6	1.6	1.5	1.4	1.4	13.5	4.6	6.6
2007	107.9	2.7	3.0	3.2	4.6	2.2	2.2	2.5	2.2	1.2	4.1	4.5
2008	114.4	6.1	4.8	3.4	3.9	2.1	3.9	2.8	4.1	14.1	3.8	1.5
2009	108.6	-5.1	-5.4	-2.8	-5.3	0.4	-2.0	1.2	-2.4	-11.5	0.1	-3.1
2009 Q1	109.8	-2.0	-4.3	-1.1	-2.7	1.8	-1.0	1.8	-1.4	-4.4	2.6	-
Q2	108.3	-5.7	-6.8	-3.0	-5.8	0.7	-2.0	1.5	-2.5	-13.4	-0.2	-3.1 [4]
Q3	108.0	-7.8	-7.4	-4.1	-7.5	-0.1	-2.6	1.0	-3.1	-18.0	-1.7	-
Q4	108.4	-4.6	-3.0	-3.1	-5.0	-0.6	-2.4	0.5	-2.8	-9.5	-0.2	-3.1 [4]
2010 Q1	109.6	-0.2	1.7	-0.5	-0.4	-0.5	-0.5	0.3	-0.7	0.2	.	-
2009 Dec.	108.5	-2.9	-0.8	-2.3	-3.5	-0.5	-2.0	0.5	-2.3	-5.1	-	-
2010 Jan.	109.3	-1.0	0.9	-1.0	-1.6	-0.6	-0.7	0.5	-0.8	-1.6	-	-
Feb.	109.4	-0.4	1.5	-0.5	-0.4	-0.5	-0.5	0.3	-0.6	-0.7	-	-
Mar.	110.1	0.9	2.7	0.1	0.8	-0.3	-0.4	0.3	-0.5	2.9	-	-
Apr.	111.2	2.8	3.7	1.1	2.8	0.0	-0.3	0.4	-0.4	7.7	-	-
May	111.5	3.1	4.0	1.7	3.9	0.2	0.0	0.7	-0.1	7.0	-	-

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

	Oil prices [5] (EUR per barrel)	Non-energy commodity prices						GDP deflators							
		Import-weighted [6]			Use-weighted [7]			Total (s.a.; index: 2000 = 100)	Total	Domestic demand				Exports [8]	Imports [8]
		Total	Food	Non-food	Total	Food	Non-food			Total	Private consumption	Government consumption	Gross fixed capital formation		
% of total		100.0	35.0	65.0	100.0	45.0	55.0								
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2006	52.9	27.7	5.8	37.9	24.5	5.9	38.2	113.8	1.9	2.4	2.2	2.0	2.9	2.6	3.8
2007	52.8	7.8	14.3	5.5	5.3	9.4	2.9	116.5	2.4	2.3	2.3	1.6	2.7	1.6	1.4
2008	65.9	2.0	18.5	-4.4	-1.7	9.7	-8.6	119.0	2.2	2.7	2.8	2.6	2.4	2.6	3.7
2009	44.6	-18.5	-8.9	-23.1	-18.0	-11.5	-22.8	120.2	1.0	0.0	-0.2	1.8	-0.9	-3.1	-5.6
2009 Q1	35.1	-29.3	-15.0	-36.1	-28.7	-17.7	-36.9	120.1	1.8	0.9	0.3	2.4	0.6	-1.9	-4.2
Q2	43.8	-24.5	-11.2	-30.9	-22.5	-10.0	-31.4	120.0	1.0	-0.2	-0.4	1.3	-0.9	-3.4	-6.6
Q3	48.1	-18.7	-12.7	-21.5	-18.9	-15.3	-21.4	120.2	0.8	-0.6	-0.8	2.2	-1.8	-4.3	-8.0
Q4	51.2	3.2	5.8	1.9	2.5	-0.9	5.1	120.3	0.2	0.0	0.2	1.4	-1.4	-2.7	-3.5
2010 Q1	56.0	29.0	7.5	42.7	27.4	7.5	46.6	120.8	0.5	0.2	1.3	1.6	-0.4	2.3	1.3
2010 Jan.	54.0	27.3	8.5	39.2	25.7	7.7	43.1	-	-	-	-	-	-	-	-
Feb.	54.5	25.4	5.0	38.4	25.0	7.1	42.3	-	-	-	-	-	-	-	-
Mar.	59.1	34.5	8.9	50.5	31.5	7.7	54.5	-	-	-	-	-	-	-	-
Apr.	64.0	51.9	8.1	78.7	43.8	8.8	76.2	-	-	-	-	-	-	-	-
May	61.6	52.1	11.5	77.8	43.6	12.0	73.8	-	-	-	-	-	-	-	-
June	62.2	50.5	16.4	71.4	43.4	19.7	64.8	-	-	-	-	-	-	-	-

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

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

5.1 HICP, other prices and costs

(annual percentage changes, unless otherwise indicated)

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

(seasonally adjusted)

	Total (index: 2000 = 100)	Total	By economic activity					
			Agriculture, hunting, forestry and fishing	Mining, manufacturing and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business services	Public administration, education, health and other services
	1	2	3	4	5	6	7	8
	Unit labour costs [1]							
2008	115.4	3.3	0.3	3.7	3.3	3.3	3.2	2.9
2009	119.9	3.9	-1.2	10.1	1.4	5.0	0.8	2.4
2009 Q2	120.2	4.7	-1.0	14.1	1.2	6.0	1.5	1.6
Q3	119.7	3.5	-2.2	8.7	0.5	3.8	0.4	3.3
Q4	119.7	1.3	-1.4	1.4	1.5	2.4	0.5	1.7
2010 Q1	119.6	-0.5	.	.	.	.	.	.
	Compensation per employee							
2008	121.4	3.1	3.9	3.0	4.7	2.8	2.4	3.5
2009	123.3	1.5	2.2	0.3	2.6	1.5	1.4	2.3
2009 Q2	122.9	1.5	2.2	0.1	3.0	1.9	2.0	1.7
Q3	123.6	1.4	2.3	0.4	2.5	0.4	1.4	3.0
Q4	124.1	1.3	2.2	0.4	2.1	1.3	1.5	1.8
2010 Q1	124.2	1.4	.	.	.	.	.	.
	Labour productivity per person employed [2]							
2008	105.3	-0.2	3.5	-0.7	1.4	-0.4	-0.8	0.6
2009	102.8	-2.3	3.5	-8.9	1.1	-3.3	0.6	0.0
2009 Q2	102.3	-3.1	3.2	-12.3	1.8	-3.9	0.5	0.0
Q3	103.3	-1.9	4.6	-7.6	2.0	-3.3	1.0	-0.2
Q4	103.6	0.0	3.6	-1.0	0.7	-1.1	1.0	0.1
2010 Q1	103.8	1.9	1.8	9.4	-1.5	1.3	0.9	0.1
	Compensation per hour worked							
2008	124.1	3.2	2.0	3.6	4.4	3.0	2.2	3.4
2009	127.6	2.8	4.0	3.7	4.4	2.2	2.4	2.5
2009 Q2	127.5	3.2	3.3	5.0	4.9	2.7	3.3	2.1
Q3	127.8	2.7	4.1	3.7	4.2	1.2	2.5	3.0
Q4	127.8	1.8	3.8	0.9	3.7	1.5	2.1	1.8
2010 Q1	127.9	0.6	.	.	.	.	.	.
	Hourly labour productivity [2]							
2008	108.2	0.0	3.1	-0.1	1.3	-0.1	-1.0	0.4
2009	107.0	-1.1	3.5	-6.0	2.6	-2.7	1.8	0.0
2009 Q2	106.6	-1.6	2.4	-8.2	3.4	-3.0	2.0	0.3
Q3	107.3	-0.8	4.8	-4.7	3.4	-2.7	2.3	-0.3
Q4	107.3	0.3	3.6	-0.7	1.6	-1.1	1.7	0.1
2010 Q1	107.6	1.2	3.1	7.1	-2.7	0.5	0.6	-0.5

5. Labour cost indices [3]

	Total (s.a.; index: 2008 = 100)	Total	By component		For selected economic activities			Memo item: Indicator of negotiated wages [4]
			Wages and salaries	Employers' social contributions	Mining, manufacturing and energy	Construction	Services	
% of total [5]	100.0	100.0	75.2	24.8	32.4	9.0	58.6	
	1	2	3	4	5	6	7	8
2008	100.0	3.5	3.6	3.4	3.8	4.7	3.1	3.3
2009	102.6	2.7	2.6	3.0	3.1	3.7	2.3	2.7
2009 Q2	102.5	3.3	3.2	3.4	4.3	4.5	2.6	2.8
Q3	102.9	2.6	2.7	2.6	3.5	2.5	2.2	2.4
Q4	103.3	1.7	1.6	2.0	0.6	3.3	2.1	2.2
2010 Q1	104.0	2.1	2.0	2.1	1.8	2.1	2.2	1.7

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

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

5.2 Output and demand

1. GDP and expenditure components

	GDP								
	Total	Domestic demand					External balance [1]		
		Total	Private consumption	Government consumption	Gross fixed capital formation	Changes in inventories [2]	Total	Exports [1]	Imports [1]
	1	2	3	4	5	6	7	8	9
	Current prices (EUR billions; seasonally adjusted)								
2006	8,562.4	8,466.0	4,872.9	1,733.6	1,834.4	25.2	96.3	3,453.2	3,356.9
2007	9,013.3	8,874.2	5,067.5	1,802.8	1,970.5	33.4	139.2	3,734.7	3,595.5
2008	9,258.2	9,160.0	5,228.6	1,891.8	2,000.5	39.2	98.2	3,862.7	3,764.5
2009	8,967.8	8,849.3	5,158.8	1,979.1	1,769.0	-57.7	118.5	3,249.6	3,131.1
2009 Q1	2,237.1	2,221.6	1,285.4	488.7	452.9	-5.5	15.5	807.7	792.2
Q2	2,233.8	2,204.5	1,287.5	492.7	444.2	-19.9	29.4	791.4	762.0
Q3	2,246.3	2,212.0	1,287.6	499.8	438.2	-13.6	34.3	815.1	780.8
Q4	2,250.5	2,211.2	1,298.2	498.0	433.7	-18.7	39.3	835.5	796.2
2010 Q1	2,263.4	2,232.3	1,302.2	503.3	429.4	-2.6	31.1	873.2	842.1
	percentage of GDP								
2009	100.0	98.7	57.5	22.1	19.7	-0.6	1.3	-	-
	Chain-linked volumes (prices for the previous year; seasonally adjusted [3])								
	quarter-on-quarter percentage changes								
2009 Q1	-2.5	-2.4	-0.6	0.8	-5.3	-	-	-8.4	-8.0
Q2	-0.1	-0.7	0.1	0.7	-1.5	-	-	-1.1	-2.8
Q3	0.4	0.3	-0.2	0.7	-1.1	-	-	2.9	2.8
Q4	0.1	-0.1	0.2	-0.2	-1.2	-	-	1.8	1.2
2010 Q1	0.2	0.8	-0.1	0.2	-1.2	-	-	2.1	3.8
	annual percentage changes								
2006	3.0	2.9	2.0	2.1	5.4	-	-	8.6	8.5
2007	2.8	2.4	1.6	2.3	4.6	-	-	6.3	5.5
2008	0.6	0.6	0.3	2.2	-0.6	-	-	0.9	1.0
2009	-4.1	-3.5	-1.2	2.7	-10.9	-	-	-13.3	-12.0
2009 Q1	-5.2	-3.7	-1.7	3.0	-11.5	-	-	-16.4	-13.3
Q2	-4.9	-3.8	-1.2	2.9	-11.5	-	-	-17.0	-14.7
Q3	-4.1	-3.5	-1.3	3.0	-11.4	-	-	-13.6	-12.4
Q4	-2.1	-2.8	-0.5	2.0	-8.7	-	-	-5.2	-7.0
2010 Q1	0.6	0.3	0.0	1.4	-4.8	-	-	5.7	4.9
	contributions to quarter-on-quarter percentage changes in GDP; percentage points								
2009 Q1	-2.5	-2.4	-0.3	0.2	-1.1	-1.1	-0.2	-	-
Q2	-0.1	-0.7	0.1	0.1	-0.3	-0.6	0.6	-	-
Q3	0.4	0.3	-0.1	0.1	-0.2	0.5	0.1	-	-
Q4	0.1	-0.1	0.1	0.0	-0.2	0.0	0.2	-	-
2010 Q1	0.2	0.8	-0.1	0.0	-0.2	1.0	-0.6	-	-
	contributions to annual percentage changes in GDP; percentage points								
2006	3.0	2.8	1.2	0.4	1.1	0.1	0.1	-	-
2007	2.8	2.4	0.9	0.5	1.0	0.0	0.4	-	-
2008	0.6	0.6	0.2	0.4	-0.1	0.1	0.0	-	-
2009	-4.1	-3.4	-0.7	0.5	-2.3	-0.9	-0.7	-	-
2009 Q1	-5.2	-3.7	-1.0	0.6	-2.5	-0.8	-1.5	-	-
Q2	-4.9	-3.7	-0.7	0.6	-2.5	-1.1	-1.2	-	-
Q3	-4.1	-3.4	-0.7	0.6	-2.5	-0.8	-0.7	-	-
Q4	-2.1	-2.8	-0.3	0.4	-1.8	-1.1	0.7	-	-
2010 Q1	0.6	0.3	0.0	0.3	-1.0	1.0	0.3	-	-

Sources: Eurostat and ECB calculations.

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

5.2 Output and demand

2. Value added by economic activity

	Gross value added (basic prices)							Taxes less subsidies on products
	Total	Agriculture, hunting, forestry and fishing activities	Mining, manufacturing and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business activities	Public administration, education, health and other services	
	1	2	3	4	5	6	7	8
	Current prices (EUR billions; seasonally adjusted)							
2006	7,648.5	140.8	1,565.3	477.8	1,596.8	2,137.2	1,730.4	913.9
2007	8,054.7	151.4	1,644.5	511.1	1,671.0	2,273.8	1,802.9	958.7
2008	8,312.4	147.0	1,656.5	534.2	1,731.3	2,361.7	1,881.7	945.8
2009	8,074.5	130.7	1,431.8	516.0	1,670.5	2,370.5	1,955.0	893.2
2009 Q1	2,013.9	34.1	356.2	131.5	416.9	591.4	483.8	223.3
Q2	2,012.1	32.8	353.1	129.6	417.1	592.3	487.1	221.8
Q3	2,022.7	31.7	360.2	128.4	418.5	592.7	491.1	223.6
Q4	2,025.9	32.1	362.3	126.5	417.9	594.1	493.0	224.6
2010 Q1	2,041.6	33.0	369.1	124.0	419.3	599.5	496.6	221.9
	percentage of value added							
2009	100.0	1.6	17.7	6.4	20.7	29.4	24.2	-
	Chain-linked volumes (prices for the previous year; seasonally adjusted [1])							
	quarter-on-quarter percentage changes							
2009 Q1	-2.6	0.9	-8.7	-1.1	-3.2	-1.0	0.2	-1.8
Q2	-0.1	-0.1	-1.0	-1.2	0.0	0.0	0.6	0.4
Q3	0.3	0.8	2.1	-1.4	0.0	-0.1	0.2	0.9
Q4	0.1	-0.5	0.6	-1.4	0.0	0.1	0.2	0.7
2010 Q1	0.5	0.4	1.9	-2.3	0.1	0.5	0.4	-2.2
	annual percentage changes							
2006	2.9	0.0	3.6	2.8	2.7	4.2	1.4	3.3
2007	3.0	0.4	2.5	2.4	3.4	4.1	2.1	0.9
2008	0.8	1.6	-0.7	-0.9	0.8	1.4	1.6	-1.2
2009	-4.3	1.2	-13.6	-5.8	-5.0	-1.6	1.2	-2.5
2009 Q1	-5.3	1.2	-16.7	-6.5	-6.0	-1.6	1.2	-4.5
Q2	-5.1	0.7	-16.7	-5.6	-5.6	-1.9	1.4	-3.2
Q3	-4.3	1.6	-13.2	-5.5	-5.1	-1.8	1.1	-2.3
Q4	-2.4	1.1	-7.1	-5.0	-3.3	-1.1	1.2	0.1
2010 Q1	0.7	0.6	3.6	-6.2	0.0	0.5	1.4	-0.3
	contributions to quarter-on-quarter percentage changes in value added; percentage points							
2009 Q1	-2.6	0.0	-1.7	-0.1	-0.7	-0.3	0.0	-
Q2	-0.1	0.0	-0.2	-0.1	0.0	0.0	0.1	-
Q3	0.3	0.0	0.4	-0.1	0.0	0.0	0.0	-
Q4	0.1	0.0	0.1	-0.1	0.0	0.0	0.0	-
2010 Q1	0.5	0.0	0.3	-0.1	0.0	0.2	0.1	-
	contributions to annual percentage changes in value added; percentage points							
2006	2.9	0.0	0.7	0.2	0.6	1.1	0.3	-
2007	3.0	0.0	0.5	0.1	0.7	1.2	0.5	-
2008	0.8	0.0	-0.1	-0.1	0.2	0.4	0.4	-
2009	-4.3	0.0	-2.7	-0.4	-1.1	-0.5	0.3	-
2009 Q1	-5.3	0.0	-3.4	-0.4	-1.3	-0.5	0.3	-
Q2	-5.1	0.0	-3.4	-0.4	-1.2	-0.5	0.3	-
Q3	-4.3	0.0	-2.6	-0.4	-1.1	-0.5	0.3	-
Q4	-2.4	0.0	-1.4	-0.3	-0.7	-0.3	0.3	-
2010 Q1	0.7	0.0	0.6	-0.4	0.0	0.1	0.3	-

Sources: Eurostat and ECB calculations.

1) Annual data are not working day-adjusted.

5.2 Output and demand

(annual percentage changes, unless otherwise indicated)

3. Industrial production

	Total	Industry excluding construction										Construction
		Total (s.a.; index: 2005 = 100)	Total		Industry excluding construction and energy						Energy	
				Manufacturing	Total	Intermediate goods	Capital goods	Consumer goods				
								Total	Durable	Non-durable		
% of total [1]	100.0	78.0	78.0	69.4	68.8	28.2	22.1	18.5	2.6	15.9	9.1	22.0
	1	2	3	4	5	6	7	8	9	10	11	12
2007	3.2	108.1	3.7	4.1	4.3	3.7	6.6	2.4	1.4	2.5	-0.9	1.2
2008	-2.3	106.1	-1.7	-1.9	-1.9	-3.4	-0.1	-2.0	-5.7	-1.4	0.3	-4.4
2009	-13.9	90.3	-15.1	-16.1	-16.6	-19.2	-21.4	-5.0	-17.5	-3.0	-5.7	-8.2
2009 Q2	-16.9	88.8	-18.9	-19.7	-20.2	-24.3	-24.8	-5.9	-21.2	-3.3	-8.9	-7.5
Q3	-13.8	89.6	-14.6	-15.4	-15.9	-18.3	-21.5	-4.0	-18.3	-1.9	-6.1	-9.1
Q4	-7.5	91.6	-7.7	-8.2	-8.6	-6.8	-14.4	-2.6	-10.2	-1.4	-3.8	-6.0
2010 Q1	1.7	95.3	4.6	4.9	4.9	7.8	2.6	3.3	0.0	3.7	2.9	-10.0
2009 Nov.	-7.3	91.7	-7.0	-7.2	-7.5	-5.8	-13.5	-1.9	-7.9	-1.0	-5.1	-7.4
Dec.	-4.0	92.5	-4.0	-4.5	-4.9	-0.2	-11.6	-0.8	-7.3	0.0	-1.7	-3.7
2010 Jan.	-0.6	94.3	1.7	1.9	2.1	4.2	-0.4	1.4	-2.7	1.9	0.9	-10.6
Feb.	0.5	95.0	4.1	4.4	4.5	6.9	3.0	2.6	0.9	2.9	2.2	-14.2
Mar.	4.9	96.5	7.8	8.1	7.7	11.8	4.9	5.7	1.7	6.3	6.0	-5.8
Apr.	6.4	97.3	9.5	9.5	9.5	15.8	8.8	2.6	1.1	2.8	6.7	-5.8
	month-on-month percentage changes (s.a.)											
2009 Nov.	0.8	-	1.4	1.6	1.6	0.8	1.7	1.5	2.1	1.0	-2.4	-1.1
Dec.	0.6	-	0.8	0.4	-0.2	-0.3	0.1	0.4	-1.5	0.7	3.1	0.3
2010 Jan.	1.3	-	2.0	1.9	2.2	0.7	-0.8	1.0	2.2	0.9	2.9	-2.0
Feb.	-1.0	-	0.8	0.8	0.2	1.2	0.7	0.0	0.4	0.1	-0.8	-6.4
Mar.	3.1	-	1.6	1.9	1.6	1.1	1.8	1.1	0.2	1.6	0.2	6.8
Apr.	0.5	-	0.8	0.6	0.6	2.1	0.9	-1.0	-0.3	-1.3	-1.0	-0.3

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

	Industrial new orders		Industrial turnover		Retail sales (excluding automotive fuel)							New passenger car registrations	
	Manufacturing [2] (current prices)		Manufacturing (current prices)		Current prices	Constant prices							
	Total (s.a.; index: 2005 = 100)	Total	Total (s.a.; index: 2005 = 100)	Total	Total	Total (s.a.; index: 2005 = 100)	Total	Food, beverages, tobacco	Non-food			Total (s.a.; thousands) [3]	Total
										Textiles, clothing, footwear	Household equipment		
% of total [1]	100.0	100.0	100.0	100.0	100.0	100.0	100.0	42.9	57.1	9.9	13.9		
	1	2	3	4	5	6	7	8	9	10	11	12	13
2007	119.9	8.6	115.1	6.5	2.6	104.3	1.8	0.0	3.1	4.0	3.1	968	-0.6
2008	113.0	-5.3	116.9	1.9	1.7	103.4	-0.8	-1.9	-0.1	-1.8	-1.9	896	-7.0
2009	87.7	-22.8	95.5	-18.5	-2.7	101.6	-1.7	-1.5	-1.9	-1.2	-3.9	925	3.2
2009 Q2	84.3	-30.6	93.8	-23.4	-3.0	101.6	-2.0	-1.4	-2.4	-2.1	-5.5	948	0.2
Q3	90.3	-21.4	96.1	-18.9	-3.4	101.5	-1.9	-1.3	-2.4	-2.8	-3.2	962	10.1
Q4	91.9	-2.8	97.5	-9.2	-1.5	101.8	-0.5	-0.3	-0.6	0.4	-0.8	966	20.7
2010 Q1	95.5	13.8	100.9	6.4	0.6	102.1	0.7	1.3	0.5	3.2	0.9	892	7.4
2009 Dec.	93.5	9.8	97.7	-2.9	-0.4	102.2	0.3	0.9	0.0	1.9	0.2	952	19.8
2010 Jan.	92.2	7.5	99.2	1.1	-1.0	101.9	-0.3	0.7	-0.7	2.3	-1.5	859	8.3
Feb.	94.6	12.6	100.3	6.1	0.2	101.9	0.3	0.6	0.4	2.0	0.6	878	2.9
Mar.	99.5	20.5	103.2	11.1	2.4	102.6	2.0	2.7	1.8	5.4	3.5	938	10.2
Apr.	100.0	21.7	101.1	10.1	0.2	101.8	-0.1	-0.1	-0.1	-0.4	0.9	839	-10.1
May	.	.	.	.	0.7	102.1	0.6	0.3	1.0	.	.	787	-13.1
	month-on-month percentage changes (s.a.)												
2010 Jan.	-	-1.4	-	1.5	-0.3	-	-0.3	-0.2	-0.3	1.2	-1.4	-	-9.7
Feb.	-	2.6	-	1.1	0.2	-	0.0	-0.1	0.1	-1.0	0.5	-	2.2
Mar.	-	5.2	-	2.9	0.8	-	0.6	0.5	0.6	1.9	1.2	-	6.8
Apr.	-	0.5	-	-2.0	-0.8	-	-0.8	-0.6	-0.8	-2.6	-1.0	-	-10.5
May	-	.	-	.	0.3	-	0.3	0.2	0.4	.	.	-	-6.2

Sources: Eurostat, except columns 12 and 13 in Table 4 in Section 5.2 (which comprise ECB calculations based on data from the European Automobile Manufacturers' Association).
1) In 2005.
2) Includes manufacturing industries working mainly on the basis of orders, which represented 61.2% of total manufacturing in 2005.
3) Annual and quarterly figures are averages of monthly figures in the period concerned.

5.2 Output and demand

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

5. Business [2] and Consumer Surveys

	Economic sentiment indicator [3] (long-term average = 100)	Manufacturing industry					Consumer confidence indicator				
		Industrial confidence indicator				Capacity utilisation [4] (%)	Total [5]	Financial situation over next 12 months	Economic situation over next 12 months	Unemployment situation over next 12 months	Savings over next 12 months
		Total [5]	Order books	Stocks of finished products	Production expectations						
	1	2	3	4	5	6	7	8	9	10	11
2006	107.2	2	0	6	13	83.2	-9	-3	-9	15	-9
2007	109.2	5	5	5	13	84.2	-5	-2	-4	5	-8
2008	93.5	-9	-15	11	-2	81.8	-18	-10	-25	24	-14
2009	80.8	-28	-56	14	-15	71.1	-25	-7	-26	56	-10
2009 Q2	75.6	-33	-62	18	-20	69.9	-28	-9	-34	59	-11
Q3	84.1	-26	-58	12	-9	70.3	-21	-5	-20	51	-9
Q4	91.9	-19	-50	7	1	71.7	-17	-3	-11	48	-7
2010 Q1	96.6	-12	-41	2	7	73.9	-17	-4	-11	46	-7
Q2	99.2	-7	-29	0	10	.	-17	-6	-18	34	-9
2010 Jan.	96.0	-14	-44	3	5	72.3	-16	-3	-9	46	-6
Feb.	95.9	-13	-42	4	7	-	-17	-4	-12	47	-7
Mar.	97.9	-10	-39	0	9	-	-17	-5	-12	46	-7
Apr.	100.6	-7	-32	-1	9	75.5	-15	-5	-12	36	-8
May	98.4	-6	-28	1	10	-	-18	-7	-21	34	-10
June	98.7	-6	-26	1	10	-	-17	-7	-20	32	-9

	Construction confidence indicator			Retail trade confidence indicator				Services confidence indicator			
	Total [5]	Order books	Employment expectations	Total [5]	Present business situation	Volume of stocks	Expected business situation	Total [5]	Business climate	Demand in recent months	Demand in the months ahead
	12	13	14	15	16	17	18	19	20	21	22
2006	1	-4	6	1	3	14	13	18	13	18	24
2007	0	-7	7	1	5	15	13	20	16	19	24
2008	-13	-20	-6	-7	-6	17	2	2	-5	4	7
2009	-31	-40	-22	-15	-21	11	-15	-16	-22	-16	-9
2009 Q2	-33	-42	-24	-17	-23	9	-19	-22	-29	-23	-15
Q3	-31	-41	-22	-14	-19	10	-13	-12	-18	-13	-5
Q4	-28	-40	-16	-12	-19	10	-7	-4	-8	-8	3
2010 Q1	-27	-37	-17	-7	-9	8	-2	0	-4	-2	7
Q2	-28	-40	-16	-4	-5	8	0	4	1	4	8
2010 Jan.	-29	-38	-20	-5	-6	8	-2	-1	-6	-2	5
Feb.	-29	-39	-18	-9	-12	9	-5	1	-2	-3	7
Mar.	-25	-35	-14	-6	-9	9	-1	1	-3	-1	8
Apr.	-25	-37	-13	-1	-1	8	4	6	0	5	11
May	-28	-40	-17	-6	-7	10	-1	4	-1	4	8
June	-30	-43	-17	-6	-7	8	-3	4	2	4	6

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

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

2) From May 2010 onwards, data refer to the new version of the classification of economic activitites in the European Union ("NACE Revision 2").

3) The economic sentiment indicator is composed of the industrial, services, consumer, construction and retail trade confidence indicators; the industrial confidence indicator has a weight of 40%, the services confidence indicator a weight of 30%, the consumer confidence indicator a weight of 20% and the two other indicators a weight of 5% each. Values for the economic sentiment indicator of above (below) 100 indicate above-average (below-average) economic sentiment, calculated for the period 1990 to 2008.

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

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

5.3 Labour markets [1]

(annual percentage changes, unless otherwise indicated)

1. Employment in terms of persons employed

	Whole economy	By employment status		By economic activity					
	Total (s.a.; millions)	Total	Employees	Self-employed	Agriculture, hunting, forestry and fishing	Mining, manufacturing and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business services	Public administration, education, health and other services
% of total [2]	100.0	100.0	85.3	14.7	3.8	17.1	7.5	25.5	16.1	30.0
	1	2	3	4	5	6	7	8	9	10
2007	146.754	1.8	2.0	0.7	-1.6	0.3	3.6	1.9	4.3	1.3
2008	147.846	0.7	0.9	-0.3	-1.8	0.0	-2.3	1.2	2.3	1.1
2009	145.079	-1.9	-1.8	-2.1	-2.2	-5.1	-6.7	-1.8	-2.2	1.3
2009 Q2	145.362	-1.9	-1.9	-2.1	-2.0	-4.9	-7.2	-1.9	-2.4	1.4
Q3	144.587	-2.3	-2.3	-2.3	-2.6	-6.4	-7.3	-1.9	-2.8	1.4
Q4	144.258	-2.0	-2.0	-2.1	-2.0	-6.1	-5.4	-2.0	-2.1	1.0
2010 Q1	144.261	-1.2	-1.2	-0.9	-1.1	-5.3	-4.3	-1.3	-0.4	1.5
	quarter-on-quarter percentage changes (s.a.)									
2009 Q2	-0.752	-0.5	-0.5	-0.5	-0.7	-1.7	-1.3	-0.5	-0.7	0.4
Q3	-0.775	-0.5	-0.5	-0.6	-1.2	-1.7	-1.7	-0.3	-0.5	0.3
Q4	-0.329	-0.2	-0.2	-0.3	0.3	-1.1	-0.4	-0.6	0.2	0.2
2010 Q1	0.004	0.0	-0.1	0.4	0.1	-0.9	-1.5	0.0	0.5	0.5

2. Employment in terms of hours worked

	Whole economy	By employment status		By economic activity					
	Total (s.a.; millions)	Total	Employees	Self-employed	Agriculture, hunting, forestry and fishing	Mining, manufacturing and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business services	Public administration, education, health and other services
% of total [2]	100.0	100.0	80.4	19.6	5.0	17.1	8.4	26.9	15.6	27.0
	1	2	3	4	5	6	7	8	9	10
2007	237,005.4	1.8	2.0	0.8	-2.3	0.6	3.6	1.9	4.3	1.1
2008	238,642.1	0.7	1.0	-0.6	-2.0	-0.5	-2.0	1.0	2.6	1.4
2009	230,970.5	-3.2	-3.3	-2.7	-2.2	-8.7	-8.3	-2.5	-3.4	1.1
2009 Q2	57,761.5	-4.1	-4.5	-2.7	-1.3	-11.1	-9.3	-3.1	-4.3	0.6
Q3	57,578.7	-3.5	-3.7	-2.8	-2.6	-9.9	-8.6	-2.6	-4.2	1.3
Q4	57,653.2	-2.2	-2.3	-1.8	-1.8	-6.2	-6.0	-1.7	-2.6	1.1
2010 Q1	57,622.3	-0.4	-0.5	-0.2	-2.6	-3.1	-3.7	-0.3	-0.1	2.1
	quarter-on-quarter percentage changes (s.a.)									
2009 Q2	-215.7	-0.4	-0.5	0.1	0.0	-1.9	-0.2	-0.2	-0.7	0.5
Q3	-182.8	-0.3	-0.3	-0.6	-1.3	-0.8	-1.1	-0.4	-0.5	0.5
Q4	74.5	0.1	0.2	0.0	-0.2	-0.3	-0.5	0.0	0.6	0.4
2010 Q1	-30.9	-0.1	0.0	-0.1	-1.1	-0.5	-1.9	0.0	0.4	0.6

3. Hours worked per person employed

	Whole economy	By employment status		By economic activity					
	Total (s.a.; thousands)	Total	Employees	Self-employed	Agriculture, hunting, forestry and fishing	Mining, manufacturing and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business services	Public administration, education, health and other services
	1	2	3	4	5	6	7	8	9	10
2007	1.615	0.0	0.0	0.2	-0.7	0.3	0.0	0.0	0.0	-0.1
2008	1.614	-0.1	0.1	-0.3	-0.2	-0.5	0.3	-0.2	0.3	0.3
2009	1.592	-1.4	-1.5	-0.6	-0.1	-3.8	-1.7	-0.7	-1.2	-0.3
2009 Q2	0.397	-2.3	-2.7	-0.7	0.7	-6.6	-2.3	-1.2	-1.9	-0.9
Q3	0.398	-1.3	-1.5	-0.5	-0.1	-3.8	-1.4	-0.7	-1.4	-0.1
Q4	0.400	-0.1	-0.3	0.3	0.2	-0.1	-0.6	0.3	-0.5	0.1
2010 Q1	0.399	0.8	0.8	0.7	-1.5	2.3	0.6	1.0	0.4	0.6

Source: Eurostat.

1) Data for employment are based on the ESA 95.

2) In 2009.

5.3 Labour markets

4. Unemployment [1]

(seasonally adjusted)

	Total		By age [3]				By gender [4]			
	Millions	% of labour force	Adult		Youth		Male		Female	
			Millions	% of labour force	Millions	% of labour force	Millions	% of labour force	Millions	% of labour force
% of total [2]	100.0		78.4		21.6		53.8		46.2	
	1	2	3	4	5	6	7	8	9	10
2006	12.878	8.3	10.054	7.3	2.824	16.4	6.390	7.5	6.488	9.4
2007	11.664	7.5	9.113	6.6	2.551	14.9	5.730	6.7	5.934	8.5
2008	11.895	7.6	9.269	6.6	2.625	15.4	5.998	6.9	5.896	8.3
2009	14.864	9.4	11.645	8.2	3.220	19.4	7.996	9.3	6.868	9.6
2009 Q1	13.888	8.8	10.802	7.7	3.086	18.3	7.354	8.5	6.534	9.2
Q2	14.779	9.3	11.538	8.2	3.241	19.4	7.961	9.2	6.817	9.5
Q3	15.277	9.7	11.986	8.5	3.290	19.9	8.246	9.6	7.031	9.8
Q4	15.513	9.8	12.252	8.7	3.260	19.9	8.423	9.8	7.090	9.9
2010 Q1	15.696	9.9	12.444	8.8	3.253	20.0	8.493	9.9	7.204	10.0
2009 Dec.	15.555	9.9	12.309	8.7	3.246	19.9	8.436	9.8	7.119	9.9
2010 Jan.	15.624	9.9	12.376	8.7	3.249	20.0	8.474	9.8	7.150	10.0
Feb.	15.705	9.9	12.430	8.8	3.275	20.2	8.514	9.9	7.191	10.0
Mar.	15.760	10.0	12.526	8.8	3.234	20.0	8.490	9.9	7.270	10.1
Apr.	15.754	10.0	12.528	8.8	3.227	20.0	8.475	9.9	7.279	10.1
May	15.789	10.0	12.588	8.9	3.201	19.9	8.475	9.9	7.314	10.2

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

6 GOVERNMENT FINANCE

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

1. Euro area – revenue

	Total	Current revenue										Capital revenue		Memo item: Fiscal burden [2]
			Direct taxes			Indirect taxes		Social contributions			Sales		Capital taxes	
				Households	Corporations		Received by EU institutions		Employers	Employees				
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2001	45.7	45.4	12.2	9.4	2.8	13.5	0.5	15.6	8.2	4.7	2.1	0.2	0.3	41.6
2002	45.1	44.8	11.8	9.2	2.5	13.5	0.4	15.6	8.2	4.6	2.1	0.3	0.3	41.2
2003	45.0	44.4	11.4	9.0	2.3	13.5	0.4	15.7	8.3	4.6	2.1	0.6	0.5	41.1
2004	44.5	44.0	11.3	8.7	2.5	13.5	0.3	15.5	8.2	4.5	2.1	0.5	0.4	40.7
2005	44.8	44.3	11.5	8.8	2.7	13.7	0.3	15.4	8.1	4.5	2.2	0.5	0.3	40.9
2006	45.3	45.0	12.1	8.9	3.0	13.9	0.3	15.3	8.1	4.5	2.1	0.3	0.3	41.5
2007	45.4	45.2	12.4	9.1	3.2	13.8	0.3	15.1	8.0	4.4	2.1	0.3	0.3	41.6
2008	44.9	44.7	12.2	9.3	2.8	13.3	0.3	15.3	8.1	4.5	2.1	0.2	0.3	41.0
2009	44.5	44.2	11.4	9.2	2.0	13.1	0.3	15.7	8.3	4.5	2.2	0.3	0.4	40.5

2. Euro area – expenditure

	Total	Current expenditure								Capital expenditure				Memo item: Primary expenditure [3]
		Total	Compensation of employees	Intermediate consumption	Interest	Current transfers	Social payments	Subsidies	Paid by EU institutions		Investment	Capital transfers	Paid by EU institutions	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2001	47.6	43.7	10.3	4.8	3.8	24.8	21.7	1.9	0.5	3.9	2.5	1.4	0.0	43.8
2002	47.7	43.9	10.4	4.9	3.5	25.1	22.2	1.9	0.5	3.8	2.4	1.4	0.0	44.2
2003	48.1	44.1	10.5	5.0	3.3	25.4	22.5	1.9	0.5	3.9	2.5	1.4	0.1	44.8
2004	47.5	43.6	10.4	5.0	3.1	25.1	22.3	1.8	0.5	3.9	2.4	1.5	0.1	44.4
2005	47.4	43.5	10.4	5.0	3.0	25.0	22.3	1.7	0.5	3.9	2.5	1.4	0.0	44.4
2006	46.7	42.9	10.2	5.0	2.9	24.8	22.0	1.7	0.5	3.8	2.5	1.4	0.0	43.8
2007	46.1	42.3	10.0	5.0	3.0	24.4	21.6	1.6	0.4	3.8	2.6	1.2	0.0	43.1
2008	46.9	43.1	10.1	5.1	3.0	24.8	22.0	1.6	0.4	3.8	2.5	1.3	0.0	43.9
2009	50.8	46.6	10.8	5.6	2.8	27.3	24.2	1.9	0.5	4.2	2.8	1.4	0.0	48.0

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

	Deficit (-)/surplus (+)					Primary deficit (-)/ surplus (+)	Government consumption [4]							
	Total	Central gov.	State gov.	Local gov.	Social security funds		Total	Compensation of employees	Intermediate consumption	Transfers in kind via market producers	Consumption of fixed capital	Sales (minus)	Collective consumption	Individual consumption
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2001	-1.9	-1.7	-0.4	-0.1	0.3	1.9	19.9	10.3	4.8	4.9	1.8	2.1	8.2	11.7
2002	-2.6	-2.1	-0.5	-0.2	0.2	0.9	20.2	10.4	4.9	5.1	1.8	2.1	8.3	12.0
2003	-3.1	-2.4	-0.5	-0.2	0.0	0.2	20.5	10.5	5.0	5.2	1.8	2.1	8.3	12.2
2004	-3.0	-2.5	-0.4	-0.3	0.2	0.2	20.4	10.4	5.0	5.1	1.9	2.1	8.3	12.1
2005	-2.6	-2.2	-0.3	-0.2	0.2	0.4	20.4	10.4	5.0	5.1	1.9	2.2	8.2	12.3
2006	-1.3	-1.5	-0.1	-0.2	0.4	1.6	20.3	10.2	5.0	5.2	1.9	2.1	8.0	12.2
2007	-0.6	-1.1	0.0	-0.1	0.5	2.3	20.0	10.0	5.0	5.2	1.9	2.1	7.9	12.1
2008	-2.0	-2.0	-0.2	-0.2	0.4	1.0	20.5	10.1	5.1	5.3	1.9	2.1	8.1	12.4
2009	-6.2	-5.0	-0.5	-0.3	-0.4	-3.4	22.1	10.8	5.6	5.8	2.0	2.2	8.8	13.3

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

	BE	DE	IE	GR	ES	FR	IT	CY	LU	MT	NL	AT	PT	SI	SK	FI
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
2006	0.3	-1.6	3.0	-3.6	2.0	-2.3	-3.3	-1.2	1.4	-2.6	0.5	-1.5	-3.9	-1.3	-3.5	4.0
2007	-0.2	0.2	0.1	-5.1	1.9	-2.7	-1.5	3.4	3.6	-2.2	0.2	-0.4	-2.6	0.0	-1.9	5.2
2008	-1.2	0.0	-7.3	-7.7	-4.1	-3.3	-2.7	0.9	2.9	-4.5	0.7	-0.4	-2.8	-1.7	-2.3	4.2
2009	-6.0	-3.3	-14.3	-13.6	-11.2	-7.5	-5.3	-6.1	-0.7	-3.8	-5.3	-3.4	-9.4	-5.5	-6.8	-2.2

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

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

6.2 Debt [1]

(as a percentage of GDP)

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

	Total	Financial instruments				Holders				
		Currency and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors [2]				Other creditors [3]
						Total	MFIs	Other financial corporations	Other sectors	
	1	2	3	4	5	6	7	8	9	10
2000	69.2	2.7	13.2	3.7	49.6	43.9	22.1	12.3	9.5	25.4
2001	68.2	2.8	12.4	4.0	49.0	42.0	20.6	11.0	10.4	26.2
2002	68.0	2.7	11.8	4.6	48.9	40.5	19.4	10.6	10.5	27.4
2003	69.1	2.1	12.4	5.0	49.6	39.7	19.6	11.0	9.1	29.3
2004	69.5	2.2	12.0	5.0	50.3	38.2	18.5	10.7	9.0	31.3
2005	70.1	2.4	11.8	4.7	51.1	36.3	17.2	11.1	8.0	33.8
2006	68.2	2.4	11.5	4.1	50.2	34.4	17.4	9.3	7.7	33.8
2007	65.9	2.2	10.8	4.2	48.7	32.6	16.7	8.5	7.3	33.4
2008	69.4	2.3	11.0	6.7	49.4	32.4	16.6	7.9	7.8	37.0
2009	78.8	2.4	11.9	8.6	55.8	36.6	19.7	8.7	8.2	42.2

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

	Total	Issued by: [4]				Original maturity			Residual maturity			Currencies	
		Central gov.	State gov.	Local gov.	Social security funds	Up to 1 year	Over 1 year	Variable interest rate	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Euro or participating currencies	Other currencies
	1	2	3	4	5	6	7	8	9	10	11	12	13
2000	69.2	58.2	5.8	4.9	0.4	6.5	62.7	6.2	13.4	27.8	28.1	67.4	1.8
2001	68.2	57.1	6.0	4.7	0.4	7.0	61.2	5.3	13.7	26.6	27.9	66.7	1.5
2002	68.0	56.7	6.2	4.7	0.4	7.6	60.4	5.2	15.5	25.3	27.2	66.7	1.3
2003	69.1	56.9	6.5	5.1	0.6	7.8	61.3	5.0	14.9	26.0	28.2	68.2	0.9
2004	69.5	57.3	6.6	5.1	0.4	7.8	61.6	4.7	14.8	26.2	28.5	68.6	0.9
2005	70.1	57.6	6.7	5.2	0.5	7.9	62.2	4.6	14.8	25.5	29.7	69.1	1.0
2006	68.2	55.9	6.5	5.3	0.5	7.4	60.8	4.3	14.4	24.0	29.8	67.7	0.6
2007	65.9	54.0	6.2	5.2	0.5	7.4	58.5	4.3	14.6	23.5	27.8	65.4	0.5
2008	69.4	57.2	6.6	5.2	0.4	10.2	59.2	4.4	17.8	23.3	28.4	68.6	0.8
2009	78.8	64.9	7.6	5.6	0.6	12.2	66.5	4.5	19.8	26.7	32.2	78.0	0.8

3. Euro area countries

	BE	DE	IE	GR	ES	FR	IT	CY	LU	MT	NL	AT	PT	SI	SK	FI
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
2006	88.1	67.6	24.9	97.8	39.6	63.7	106.5	64.6	6.5	63.7	47.4	62.2	64.7	26.7	30.5	39.7
2007	84.2	65.0	25.0	95.7	36.2	63.8	103.5	58.3	6.7	61.9	45.5	59.5	63.6	23.4	29.3	35.2
2008	89.8	66.0	43.9	99.2	39.7	67.5	106.1	48.4	13.7	63.7	58.2	62.6	66.3	22.6	27.7	34.2
2009	96.7	73.2	64.0	115.1	53.2	77.6	115.8	56.2	14.5	69.1	60.9	66.5	76.8	35.9	35.7	44.0

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

1) Data refer to the Euro 16. Gross general government debt at nominal value and consolidated between sub-sectors of government. Holdings by non-resident governments are not consolidated. Data are partially estimated.
2) Holders resident in the country whose government has issued the debt.
3) Includes residents of euro area countries other than the country whose government has issued the debt.
4) Excludes debt held by general government in the country whose government has issued it.

6.3 Change in debt [1]

(as a percentage of GDP)

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

	Total	Source of change			Financial instruments				Holders			
		Borrowing requirement [2]	Valuation effects [3]	Other changes in volume [4]	Currency and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors [5]	MFIs	Other financial corporations	Other creditors [6]
	1	2	3	4	5	6	7	8	9	10	11	12
2001	1.9	1.9	-0.1	0.1	0.2	-0.2	0.5	1.5	0.0	-0.5	-0.8	1.9
2002	2.1	2.7	-0.5	0.0	0.0	-0.2	0.7	1.6	0.0	-0.5	-0.1	2.1
2003	3.1	3.3	-0.2	0.0	-0.6	0.9	0.6	2.1	0.4	0.8	0.8	2.7
2004	3.1	3.2	-0.1	0.0	0.2	0.1	0.1	2.7	0.1	-0.3	0.1	3.1
2005	3.1	3.0	0.0	0.0	0.3	0.3	-0.1	2.6	-0.6	-0.7	0.8	3.6
2006	1.5	1.4	0.1	0.0	0.2	0.2	-0.4	1.5	-0.1	1.0	-1.2	1.6
2007	1.1	1.1	0.0	0.0	-0.1	-0.1	0.3	1.0	-0.2	0.2	-0.3	1.2
2008	5.2	5.1	0.1	0.0	0.1	0.4	2.6	2.0	0.7	0.4	-0.4	4.5
2009	7.1	7.3	-0.2	0.0	0.1	0.6	1.6	4.8	3.1	2.5	0.5	4.0

2. Euro area – deficit-debt adjustment

	Change in debt	Deficit (-) / surplus (+) [7]	Deficit-debt adjustment [8]											
			Total	Transactions in main financial assets held by general government							Valuation effects	Exchange rate effects	Other changes in volume	Other [9]
				Total	Currency and deposits	Loans	Securities [10]	Shares and other equity	Privatisations	Equity injections				
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2001	1.9	-1.9	0.0	-0.5	-0.6	0.1	0.1	-0.1	-0.3	0.1	-0.1	0.0	0.1	0.6
2002	2.1	-2.6	-0.5	0.1	0.1	0.0	0.0	-0.1	-0.4	0.1	-0.5	-0.1	0.0	0.0
2003	3.1	-3.1	0.0	0.1	0.1	0.0	0.0	0.1	-0.2	0.1	-0.2	-0.1	0.0	0.1
2004	3.1	-3.0	0.2	0.2	0.2	0.0	0.1	0.0	-0.5	0.2	-0.1	0.0	0.0	0.1
2005	3.1	-2.6	0.5	0.6	0.3	0.1	0.2	0.1	-0.3	0.2	0.0	0.0	0.0	-0.1
2006	1.5	-1.3	0.2	0.3	0.3	-0.1	0.3	-0.2	-0.4	0.1	0.1	0.0	0.0	-0.2
2007	1.1	-0.6	0.4	0.6	0.2	0.0	0.2	0.1	-0.2	0.2	0.0	0.0	0.0	-0.1
2008	5.2	-2.0	3.3	3.1	0.8	0.7	0.8	0.8	0.0	0.6	0.1	0.0	0.0	0.1
2009	7.1	-6.2	0.9	1.0	0.4	0.0	0.2	0.4	-0.2	0.5	-0.2	0.0	0.0	0.0

Source: ECB.

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

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

1. Euro area – quarterly revenue

	Total	Current revenue						Capital revenue		Memo item: Fiscal burden [2]
			Direct taxes	Indirect taxes	Social contributions	Sales	Property income		Capital taxes	
	1	2	3	4	5	6	7	8	9	10
2003 Q4	49.2	48.2	13.1	14.1	16.2	2.9	0.8	1.0	0.3	43.7
2004 Q1	41.4	40.9	9.5	12.9	15.3	1.7	0.6	0.4	0.3	38.0
Q2	44.7	44.0	11.9	12.9	15.3	2.0	1.1	0.8	0.6	40.7
Q3	42.8	42.4	10.7	12.8	15.4	1.9	0.7	0.5	0.3	39.2
Q4	49.0	48.0	12.9	14.2	16.2	2.9	0.7	1.0	0.4	43.7
2005 Q1	42.0	41.5	10.0	13.0	15.2	1.7	0.6	0.5	0.3	38.5
Q2	44.3	43.7	11.5	13.2	15.1	2.0	1.1	0.6	0.3	40.1
Q3	43.6	42.9	11.1	13.0	15.2	1.9	0.7	0.7	0.3	39.7
Q4	49.0	48.3	13.3	14.2	16.1	2.9	0.8	0.8	0.3	43.9
2006 Q1	42.4	42.0	10.3	13.4	15.1	1.6	0.8	0.4	0.3	39.0
Q2	45.4	44.9	12.2	13.5	15.1	1.9	1.3	0.5	0.3	41.1
Q3	43.8	43.3	11.6	13.0	15.2	2.0	0.8	0.5	0.3	40.0
Q4	49.3	48.7	14.0	14.3	15.8	2.9	0.9	0.6	0.3	44.4
2007 Q1	42.1	41.7	10.2	13.5	14.8	1.7	0.8	0.3	0.3	38.8
Q2	45.6	45.2	12.7	13.5	15.0	1.8	1.5	0.4	0.3	41.4
Q3	43.8	43.3	12.2	12.8	14.9	1.9	0.8	0.5	0.3	40.1
Q4	49.8	49.1	14.4	14.1	15.8	3.0	0.9	0.6	0.3	44.6
2008 Q1	42.4	41.9	10.7	12.9	14.8	1.7	1.0	0.5	0.2	38.6
Q2	45.1	44.6	12.6	12.8	15.0	1.9	1.5	0.5	0.3	40.7
Q3	43.3	42.9	11.9	12.4	15.1	1.9	0.8	0.3	0.3	39.7
Q4	48.6	48.4	13.6	13.6	16.3	3.0	1.0	0.2	0.3	43.7
2009 Q1	41.2	41.8	10.2	12.5	15.4	1.8	1.0	-0.6	0.2	38.4
Q2	43.8	43.9	11.5	12.6	15.5	2.0	1.5	-0.1	0.5	40.1
Q3	42.8	42.4	10.9	12.3	15.5	2.0	0.8	0.4	0.3	39.1
Q4	49.8	47.9	12.7	13.6	16.4	3.2	0.9	1.9	0.5	43.2

2. Euro area – quarterly expenditure and deficit/surplus

	Total	Current expenditure							Capital expenditure			Deficit (-)/ surplus (+)	Primary deficit (-)/ surplus (+)
		Total	Compensation of employees	Intermediate consumption	Interest	Current transfers	Social benefits	Subsidies		Investment	Capital transfers		
	1	2	3	4	5	6	7	8	9	10	11	12	13
2003 Q4	51.1	46.3	11.1	5.7	3.1	26.4	22.8	1.5	4.8	3.3	1.6	-1.9	1.2
2004 Q1	46.3	43.0	10.3	4.6	3.2	24.9	21.3	1.2	3.4	1.9	1.5	-5.0	-1.8
Q2	46.6	43.2	10.4	4.8	3.3	24.7	21.4	1.3	3.4	2.3	1.1	-1.8	1.4
Q3	46.1	42.7	9.9	4.7	3.1	24.9	21.5	1.3	3.4	2.4	1.0	-3.2	-0.1
Q4	50.9	45.6	11.0	5.7	2.9	26.1	22.6	1.4	5.2	3.1	2.1	-1.9	1.0
2005 Q1	46.7	43.0	10.2	4.6	3.1	25.1	21.3	1.2	3.7	1.9	1.8	-4.8	-1.7
Q2	46.2	42.8	10.2	4.9	3.2	24.5	21.3	1.1	3.4	2.3	1.1	-1.8	1.3
Q3	45.8	42.4	9.9	4.8	3.0	24.7	21.3	1.2	3.4	2.5	1.0	-2.2	0.7
Q4	50.5	45.7	11.1	5.8	2.7	26.1	22.5	1.3	4.8	3.1	1.7	-1.5	1.2
2006 Q1	45.3	42.1	10.0	4.6	3.0	24.6	21.1	1.2	3.1	1.9	1.2	-2.9	0.1
Q2	45.4	42.2	10.2	4.9	3.1	24.0	21.0	1.1	3.2	2.3	1.0	-0.1	3.0
Q3	45.4	42.0	9.8	4.7	2.9	24.5	21.1	1.2	3.4	2.4	1.0	-1.5	1.4
Q4	50.3	45.0	10.7	5.7	2.7	25.9	22.2	1.4	5.3	3.2	2.2	-1.0	1.7
2007 Q1	44.2	41.1	9.8	4.5	2.9	23.8	20.4	1.2	3.1	2.0	1.1	-2.2	0.8
Q2	44.6	41.4	9.9	4.8	3.2	23.5	20.5	1.1	3.1	2.3	0.8	1.1	4.3
Q3	44.6	41.2	9.6	4.8	2.9	24.0	20.7	1.2	3.4	2.5	0.9	-0.9	2.1
Q4	50.4	45.2	10.7	5.8	2.8	26.0	22.2	1.5	5.2	3.4	1.8	-0.6	2.1
2008 Q1	44.8	41.4	9.7	4.6	3.0	24.1	20.5	1.2	3.3	2.0	1.4	-2.4	0.6
Q2	45.4	41.9	10.1	5.0	3.2	23.7	20.6	1.1	3.5	2.3	1.2	-0.3	2.9
Q3	45.5	42.0	9.7	4.8	3.1	24.4	21.2	1.2	3.5	2.5	1.0	-2.2	0.8
Q4	51.5	46.8	11.0	6.1	2.8	27.0	23.0	1.4	4.7	3.4	1.4	-3.0	-0.2
2009 Q1	47.6	44.9	10.5	5.2	2.9	26.3	22.4	1.3	2.7	2.2	0.4	-6.4	-3.5
Q2	49.5	46.1	10.9	5.5	3.2	26.6	23.1	1.3	3.4	2.7	0.6	-5.7	-2.5
Q3	49.4	45.5	10.4	5.2	2.7	27.1	23.5	1.4	3.9	2.6	1.2	-6.6	-3.9
Q4	56.1	49.4	11.4	6.3	2.5	29.2	24.8	1.6	6.7	3.4	3.2	-6.3	-3.7

Sources: ECB calculations based on Eurostat and national data.

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

2) The fiscal burden comprises taxes and social contributions.

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

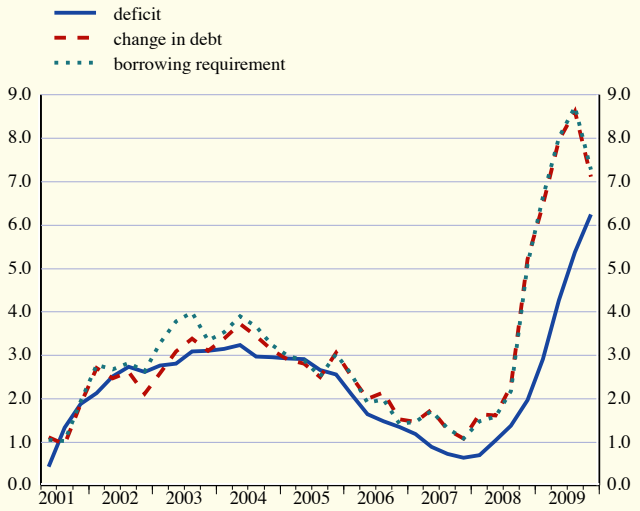
1. Euro area – Maastricht debt by financial instrument [1)]

	Total	Financial instruments			
		Currency and deposits	Loans	Short-term securities	Long-term securities
	1	2	3	4	5
2007 Q1	68.4	2.4	11.5	4.7	49.9
Q2	68.7	2.2	11.2	5.1	50.2
Q3	67.7	2.1	11.0	5.1	49.3
Q4	65.9	2.2	10.8	4.2	48.7
2008 Q1	67.0	2.1	11.2	5.0	48.7
Q2	67.3	2.1	11.2	4.9	49.0
Q3	67.4	2.1	11.1	5.5	48.7
Q4	69.4	2.3	11.0	6.7	49.4
2009 Q1	72.8	2.3	11.3	7.9	51.4
Q2	76.1	2.4	11.6	8.4	53.7
Q3	77.9	2.3	11.7	9.2	54.6
Q4	78.8	2.4	11.9	8.6	55.8

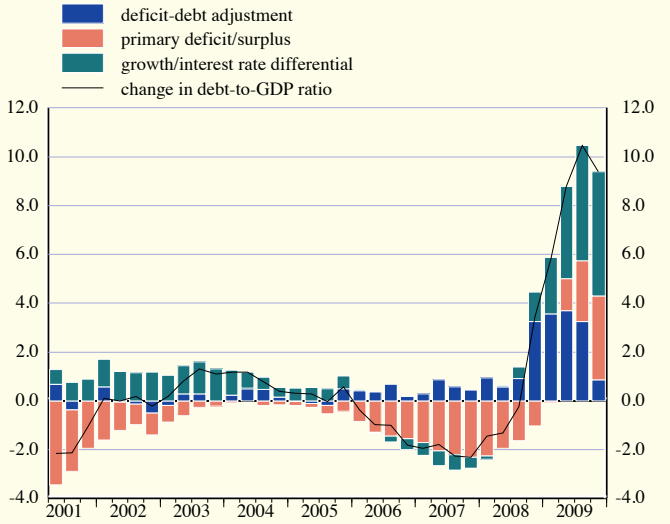
2. Euro area – deficit-debt adjustment

	Change in debt	Deficit (-)/ surplus (+)	Deficit-debt adjustment								Memo item: Borrowing requirement
			Total	Transactions in main financial assets held by general government					Valuation effects and other changes in volume	Other	
				Total	Currency and deposits	Loans	Securities	Shares and other equity			
	1	2	3	4	5	6	7	8	9	10	11
2007 Q1	4.5	-2.2	2.3	1.8	1.1	0.0	0.6	0.1	-0.7	1.2	5.2
Q2	4.2	1.1	5.2	4.9	4.1	0.0	0.5	0.3	0.6	-0.3	3.6
Q3	-0.6	-0.9	-1.4	-1.4	-2.1	0.0	0.4	0.2	0.1	-0.1	-0.6
Q4	-3.5	-0.6	-4.1	-2.9	-2.1	0.0	-0.6	-0.2	0.0	-1.2	-3.4
2008 Q1	6.6	-2.4	4.2	3.3	2.0	0.0	1.1	0.3	0.0	0.9	6.6
Q2	4.0	-0.3	3.7	3.9	1.8	0.3	1.3	0.4	0.1	-0.3	3.9
Q3	2.2	-2.2	0.0	-0.9	-1.6	0.0	0.2	0.5	0.4	0.4	1.8
Q4	8.0	-3.0	5.1	5.8	0.8	2.6	0.5	1.9	0.0	-0.8	8.0
2009 Q1	11.9	-6.4	5.5	6.5	5.1	-0.1	0.9	0.7	-1.3	0.3	13.2
Q2	9.9	-5.7	4.2	3.3	2.5	-0.6	0.2	1.2	0.6	0.4	9.3
Q3	4.7	-6.6	-1.9	-2.9	-3.2	0.7	0.0	-0.4	0.2	0.8	4.5
Q4	2.2	-6.3	-4.1	-2.6	-2.6	0.0	-0.1	0.1	-0.2	-1.3	2.4

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



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



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

7 EXTERNAL TRANSACTIONS AND POSITIONS

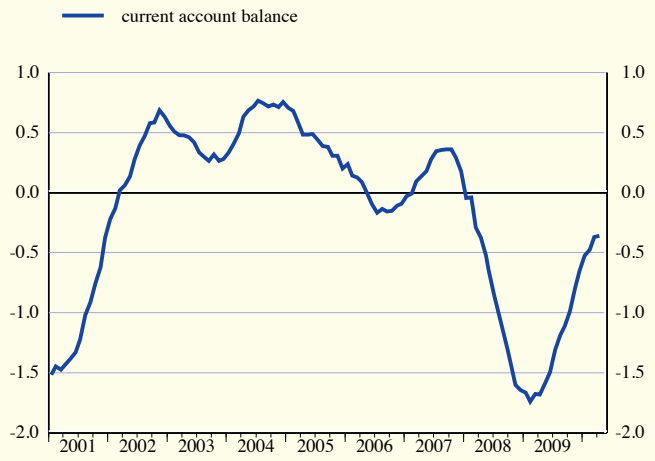
7.1 Summary balance of payments [1]

(EUR billions; net transactions)

	Current account					Capital account	Net lending/ borrowing to/from rest of the world (columns 1+6)	Financial account						Errors and omissions
	Total	Goods	Services	Income	Current transfers			Total	Direct investment	Portfolio investment	Financial derivatives	Other investment	Reserve assets	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2007	13.5	48.0	49.6	2.9	-87.0	5.0	18.5	-10.7	-73.7	151.5	-63.7	-19.6	-5.1	-7.8
2008	-153.8	-19.1	41.4	-76.6	-99.5	9.8	-144.0	163.2	-198.7	344.1	-62.5	83.7	-3.4	-19.2
2009	-55.8	39.5	31.4	-38.0	-88.7	8.0	-47.8	45.4	-95.7	317.9	39.9	-221.2	4.5	2.4
2009 Q1	-37.2	-7.6	1.8	-3.0	-28.4	1.5	-35.8	50.9	-64.6	105.8	15.8	-11.8	5.6	-15.1
Q2	-22.0	14.0	6.9	-25.5	-17.3	2.2	-19.8	10.9	0.3	70.8	22.9	-81.7	-1.4	8.9
Q3	-3.6	13.8	12.2	-6.7	-22.8	1.4	-2.2	-12.6	-23.7	78.2	-4.5	-62.9	0.3	14.8
Q4	7.0	19.4	10.6	-2.8	-20.2	3.0	9.9	-3.8	-7.8	63.1	5.8	-64.8	-0.1	-6.2
2010 Q1	-19.6	3.5	5.3	1.2	-29.7	2.7	-16.9	18.1	-26.6	-9.6	3.9	55.1	-4.8	-1.1
2009 Apr.	-9.8	4.1	2.0	-6.6	-9.3	1.6	-8.2	18.1	7.7	-5.3	13.0	1.5	1.2	-9.9
May	-13.7	2.6	3.0	-12.7	-6.7	0.2	-13.5	9.4	17.5	33.8	9.4	-49.1	-2.2	4.1
June	1.5	7.3	1.8	-6.2	-1.3	0.3	1.8	-16.6	-24.8	42.3	0.5	-34.2	-0.4	14.8
July	8.1	14.1	3.9	-3.0	-6.9	0.9	9.0	-19.4	7.2	-26.5	6.4	-2.9	-3.7	10.4
Aug.	-6.1	-1.9	4.1	0.0	-8.3	0.5	-5.5	-10.8	1.7	25.7	-9.8	-29.2	0.8	16.3
Sep.	-5.6	1.5	4.1	-3.7	-7.5	0.0	-5.6	17.6	-32.6	78.9	-1.1	-30.8	3.3	-11.9
Oct.	-0.2	8.5	4.1	0.5	-13.3	0.2	0.0	1.5	-3.0	8.2	1.8	-4.8	-0.6	-1.5
Nov.	-2.4	5.0	1.6	-2.8	-6.1	1.4	-1.0	2.8	-7.4	-6.2	-0.1	15.1	1.4	-1.8
Dec.	9.5	5.9	4.9	-0.5	-0.7	1.4	10.9	-8.1	2.7	61.1	4.1	-75.0	-0.8	-2.8
2010 Jan.	-14.7	-7.4	0.8	-1.1	-7.1	1.7	-13.0	14.5	-3.1	-0.7	5.1	11.7	1.5	-1.5
Feb.	-6.2	5.1	2.0	1.1	-14.3	0.9	-5.3	4.5	0.6	7.5	-0.1	0.1	-3.6	0.7
Mar.	1.3	5.7	2.5	1.3	-8.3	0.1	1.4	-1.0	-24.2	-16.3	-1.1	43.2	-2.6	-0.4
Apr.	-6.9	3.6	2.8	-5.5	-7.8	-0.2	-7.1	8.2	-11.3	29.9	-0.3	-10.1	0.0	-1.1
	12-month cumulated transactions													
2010 Apr.	-35.3	50.1	35.8	-32.6	-88.5	7.4	-27.9	2.6	-76.8	237.6	14.8	-165.9	-7.1	25.3
	12-month cumulated transactions as a percentage of GDP													
2010 Apr.	-0.4	0.6	0.4	-0.4	-1.0	0.1	-0.3	0.0	-0.9	2.6	0.2	-1.8	-0.1	0.3

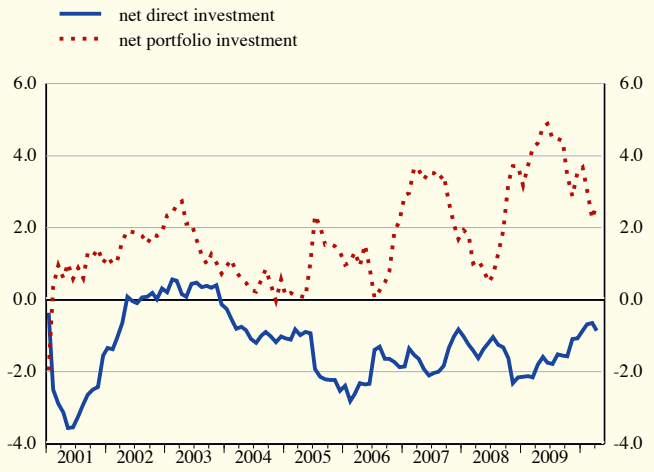
C30 Euro area b.o.p.: current account

(seasonally adjusted; 12-month cumulated transactions as a percentage of GDP)



C31 Euro area b.o.p.: direct and portfolio investment

(12-month cumulated transactions as a percentage of GDP)



Source: ECB.

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

7.2 Current and capital accounts

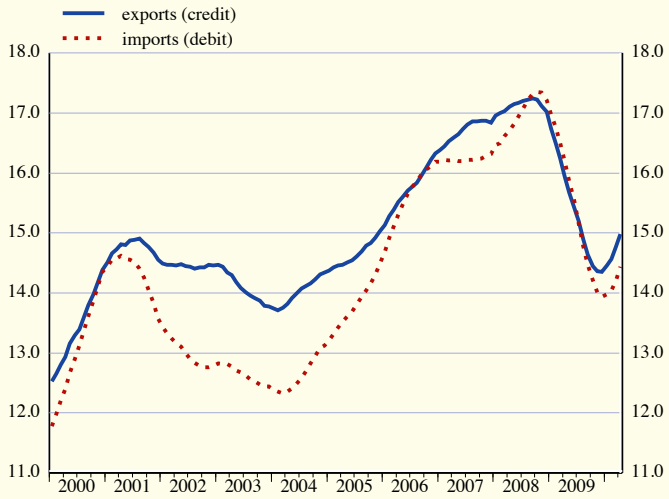
(EUR billions; transactions)

1. Summary current and capital accounts

	Current account													Capital account	
	Total			Goods		Services		Income		Current transfers					
	Credit	Debit	Net	Credit	Debit	Credit	Debit	Credit	Debit	Credit		Debit		Credit	Debit
											Workers' remittances		Workers' remittances		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2007	2,702.7	2,689.2	13.5	1,518.0	1,470.1	494.9	445.3	598.7	595.8	91.0	6.4	178.1	20.7	25.7	20.7
2008	2,732.5	2,886.3	-153.8	1,580.4	1,599.5	517.6	476.2	546.1	622.6	88.5	6.7	188.0	21.4	24.2	14.5
2009	2,274.9	2,330.7	-55.8	1,290.1	1,250.5	471.1	439.7	421.0	459.0	92.8	6.1	181.5	21.6	18.9	10.9
2009 Q1	557.1	594.4	-37.2	307.5	315.1	110.4	108.6	113.5	116.4	25.8	1.4	54.2	5.0	4.1	2.6
Q2	559.5	581.4	-22.0	312.5	298.5	114.8	107.9	111.2	136.7	21.0	1.6	38.3	5.4	4.9	2.8
Q3	556.0	559.6	-3.6	322.5	308.7	124.0	111.9	95.1	101.8	14.3	1.6	37.2	5.5	3.9	2.4
Q4	602.3	595.3	7.0	347.6	328.2	121.8	111.3	101.2	104.0	31.7	1.5	51.8	5.7	6.0	3.0
2010 Q1	573.8	593.4	-19.6	347.7	344.2	107.8	102.4	94.6	93.4	23.7	.	53.4	.	5.3	2.6
2010 Feb.	185.0	191.2	-6.2	111.7	106.6	34.2	32.2	30.3	29.2	8.8	.	23.2	.	1.6	0.7
Mar.	214.4	213.2	1.3	135.8	130.1	38.5	36.0	35.6	34.3	4.5	.	12.8	.	1.1	1.0
Apr.	195.1	202.0	-6.9	122.9	119.4	38.1	35.3	30.1	35.5	4.0	.	11.8	.	0.7	0.9
	Seasonally adjusted														
2009 Q3	551.7	560.1	-8.4	316.2	302.6	115.2	107.1	98.6	108.1	21.8	.	42.3	.	.	.
Q4	573.3	581.0	-7.7	331.6	317.6	118.5	108.2	96.7	107.1	26.5	.	48.1	.	.	.
2010 Q1	600.2	604.9	-4.7	362.5	351.4	118.1	107.0	97.6	102.1	22.0	.	44.4	.	.	.
2010 Feb.	195.1	199.6	-4.5	119.0	113.7	38.7	35.2	32.7	34.2	4.6	.	16.5	.	.	.
Mar.	205.7	204.2	1.5	126.5	123.1	40.1	35.6	32.9	33.8	6.2	.	11.7	.	.	.
Apr.	199.8	204.9	-5.1	124.5	123.2	40.1	36.6	30.0	32.7	5.2	.	12.5	.	.	.
	12-month cumulated transactions														
2010 Apr.	2,303.1	2,335.4	-32.3	1,347.4	1,298.5	468.6	432.7	395.6	427.5	91.4	.	176.7	.	.	.
	12-month cumulated transactions as a percentage of GDP														
2010 Apr.	25.6	26.0	-0.4	15.0	14.4	5.2	4.8	4.4	4.8	1.0	.	2.0	.	.	.

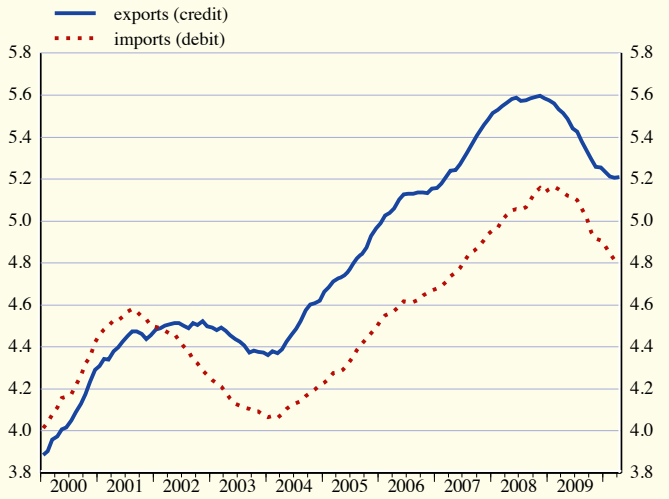
C32 Euro area b.o.p.: goods

(seasonally adjusted; 12-month cumulated transactions as a percentage of GDP)



C33 Euro area b.o.p.: services

(seasonally adjusted; 12-month cumulated transactions as a percentage of GDP)



Source: ECB.

7.2 Current and capital accounts
(EUR billions)

2. Income account
(transactions)

	Compensation of employees		Investment income													
	Credit	Debit	Total		Direct investment						Portfolio investment				Other investment	
			Credit	Debit	Equity				Debt		Equity		Debt		Credit	Debit
					Credit		Debit		Credit	Debit	Credit	Debit	Credit	Debit		
						Reinv. earnings		Reinv. earnings								
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
2007	18.8	10.3	579.9	585.5	208.7	70.9	137.7	44.2	26.6	25.2	45.3	113.7	118.8	111.1	180.5	197.8
2008	18.9	10.4	527.1	612.2	154.4	17.9	147.0	50.0	29.9	24.8	43.0	119.0	125.2	125.3	174.5	196.1
2009	18.9	11.6	402.0	447.4	131.7	23.2	106.5	37.1	20.3	20.8	31.4	80.0	110.2	141.9	108.5	98.3
2008 Q4	4.9	2.7	127.8	142.3	35.9	-1.5	36.5	10.1	8.4	6.0	8.4	19.9	31.6	32.7	43.5	47.1
2009 Q1	4.7	2.1	108.8	114.4	34.1	7.8	26.7	15.2	5.2	5.1	6.9	13.3	29.4	37.5	33.3	31.9
Q2	4.6	2.6	106.6	134.2	33.1	1.5	25.6	4.3	5.6	5.9	10.6	38.8	27.5	36.6	29.8	27.2
Q3	4.6	3.5	90.5	98.4	29.0	7.5	25.1	8.5	4.1	4.7	7.1	13.9	27.4	34.8	22.9	19.9
Q4	5.0	3.5	96.2	100.5	35.5	6.3	29.1	9.1	5.4	5.0	6.8	14.1	25.9	33.0	22.5	19.3

3. Geographical breakdown
(cumulated transactions)

2009 Q1 to 2009 Q4	Total	EU Member States outside the euro area						Brazil	Canada	China	India	Japan	Russia	Switzerland	United States	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions									
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
	Credits															
Current account	2,274.9	803.1	45.9	65.9	393.5	234.0	63.7	34.4	30.6	87.0	29.3	46.7	70.3	167.3	306.4	699.8
Goods	1,290.1	429.7	27.7	41.2	183.8	176.8	0.2	18.5	15.7	69.1	21.8	28.8	50.2	83.8	153.2	419.3
Services	471.1	157.2	11.1	12.1	101.9	26.6	5.5	7.4	6.5	13.0	5.9	10.6	12.8	48.4	70.4	138.9
Income	421.0	148.5	6.5	11.3	96.1	27.1	7.5	8.1	7.6	4.8	1.5	7.1	7.0	28.1	77.6	130.7
Investment income	402.0	141.8	6.4	11.1	94.5	26.5	3.3	8.1	7.5	4.7	1.5	7.1	6.9	20.9	75.7	127.8
Current transfers	92.8	67.8	0.7	1.3	11.8	3.4	50.6	0.4	0.8	0.2	0.1	0.2	0.3	6.9	5.1	10.9
Capital account	18.9	14.6	0.0	0.0	0.8	0.2	13.5	0.0	0.0	0.0	0.0	0.0	0.1	0.3	0.5	3.3
	Debits															
Current account	2,330.7	749.6	40.6	67.3	336.3	207.7	97.6	-	24.6	-	-	85.9	-	157.0	324.9	-
Goods	1,250.5	359.7	26.2	37.0	136.4	160.0	0.0	20.1	10.3	153.4	18.0	41.8	78.3	72.1	121.4	375.5
Services	439.7	133.8	7.1	10.4	84.4	31.6	0.2	5.7	5.6	9.7	4.4	7.6	7.5	40.3	94.3	130.7
Income	459.0	145.9	6.4	18.8	103.0	11.7	6.0	-	7.0	-	-	36.1	-	38.6	102.2	-
Investment income	447.4	138.5	6.3	18.7	101.4	6.0	6.0	-	6.9	-	-	36.0	-	38.1	101.4	-
Current transfers	181.5	110.1	0.8	1.1	12.5	4.4	91.4	1.4	1.7	2.9	0.7	0.4	0.5	5.9	6.9	50.9
Capital account	10.9	2.4	0.1	0.1	0.9	0.2	1.0	0.1	0.1	0.1	0.2	0.1	0.0	0.5	0.8	6.6
	Net															
Current account	-55.8	53.6	5.3	-1.4	57.2	26.2	-33.9	-	6.0	-	-	-39.2	-	10.2	-18.5	-
Goods	39.5	70.0	1.5	4.2	47.4	16.8	0.2	-1.5	5.4	-84.3	3.8	-13.0	-28.2	11.7	31.8	43.8
Services	31.4	23.3	3.9	1.7	17.5	-5.0	5.2	1.7	0.9	3.2	1.6	3.0	5.3	8.1	-23.9	8.2
Income	-38.0	2.5	0.1	-7.5	-6.9	15.5	1.5	-	0.6	-	-	-29.0	-	-10.5	-24.6	-
Investment income	-45.4	3.3	0.1	-7.6	-7.0	20.5	-2.7	-	0.6	-	-	-29.0	-	-17.2	-25.7	-
Current transfers	-88.7	-42.4	-0.2	0.2	-0.7	-1.0	-40.8	-1.1	-0.9	-2.6	-0.6	-0.1	-0.2	0.9	-1.8	-40.0
Capital account	8.0	12.3	0.0	-0.1	-0.1	0.0	12.5	-0.1	-0.1	-0.1	-0.2	-0.1	0.0	-0.1	-0.3	-3.3

Source: ECB.

7.3 Financial account

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

1. Summary financial account

	Total [1]			Total as a % of GDP			Direct investment		Portfolio investment		Net financial derivatives	Other investment		Reserve assets
	Assets	Liabilities	Net	Assets	Liabilities	Net	Assets	Liabilities	Assets	Liabilities		Assets	Liabilities	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Outstanding amounts (international investment position)													
2006	12,384.3	13,399.8	-1,015.5	144.7	156.6	-11.9	3,153.4	2,729.4	4,372.1	5,950.0	-20.8	4,553.8	4,720.4	325.8
2007	13,908.5	15,155.8	-1,247.3	154.4	168.2	-13.8	3,572.8	3,130.7	4,631.6	6,556.5	-26.0	5,382.9	5,468.6	347.2
2008	13,315.2	14,949.2	-1,634.0	143.7	161.4	-17.6	3,744.4	3,217.0	3,763.9	6,078.6	-36.2	5,468.8	5,653.6	374.2
2009 Q2	13,309.9	14,845.3	-1,535.4	146.6	163.5	-16.9	4,012.1	3,302.8	3,898.5	6,304.5	-57.8	5,075.6	5,238.0	381.5
Q3	13,381.5	14,979.0	-1,597.5	148.6	166.3	-17.7	4,042.1	3,345.1	4,059.8	6,626.7	-60.1	4,908.9	5,007.2	430.8
Q4	13,687.5	15,154.8	-1,467.3	152.6	168.9	-16.4	4,138.5	3,386.5	4,209.0	6,816.7	-48.3	4,926.0	4,951.6	462.4
	Changes to outstanding amounts													
2005	2,209.7	2,070.3	139.3	27.1	25.4	1.7	522.1	209.0	842.5	1,012.3	16.0	790.0	849.1	39.1
2006	1,545.8	1,845.7	-299.9	18.1	21.6	-3.5	362.6	285.1	484.6	892.2	0.6	692.3	668.4	5.7
2007	1,524.2	1,756.0	-231.9	16.9	19.5	-2.6	419.4	401.3	259.5	606.5	-5.2	829.1	748.1	21.4
2008	-593.3	-206.6	-386.6	-6.4	-2.2	-4.2	171.7	86.3	-867.7	-478.0	-10.2	85.9	185.1	27.0
2009 Q3	71.6	133.7	-62.1	3.2	6.0	-2.8	30.0	42.3	161.2	322.2	-2.3	-166.7	-230.8	49.3
Q4	306.0	175.8	130.2	13.1	7.6	5.6	96.4	41.4	149.2	190.0	11.8	17.1	-55.6	31.5
	Transactions													
2006	1,728.6	1,719.1	9.4	20.2	20.1	0.1	417.6	257.4	519.8	708.5	0.6	789.3	753.2	1.3
2007	1,946.6	1,935.9	10.7	21.6	21.5	0.1	476.5	402.9	438.5	589.9	63.7	962.8	943.1	5.1
2008	464.8	628.0	-163.2	5.0	6.8	-1.8	323.8	125.1	-10.2	333.9	62.5	85.3	169.0	3.4
2009	-164.6	-119.3	-45.4	-1.8	-1.3	-0.5	314.4	218.6	74.2	392.1	-39.9	-508.8	-729.9	-4.5
2009 Q3	20.8	8.1	12.6	0.9	0.4	0.6	62.0	38.2	45.6	123.7	4.5	-91.0	-153.8	-0.3
Q4	55.9	52.2	3.8	2.4	2.2	0.2	62.8	55.0	38.0	101.1	-5.8	-39.1	-103.9	0.1
2010 Q1	157.3	175.3	-18.1	7.1	7.9	-0.8	46.5	19.8	69.9	60.3	-3.9	40.1	95.2	4.8
2009 Dec.	-77.5	-85.6	8.1	.	.	.	15.3	17.9	-6.4	54.7	-4.1	-83.1	-158.2	0.8
2010 Jan.	79.6	94.0	-14.5	.	.	.	5.8	2.6	30.9	30.2	-5.1	49.5	61.2	-1.5
Feb.	42.6	47.2	-4.5	.	.	.	14.4	15.0	9.0	16.5	0.1	15.5	15.7	3.6
Mar.	35.1	34.1	1.0	.	.	.	26.4	2.2	30.0	13.6	1.1	-25.0	18.2	2.6
Apr.	127.6	135.7	-8.2	.	.	.	15.6	4.3	16.7	46.6	0.3	94.9	84.8	0.0
	Other changes													
2005	851.4	749.6	101.7	10.4	9.2	1.2	163.7	56.5	426.3	487.7	-1.4	205.7	205.4	57.1
2006	-182.7	126.6	-309.3	-2.1	1.5	-3.6	-55.0	27.7	-35.2	183.7	0.0	-97.0	-84.8	4.4
2007	-422.5	-179.9	-242.5	-4.7	-2.0	-2.7	-57.1	-1.5	-179.0	16.6	-69.0	-133.6	-195.0	16.3
2008	-1,058.0	-834.6	-223.4	-11.4	-9.0	-2.4	-152.1	-38.8	-857.5	-811.8	-72.7	0.6	16.1	23.6
	Other changes due to exchange rate changes													
2005	394.2	245.0	149.2	4.8	3.0	1.8	89.8	5.7	158.3	101.4	.	129.2	137.9	17.0
2006	-343.3	-228.5	-114.8	-4.0	-2.7	-1.3	-72.1	-4.2	-151.6	-101.1	.	-105.7	-123.2	-13.9
2007	-531.1	-291.5	-239.6	-5.9	-3.2	-2.7	-113.3	-5.9	-219.2	-106.0	.	-185.0	-179.6	-13.7
2008	-40.3	59.3	-99.6	-0.4	0.6	-1.1	-17.3	-0.2	1.8	42.0	.	-34.0	17.5	9.2
	Other changes due to price changes													
2005	284.5	430.3	-145.8	3.5	5.3	-1.8	45.0	40.8	199.0	389.5	-1.4	.	.	41.9
2006	288.6	298.4	-9.8	3.4	3.5	-0.1	45.4	33.5	226.0	264.9	0.0	.	.	17.1
2007	82.4	124.7	-42.4	0.9	1.4	-0.5	46.5	12.5	75.0	112.2	-69.8	.	.	30.7
2008	-1,013.8	-1,102.1	88.3	-10.9	-11.9	1.0	-155.6	-138.4	-803.6	-963.7	-75.9	.	.	21.2
	Other changes due to other adjustments													
2005	172.7	74.3	98.3	2.1	0.9	1.2	29.0	10.0	69.0	-3.1	.	76.5	67.4	-1.8
2006	-128.1	56.7	-184.7	-1.5	0.7	-2.2	-28.3	-1.6	-109.6	19.8	.	8.7	38.4	1.2
2007	30.7	-16.9	47.6	0.3	-0.2	0.5	5.0	-13.6	-33.0	12.4	.	59.5	-15.7	-0.8
2008	-20.9	191.6	-212.5	-0.2	2.1	-2.3	18.0	87.4	-56.9	102.2	.	25.4	2.0	-7.3
	Growth rates of outstanding amounts													
2005	15.2	13.4	-	.	.	.	15.2	6.8	13.1	12.1	.	18.5	19.5	-5.9
2006	16.1	14.8	-	.	.	.	15.0	10.5	13.6	13.7	.	20.5	18.7	0.3
2007	15.7	14.3	-	.	.	.	15.1	14.7	10.0	9.8	.	21.2	20.0	1.6
2008	3.3	4.2	-	.	.	.	9.2	4.0	-0.5	5.3	.	1.6	3.2	1.0
2009 Q3	-4.0	-3.0	-	.	.	.	7.9	4.9	-3.0	4.4	.	-12.2	-14.9	-1.1
Q4	-1.2	-0.8	-	.	.	.	8.3	6.8	1.9	6.4	.	-9.3	-12.8	-1.2
2010 Q1	2.0	1.3	.	.	.	.	6.6	6.2	5.6	6.0	.	-3.7	-7.1	1.3

Source: ECB.

1) Net financial derivatives are included in assets.

7.3 Financial account

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

2. Direct investment

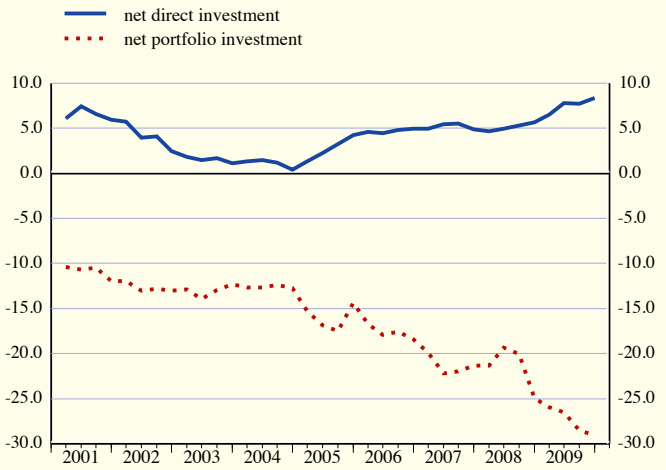
	By resident units abroad							By non-resident units in the euro area						
	Total	Equity capital and reinvested earnings			Other capital (mostly inter-company loans)			Total	Equity capital and reinvested earnings			Other capital (mostly inter-company loans)		
		Total	MFIs	Non-MFIs	Total	MFIs	Non-MFIs		Total	Into MFIs	Into non-MFIs	Total	To MFIs	To non-MFIs
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
	Oustanding amounts (international investment position)													
2007	3,572.8	2,886.7	240.8	2,645.9	686.1	6.4	679.7	3,130.7	2,401.0	69.5	2,331.5	729.8	15.4	714.4
2008	3,744.4	2,946.9	234.8	2,712.1	797.5	9.3	788.2	3,217.0	2,405.5	77.0	2,328.5	811.6	16.4	795.1
2009 Q3	4,042.1	3,158.3	259.6	2,898.7	883.8	10.4	873.4	3,345.1	2,517.5	74.7	2,442.8	827.6	15.2	812.4
Q4	4,138.5	3,246.9	259.8	2,987.1	891.6	11.0	880.6	3,386.5	2,566.9	76.7	2,490.2	819.6	15.2	804.4
	Transactions													
2008	323.8	195.1	-4.8	199.9	128.7	-0.2	128.9	125.1	93.0	-1.3	94.3	32.1	1.6	30.4
2009	314.4	227.0	22.0	205.0	87.4	3.4	84.0	218.6	212.3	8.1	204.2	6.3	-0.6	6.9
2009 Q3	62.0	37.0	-1.6	38.7	24.9	0.3	24.6	38.2	35.4	2.4	33.0	2.8	-1.1	3.9
Q4	62.8	64.4	-1.2	65.6	-1.6	1.7	-3.3	55.0	60.9	3.0	57.9	-5.9	0.1	-5.9
2010 Q1	46.5	23.9	5.2	18.6	22.6	0.2	22.4	19.8	14.7	0.2	14.5	5.1	0.5	4.7
2009 Dec.	15.3	15.6	-1.5	17.1	-0.3	1.2	-1.5	17.9	25.4	4.9	20.5	-7.4	0.3	-7.8
2010 Jan.	5.8	7.0	0.2	6.8	-1.3	0.0	-1.3	2.6	4.6	0.4	4.2	-2.0	-2.2	0.3
Feb.	14.4	7.4	3.9	3.4	7.0	0.2	6.8	15.0	6.1	0.1	6.0	8.9	4.7	4.1
Mar.	26.4	9.5	1.1	8.4	16.9	0.0	16.9	2.2	4.0	-0.2	4.2	-1.8	-2.0	0.3
Apr.	15.6	1.7	0.8	0.9	14.0	0.3	13.7	4.3	5.4	0.4	5.0	-1.1	1.5	-2.7
	Growth rates													
2007	15.1	14.4	8.3	15.0	18.5	-55.0	18.7	14.7	14.6	8.8	14.7	15.3	6.3	15.4
2008	9.2	6.8	-2.0	7.6	18.9	-2.0	19.1	4.0	3.9	-1.8	4.1	4.5	9.9	4.4
2009 Q3	7.9	6.3	8.5	6.1	14.2	13.8	14.2	4.9	7.2	7.1	7.2	-1.9	-5.0	-1.8
Q4	8.3	7.6	9.4	7.5	10.9	37.0	10.6	6.8	8.9	11.3	8.8	0.8	-3.7	0.9
2010 Q1	6.6	6.5	3.7	6.7	7.3	28.0	7.0	6.2	7.7	10.0	7.6	1.9	-1.9	2.0

C34 Euro area international investment position

(outstanding amounts at end of period; as a percentage of GDP)

C35 Euro area direct and portfolio investment position

(outstanding amounts at end of period; as a percentage of GDP)



Source: ECB.

7.3 Financial account

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

3. Portfolio investment assets

	Total	Equity					Debt instruments									
							Bonds and notes					Money market instruments				
		Total	MFIs		Non-MFIs		Total	MFIs		Non-MFIs		Total	MFIs		Non-MFIs	
				Euro-system		General government			Euro-system		General government			Euro-system		General government
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
	Outstanding amounts (international investment position)															
2007	4,631.6	1,961.8	136.7	2.8	1,825.1	44.6	2,279.7	990.2	16.4	1,289.5	17.2	390.1	297.3	34.6	92.8	0.5
2008	3,763.9	1,162.7	68.4	3.0	1,094.3	27.3	2,179.1	970.9	19.9	1,208.2	18.4	422.1	353.3	61.6	68.8	1.3
2009 Q3	4,059.8	1,368.1	75.3	3.1	1,292.8	32.0	2,277.7	926.8	16.8	1,351.0	37.9	413.9	341.9	45.0	72.1	1.5
Q4	4,209.0	1,482.0	78.2	3.1	1,403.9	34.4	2,344.9	924.3	17.2	1,420.6	37.0	382.0	324.4	44.9	57.7	2.0
	Transactions															
2007	438.5	64.7	26.7	0.0	38.0	8.2	290.5	148.0	4.9	142.4	3.3	83.3	63.3	26.3	20.0	0.8
2008	-10.2	-103.9	-38.4	0.6	-65.6	-0.2	96.7	44.1	3.2	52.6	2.6	-3.0	26.8	15.1	-29.8	0.4
2009	74.2	46.6	-2.9	-0.2	49.5	1.6	29.3	-103.3	-3.5	132.6	17.2	-1.8	5.4	-12.7	-7.2	1.0
2009 Q3	45.6	39.6	3.7	0.0	35.9	0.2	27.4	-7.0	-0.8	34.4	-1.4	-21.4	-10.1	-11.8	-11.2	-0.1
Q4	38.0	35.8	-0.6	-0.2	36.3	0.4	25.1	-14.0	-0.5	39.1	-1.5	-22.9	-17.9	1.3	-5.0	0.8
2010 Q1	69.9	20.3	7.0	0.0	13.3	.	47.6	2.1	-0.2	45.5	.	2.1	-7.8	-1.4	9.8	.
2009 Dec.	-6.4	8.9	1.0	0.1	7.9	.	0.6	-5.6	0.3	6.2	.	-15.9	-11.4	-5.7	-4.4	.
2010 Jan.	30.9	-2.9	-0.5	0.0	-2.4	.	14.5	0.4	0.3	14.1	.	19.3	9.8	4.8	9.5	.
Feb.	9.0	3.8	1.3	0.0	2.5	.	5.5	-0.4	0.0	5.9	.	-0.3	-1.6	-0.3	1.3	.
Mar.	30.0	19.4	6.2	0.0	13.2	.	27.6	2.1	-0.6	25.5	.	-16.9	-15.9	-5.9	-1.0	.
Apr.	16.7	5.7	2.7	-0.2	2.9	.	14.3	5.1	0.6	9.2	.	-3.2	-7.5	0.7	4.3	.
	Growth rates															
2007	10.0	3.3	22.3	-0.5	2.0	21.3	13.9	16.6	38.9	11.9	23.2	23.9	23.7	272.7	29.4	277.4
2008	-0.5	-6.2	-30.0	24.6	-4.5	-0.5	4.3	4.6	20.4	4.1	15.6	-0.6	9.1	41.9	-32.3	71.6
2009 Q3	-3.0	-3.0	-8.6	12.4	-2.6	0.5	-2.5	-10.6	-20.1	4.0	96.8	-6.7	-0.2	-30.8	-31.4	69.4
Q4	1.9	3.4	-4.5	-7.2	3.9	5.8	1.2	-10.4	-17.7	10.8	93.2	-1.1	0.9	-22.0	-9.8	73.2
2010 Q1	5.6	8.4	13.6	-6.9	8.1	.	6.0	-5.5	-7.7	15.0	.	-5.7	-7.1	-23.9	3.0	.

4. Portfolio investment liabilities

	Total	Equity			Debt instruments							
					Bonds and notes				Money market instruments			
		Total	MFIs	Non-MFIs	Total	MFIs	Non-MFIs		Total	MFIs	Non-MFIs	
								General government				General government
	1	2	3	4	5	6	7	8	9	10	11	12
	Outstanding amounts (international investment position)											
2007	6,556.5	3,272.5	594.6	2,677.9	3,041.1	1,143.5	1,897.6	1,118.5	243.0	141.5	101.5	76.1
2008	6,078.6	2,168.7	640.7	1,528.0	3,466.5	1,263.8	2,202.8	1,357.1	443.3	108.9	334.4	272.9
2009 Q3	6,626.7	2,577.5	717.6	1,859.9	3,502.3	1,170.8	2,331.5	1,454.7	546.8	70.4	476.4	420.2
Q4	6,816.7	2,719.4	710.9	2,008.5	3,527.3	1,186.7	2,340.6	1,444.7	570.1	99.4	470.7	414.2
	Transactions											
2008	333.9	-107.1	94.8	-201.9	236.3	26.3	210.0	196.7	204.7	-20.1	224.8	194.6
2009	392.1	139.8	6.4	133.4	134.2	-12.4	146.5	137.0	118.1	-2.5	120.6	148.0
2009 Q3	123.7	89.5	11.7	77.7	-19.2	-9.1	-10.1	-8.7	53.5	10.0	43.5	59.2
Q4	101.1	50.4	-7.1	57.5	42.4	9.3	33.2	20.4	8.3	14.5	-6.2	-4.0
2010 Q1	60.3	40.7	13.4	27.3	25.7	18.3	7.4	.	-6.1	5.8	-11.9	.
2009 Dec.	54.7	57.2	-0.7	57.8	6.8	2.7	4.1	.	-9.3	21.9	-31.2	.
2010 Jan.	30.2	18.3	-0.3	18.6	2.1	25.6	-23.6	.	9.8	-4.3	14.1	.
Feb.	16.5	8.8	0.1	8.7	4.6	-13.1	17.7	.	3.1	7.5	-4.4	.
Mar.	13.6	13.7	13.7	0.0	19.1	5.8	13.3	.	-19.1	2.6	-21.6	.
Apr.	46.6	-2.5	-2.2	-0.3	46.3	16.5	29.7	.	2.8	5.2	-2.4	.
	Growth rates											
2007	9.8	5.5	4.4	5.8	13.3	15.5	12.1	13.9	29.6	55.3	10.1	32.0
2008	5.3	-4.7	16.2	-9.8	7.8	2.3	11.1	17.6	81.5	-13.3	215.6	271.7
2009 Q3	4.4	-0.1	4.6	-1.3	1.7	-5.6	6.0	11.6	59.5	-23.2	111.6	168.4
Q4	6.4	6.0	1.0	8.2	3.9	-1.0	6.6	10.1	26.6	3.2	35.7	54.9
2010 Q1	6.0	8.0	2.9	10.0	2.5	1.5	3.0	.	22.5	36.0	20.9	.

Source: ECB.

7.3 Financial account

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

5. Other investment assets

	Total	Eurosystem			MFIs (excluding Eurosystem)			General government				Other sectors			
		Total	Loans/currency and deposits	Other assets	Total	Loans/currency and deposits	Other assets		Trade credits	Loans/currency and deposits	Currency and deposits		Trade credits	Loans/currency and deposits	Currency and deposits
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	Outstanding amounts (international investment position)														
2007	5,382.9	36.9	35.6	1.4	3,354.4	3,283.2	71.2	107.8	12.7	48.8	13.7	1,883.7	196.2	1,520.0	473.1
2008	5,468.8	28.8	27.7	1.0	3,280.7	3,221.6	59.1	101.0	12.1	40.9	7.2	2,058.3	186.1	1,647.7	461.7
2009 Q3	4,908.9	22.8	22.5	0.3	2,823.8	2,790.5	33.3	114.8	11.8	54.0	8.9	1,947.5	191.7	1,524.6	407.1
Q4	4,926.0	29.7	29.4	0.3	2,842.1	2,811.5	30.6	122.0	11.8	60.5	10.0	1,932.2	190.1	1,492.2	381.2
	Transactions														
2007	962.8	22.0	22.0	0.0	546.7	539.5	7.2	-7.8	-1.4	-7.4	-5.5	401.9	14.1	344.9	54.9
2008	85.3	-9.4	-9.4	0.0	-48.4	-64.8	16.5	-7.0	-1.1	-7.2	-6.0	150.0	2.8	88.3	-41.1
2009	-508.8	-2.4	-2.4	0.0	-414.5	-394.0	-20.5	9.5	-0.3	7.9	1.1	-101.5	1.9	-105.7	-42.8
2009 Q3	-91.0	-6.7	-6.7	0.0	-83.6	-81.3	-2.3	0.0	-0.3	0.1	-4.0	-0.6	0.4	2.1	14.7
Q4	-39.1	5.5	5.5	0.0	-4.4	-2.3	-2.1	6.6	0.0	6.2	1.1	-46.8	-0.6	-47.5	-41.7
2010 Q1	40.1	-7.1	.	.	49.0	.	.	-7.4	.	.	-3.7	5.5	.	.	-0.2
2009 Dec.	-83.1	4.1	.	.	-35.6	.	.	3.4	.	.	0.1	-54.9	.	.	-21.6
2010 Jan.	49.5	-5.1	.	.	67.7	.	.	-4.1	.	.	-2.9	-9.0	.	.	-5.5
Feb.	15.5	-1.7	.	.	6.4	.	.	-1.1	.	.	0.8	12.0	.	.	8.8
Mar.	-25.0	-0.3	.	.	-25.0	.	.	-2.2	.	.	-1.6	2.5	.	.	-3.5
Apr.	94.9	1.2	.	.	70.5	.	.	4.9	.	.	4.9	18.3	.	.	3.7
	Growth rates														
2007	21.2	157.3	173.7	-1.7	18.6	18.8	11.3	-6.5	-9.8	-12.6	-28.6	27.2	7.5	29.6	13.9
2008	1.6	-26.2	-26.9	5.0	-1.4	-2.0	23.4	-6.5	-8.9	-14.7	-43.8	8.0	1.4	5.9	-8.9
2009 Q3	-12.2	-42.5	-43.9	4.1	-18.3	-18.4	-23.1	3.5	-4.7	7.8	-13.4	-1.6	-3.8	-1.6	0.6
Q4	-9.3	-10.6	-11.7	0.2	-12.6	-12.2	-36.8	8.9	-2.4	16.2	16.1	-5.0	1.0	-6.6	-10.3
2010 Q1	-3.7	-4.9	.	.	-4.2	.	.	-3.9	.	.	-67.5	-3.0	.	.	-3.0

6. Other investment liabilities

	Total	Eurosystem			MFIs (excluding Eurosystem)			General government				Other sectors			
		Total	Loans/currency and deposits	Other liabilities	Total	Loans/currency and deposits	Other liabilities	Total	Trade credits	Loans	Other liabilities	Total	Trade credits	Loans	Other liabilities
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	Outstanding amounts (international investment position)														
2007	5,468.6	201.7	201.4	0.2	3,935.1	3,872.6	62.5	52.3	0.0	46.9	5.4	1,279.5	156.9	1,009.7	112.8
2008	5,653.6	482.3	481.9	0.4	3,751.8	3,698.1	53.6	61.9	0.0	58.0	3.9	1,357.6	170.2	1,069.6	117.8
2009 Q3	5,007.2	264.3	263.8	0.6	3,450.3	3,413.6	36.8	59.5	0.0	56.2	3.3	1,233.1	179.4	943.5	110.2
Q4	4,951.6	249.6	249.3	0.3	3,394.6	3,356.3	38.3	57.2	0.0	53.6	3.6	1,250.3	181.1	952.3	116.8
	Transactions														
2007	943.1	89.6	89.6	0.0	625.1	620.4	4.6	-1.0	0.0	-2.0	1.0	229.5	10.0	220.5	-1.1
2008	169.0	280.7	280.6	0.1	-178.9	-190.0	11.1	9.4	0.0	10.8	-1.4	57.8	10.9	47.3	-0.4
2009	-729.9	-231.7	-236.5	4.7	-354.3	-343.0	-11.3	-6.9	0.0	-6.7	-0.2	-137.1	0.9	-113.4	-24.5
2009 Q3	-153.8	-43.5	-43.7	0.3	-79.5	-80.1	0.6	0.7	0.0	1.2	-0.5	-31.5	1.0	-20.8	-11.7
Q4	-103.9	-16.8	-16.5	-0.2	-81.1	-81.9	0.8	-3.9	0.0	-4.4	0.6	-2.1	1.0	4.3	-7.4
2010 Q1	95.2	-5.9	.	.	98.4	.	.	4.6	.	.	.	-1.8	.	.	.
2009 Dec.	-158.2	-7.2	.	.	-104.5	.	.	-10.8	.	.	.	-35.7	.	.	.
2010 Jan.	61.2	-7.5	.	.	70.5	.	.	-0.1	.	.	.	-1.7	.	.	.
Feb.	15.7	3.2	.	.	32.6	.	.	4.7	.	.	.	-24.8	.	.	.
Mar.	18.2	-1.7	.	.	-4.7	.	.	0.0	.	.	.	24.7	.	.	.
Apr.	84.8	2.2	.	.	90.1	.	.	1.0	.	.	.	-8.4	.	.	.
	Growth rates														
2007	20.0	68.1	68.2	-6.9	18.0	18.2	9.2	-1.8	27.4	-4.0	20.7	20.9	6.8	26.4	0.5
2008	3.2	141.3	141.4	20.8	-4.5	-4.9	17.8	18.1	-20.1	23.0	-25.1	4.5	6.8	4.6	-0.9
2009 Q3	-14.9	-27.7	-29.0	935.0	-16.3	-16.4	-13.9	11.8	234.7	13.2	-9.0	-8.0	-3.1	-8.8	-8.7
Q4	-12.8	-47.9	-48.8	644.2	-9.4	-9.2	-20.3	-11.0	-148.2	-11.4	-6.3	-9.9	0.2	-10.5	-19.7
2010 Q1	-7.1	-38.7	.	.	-3.9	.	.	-1.9	.	.	.	-6.8	.	.	.

Source: ECB.

7.3 Financial account

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

7. Reserve assets

	Reserve assets														Memo items		
	Total	Monetary gold		SDR holdings	Reserve position in the IMF	Foreign exchange								Other claims	Other foreign currency assets	Pre-determined short-term net drains on foreign currency	SDR allo-cations
		In EUR billions	In fine troy ounces (millions)			Total	Currency and deposits		Securities				Financial derivatives				
							With monetary authorities and the BIS	With banks	Total	Equity	Bonds and notes	Money market instruments					
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	17
	Outstanding amounts (international investment position)																
2006	325.8	176.3	365.213	4.6	5.2	139.7	6.3	22.5	110.7	0.5	79.3	30.8	0.3	0.0	24.6	-21.5	5.6
2007	347.2	201.0	353.688	4.6	3.6	138.0	7.2	22.0	108.5	0.4	87.8	20.3	0.3	0.0	44.3	-38.5	5.3
2008	374.2	217.0	349.207	4.7	7.3	145.1	7.6	8.0	129.5	0.6	111.3	17.6	0.0	0.1	262.8	-245.7	5.5
2009 Q2	381.5	229.8	347.563	4.2	11.3	136.2	9.5	6.6	119.9	0.5	99.3	20.0	0.2	0.0	67.6	-65.6	5.4
Q3	430.8	236.1	347.217	49.8	11.7	133.2	12.7	7.1	113.2	0.5	89.8	22.9	0.2	0.0	56.7	-42.4	50.9
Q4	462.4	266.0	347.180	50.8	10.0	135.5	12.3	8.1	115.2	0.5	92.0	22.7	-0.1	0.0	32.1	-24.2	51.2
2010 Apr.	521.6	307.5	347.173	53.0	12.5	148.6	9.6	12.0	127.3	-	-	-	-0.3	0.0	28.0	-22.1	53.4
May	569.7	340.6	347.163	55.6	16.0	157.6	5.2	16.5	136.4	-	-	-	-0.5	0.0	36.3	-28.2	55.9
	Transactions																
2007	5.1	-3.2	-	0.3	-0.9	8.8	1.0	1.6	6.2	0.0	14.5	-8.3	0.0	0.0	-	-	-
2008	3.4	-2.7	-	-0.1	3.8	2.4	5.0	-15.7	11.8	0.1	15.8	-4.1	1.3	0.0	-	-	-
2009	-4.5	-2.0	-	0.8	2.7	-5.9	3.7	-1.2	-9.5	0.0	-14.1	4.6	1.2	0.0	-	-	-
2009 Q3	-0.3	-0.2	-	0.3	0.6	-1.0	2.3	0.3	-3.8	0.0	-7.0	3.2	0.2	0.0	-	-	-
Q4	0.1	0.0	-	1.0	-2.0	1.2	-0.5	0.5	1.1	0.0	1.5	-0.4	0.1	0.0	-	-	-
2010 Q1	4.8	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
	Growth rates																
2006	0.3	-2.4	-	11.6	-49.0	7.7	-48.4	12.7	13.4	0.0	29.2	-15.3	-	-	-	-	-
2007	1.6	-1.7	-	7.3	-18.3	6.3	14.9	6.4	5.7	1.1	18.6	-27.6	-	-	-	-	-
2008	1.0	-1.3	-	-2.6	105.3	1.7	67.7	-68.9	10.8	28.0	17.9	-20.6	-	-	-	-	-
2009 Q3	-1.1	-1.3	-	-2.9	200.8	-6.2	60.3	-70.1	-2.7	1.3	-8.9	34.6	-	-	-	-	-
Q4	-1.2	-0.9	-	-2.0	35.2	-4.0	47.5	-22.6	-7.3	1.0	-12.8	25.6	-	-	-	-	-
2010 Q1	1.3	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

8. Gross external debt

	Total	By instrument						By sector (excluding direct investment)			
		Loans, currency and deposits	Money market instruments	Bonds and notes	Trade credits	Other debt liabilities	Direct investment: inter-company lending	General government	Eurosystem	MFIs (excluding Eurosystem)	Other sectors
	1	2	3	4	5	6	7	8	9	10	11
	Outstanding amounts (international investment position)										
2006	8,683.9	4,425.5	217.5	2,697.9	144.1	150.8	1,048.0	1,115.2	116.3	4,586.8	1,817.5
2007	9,972.8	5,130.6	243.0	3,041.1	157.0	181.0	1,220.2	1,246.8	201.7	5,220.1	2,084.0
2008	10,941.3	5,307.6	443.3	3,466.5	170.2	175.8	1,377.8	1,692.0	482.3	5,124.4	2,264.7
2009 Q2	10,625.9	4,890.6	493.7	3,503.7	183.1	164.4	1,390.4	1,856.1	313.4	4,853.8	2,212.2
Q3	10,461.0	4,677.0	546.8	3,502.3	179.4	150.8	1,404.6	1,934.4	264.3	4,691.5	2,166.1
Q4	10,457.9	4,611.5	570.1	3,527.3	181.1	159.0	1,408.9	1,916.1	249.6	4,680.6	2,202.6
	Outstanding amounts as a percentage of GDP										
2006	101.4	51.7	2.5	31.5	1.7	1.8	12.2	13.0	1.4	53.6	21.2
2007	110.6	56.9	2.7	33.7	1.7	2.0	13.5	13.8	2.2	57.9	23.1
2008	118.2	57.3	4.8	37.4	1.8	1.9	14.9	18.3	5.2	55.4	24.5
2009 Q2	116.9	53.8	5.4	38.6	2.0	1.8	15.3	20.4	3.4	53.4	24.3
Q3	116.1	51.9	6.1	38.9	2.0	1.7	15.6	21.5	2.9	52.1	24.0
Q4	116.6	51.4	6.4	39.3	2.0	1.8	15.7	21.4	2.8	52.2	24.6

Source: ECB.

7.3 Financial account

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

9. Geographical breakdown

	Total	EU Member States outside the euro area						Canada	China	Japan	Switzerland	United States	Offshore financial centres	International organisations	Other countries
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions								
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2008	Outstanding amounts (international investment position)														
Direct investment	527.4	-93.0	-2.1	-30.2	-293.9	233.6	-0.3	41.1	35.2	-9.5	126.2	-68.7	-7.1	-0.2	503.3
Abroad	3,744.4	1,255.3	34.9	93.9	865.7	260.8	0.0	104.1	38.8	71.7	384.5	734.6	418.5	0.1	736.8
Equity/reinvested earnings	2,946.9	967.5	30.1	60.3	660.1	216.9	0.0	83.3	32.0	53.6	335.3	551.3	386.7	0.0	537.4
Other capital	797.5	287.9	4.8	33.6	205.7	43.8	0.0	20.7	6.9	18.1	49.2	183.4	31.9	0.0	199.4
In the euro area	3,217.0	1,348.3	37.0	124.1	1,159.7	27.1	0.3	63.0	3.6	81.2	258.3	803.3	425.6	0.3	233.4
Equity/reinvested earnings	2,405.5	1,096.8	28.3	97.4	956.9	13.9	0.2	50.6	0.8	68.7	191.1	590.8	284.1	0.1	122.5
Other capital	811.6	251.5	8.7	26.7	202.8	13.2	0.1	12.4	2.9	12.5	67.2	212.5	141.6	0.2	110.9
Portfolio investment assets	3,763.9	1,242.2	63.7	122.4	895.5	80.7	80.0	82.8	25.6	213.4	95.4	1,225.8	458.4	30.5	389.8
Equity	1,162.7	228.7	6.4	19.9	191.7	9.8	0.9	18.2	22.8	84.5	81.3	378.8	197.8	2.0	148.6
Debt instruments	2,601.3	1,013.6	57.3	102.5	703.7	71.0	79.1	64.6	2.9	128.8	14.1	847.0	260.6	28.5	241.3
Bonds and notes	2,179.1	849.1	50.3	81.5	569.1	70.3	77.8	61.6	2.3	61.7	12.6	705.4	238.2	28.4	219.9
Money market instruments	422.1	164.5	6.9	21.0	134.6	0.6	1.3	3.0	0.6	67.1	1.5	141.5	22.4	0.1	21.4
Other investment	-184.8	-91.1	51.1	28.0	-110.4	108.8	-168.6	-6.2	-16.0	-10.2	-131.2	-286.3	-0.4	1.8	354.8
Assets	5,468.8	2,419.7	100.9	83.3	2,020.2	201.8	13.4	25.7	34.0	109.4	276.5	852.5	638.2	58.7	1,054.0
General government	101.0	15.0	0.7	0.4	3.6	0.7	9.7	0.0	1.8	0.2	0.1	3.4	1.4	40.1	39.1
MFIs	3,309.5	1,731.1	83.9	58.3	1,419.1	167.9	1.9	16.8	14.5	79.0	164.5	418.9	367.7	18.2	498.8
Other sectors	2,058.3	673.5	16.4	24.6	597.5	33.3	1.8	8.9	17.7	30.3	111.9	430.2	269.2	0.5	516.2
Liabilities	5,653.6	2,510.8	49.8	55.3	2,130.6	93.0	182.0	32.0	50.0	119.5	407.7	1,138.8	638.6	57.0	699.2
General government	61.9	32.5	0.0	0.1	2.5	0.0	29.7	0.0	0.0	0.6	0.5	7.0	0.3	17.7	3.3
MFIs	4,234.1	1,907.6	38.9	33.5	1,664.9	70.0	100.2	24.4	32.1	91.2	328.7	751.1	535.1	36.8	527.2
Other sectors	1,357.6	570.8	10.8	21.7	463.2	23.0	52.0	7.5	17.9	27.8	78.6	380.8	103.2	2.5	168.7
2009 Q1 to 2009 Q4	Cumulated transactions														
Direct investment	95.7	46.9	0.6	-2.2	37.0	11.5	0.0	-6.0	4.7	-1.9	3.9	-0.8	37.6	-0.2	11.6
Abroad	314.4	90.7	2.2	10.8	70.4	7.2	0.0	5.5	4.9	-0.4	33.0	66.9	66.9	0.0	46.9
Equity/reinvested earnings	227.0	62.7	1.1	8.9	45.4	7.2	0.0	4.8	3.1	0.6	17.4	56.4	51.6	0.0	30.4
Other capital	87.4	28.0	1.1	1.9	25.0	0.0	0.0	0.6	1.8	-1.0	15.5	10.6	15.3	0.0	16.6
In the euro area	218.6	43.8	1.7	13.0	33.4	-4.3	0.0	11.4	0.2	1.6	29.1	67.7	29.3	0.2	35.4
Equity/reinvested earnings	212.3	59.0	0.7	16.7	45.7	-4.1	0.0	12.3	0.3	2.3	15.7	81.4	21.5	0.2	19.6
Other capital	6.3	-15.3	0.9	-3.8	-12.3	-0.1	0.0	-0.8	-0.1	-0.7	13.4	-13.7	7.9	0.0	15.7
Portfolio investment assets	74.2	56.4	14.4	19.9	-5.3	3.8	23.6	1.1	7.8	-28.2	4.9	14.0	-58.5	0.3	76.5
Equity	46.6	16.4	0.9	3.2	10.8	1.3	0.1	3.0	8.8	1.9	4.0	11.2	-30.9	0.0	32.2
Debt instruments	27.6	40.0	13.5	16.7	-16.1	2.4	23.4	-1.9	-1.0	-30.2	0.8	2.8	-27.6	0.2	44.3
Bonds and notes	29.3	40.8	12.4	18.4	-11.4	1.5	19.9	-1.6	-0.7	-25.5	-1.3	-9.3	-20.8	-0.2	47.9
Money market instruments	-1.8	-0.8	1.1	-1.7	-4.7	0.9	3.5	-0.3	-0.3	-4.7	2.1	12.1	-6.8	0.4	-3.6
Other investment	221.2	-11.0	-6.3	-4.1	4.5	-10.8	5.8	4.0	1.0	29.8	25.5	200.5	21.1	11.3	-61.0
Assets	-508.8	-160.6	3.6	0.3	-159.7	-7.4	2.6	-0.5	-1.7	-14.2	-72.7	-144.5	-29.0	-0.3	-85.2
General government	9.5	7.4	-0.5	4.7	2.3	0.0	0.8	0.0	-0.1	0.0	0.0	0.1	-0.2	1.2	1.2
MFIs	-416.8	-193.6	5.6	-4.4	-186.1	-8.3	-0.3	-1.6	-4.0	-10.8	-49.9	-66.9	-15.2	-1.5	-73.1
Other sectors	-101.5	25.6	-1.5	0.0	24.1	1.0	2.1	1.1	2.4	-3.3	-22.8	-77.7	-13.5	0.0	-13.3
Liabilities	-729.9	-149.6	9.9	4.4	-164.2	3.5	-3.2	-4.5	-2.7	-44.0	-98.2	-345.0	-50.0	-11.6	-24.3
General government	-6.9	-4.3	0.0	0.0	0.6	0.0	-5.0	0.1	0.0	-0.2	-0.3	-0.4	0.0	-2.0	0.3
MFIs	-586.0	-127.7	11.4	4.8	-142.3	2.7	-4.2	-3.8	-3.1	-45.0	-98.6	-234.1	-55.0	-9.5	-9.3
Other sectors	-137.1	-17.6	-1.5	-0.4	-22.5	0.8	6.0	-0.8	0.3	1.2	0.7	-110.5	5.0	-0.1	-15.3

Source: ECB.

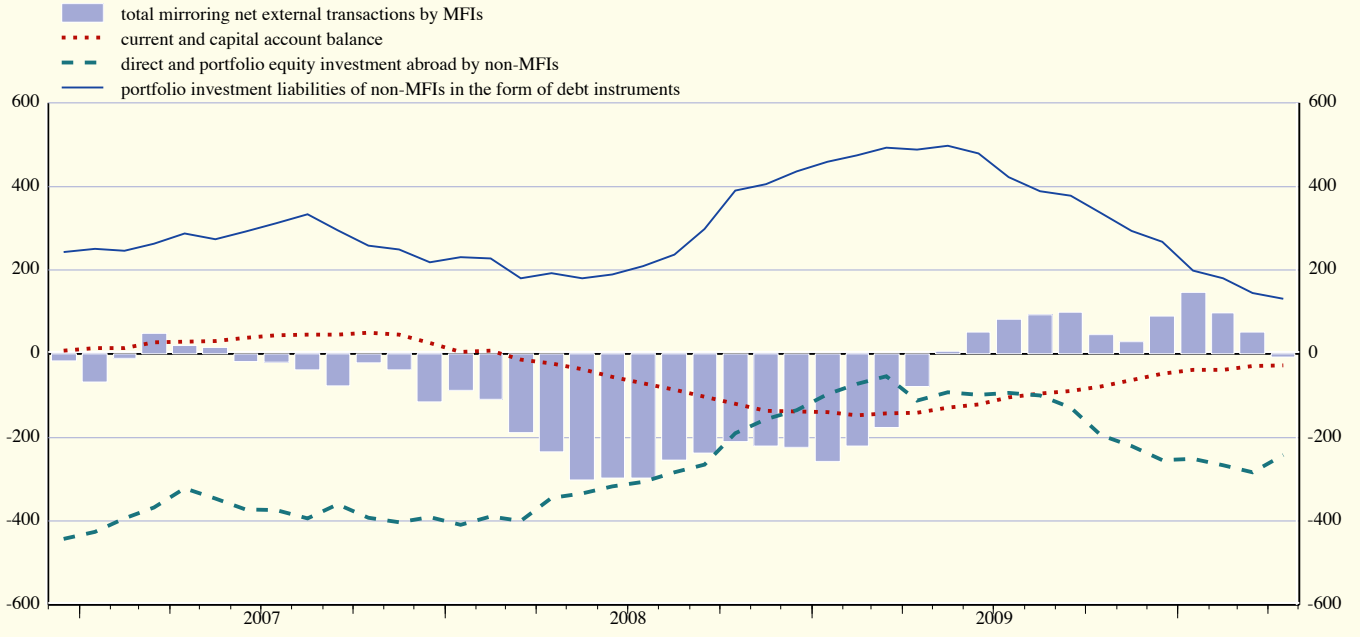
7.4 Monetary presentation of the balance of payments [1]

(EUR billions; transactions)

	B.o.p. items mirroring net transactions by MFIs											
	Total	Current and capital account balance	Transactions by non-MFIs								Financial derivatives	Errors and omissions
			Direct investment		Portfolio investment				Other investment			
			By resident units abroad	By non-resident units in euro area	Assets		Liabilities		Assets	Liabilities		
					Equity	Debt instruments	Equity	Debt instruments				
	1	2	3	4	5	6	7	8	9	10	11	12
2007	-114.3	25.6	-459.4	395.0	-38.8	-162.6	144.5	218.4	-394.3	228.5	-64.0	-7.4
2008	-224.1	-137.0	-329.3	124.5	65.5	-22.4	-202.2	435.4	-143.8	67.7	-62.4	-20.2
2009	90.4	-47.8	-289.0	211.1	-49.5	-125.4	133.4	267.1	92.0	-143.9	39.9	2.4
2009 Q1	-38.4	-35.8	-83.6	36.5	32.5	4.9	-48.1	116.5	-13.3	-48.8	15.8	-15.1
Q2	77.9	-19.8	-79.7	85.7	-9.7	-73.1	46.3	90.2	64.5	-58.3	22.9	8.9
Q3	3.5	-2.2	-63.3	36.9	-35.9	-23.2	77.7	33.4	0.7	-30.9	-4.5	14.8
Q4	47.4	9.9	-62.3	52.0	-36.3	-34.1	57.5	27.0	40.2	-6.0	5.8	-6.2
2010 Q1	-77.1	-16.9	-41.0	19.1	-13.3	-55.3	27.3	-4.5	1.9	2.7	3.9	-1.1
2009 Apr.	18.1	-8.2	-58.8	72.8	5.3	-45.9	-26.0	42.3	-7.5	41.0	13.0	-9.9
May	6.3	-13.5	-5.3	20.6	-1.9	-33.9	26.5	29.9	83.7	-113.4	9.4	4.1
June	53.6	1.8	-15.7	-7.6	-13.1	6.7	45.8	18.0	-11.8	14.1	0.5	14.8
July	0.6	9.0	-10.8	18.9	-16.5	-21.2	35.3	-33.5	2.2	0.3	6.4	10.4
Aug.	20.4	-5.5	-13.9	17.1	-12.1	-22.1	48.3	5.1	9.4	-12.2	-9.8	16.3
Sep.	-17.5	-5.6	-38.6	0.9	-7.3	20.1	-5.9	61.8	-10.9	-18.9	-1.1	-11.9
Oct.	15.0	0.0	-31.0	28.9	-13.5	-12.7	-12.7	43.5	-19.2	31.5	1.8	-1.5
Nov.	-3.1	-1.0	-15.7	10.4	-14.9	-19.7	12.4	10.5	7.8	8.9	-0.1	-1.8
Dec.	35.5	10.9	-15.6	12.7	-7.9	-1.8	57.8	-27.1	51.6	-46.4	4.1	-2.8
2010 Jan.	-11.1	-13.0	-5.5	4.5	2.4	-23.5	18.6	-9.4	13.1	-1.8	5.1	-1.5
Feb.	-23.4	-5.3	-10.2	10.1	-2.5	-7.3	8.7	13.3	-10.9	-20.1	-0.1	0.7
Mar.	-42.7	1.4	-25.3	4.5	-13.2	-24.5	0.0	-8.4	-0.3	24.7	-1.1	-0.4
Apr.	-40.7	-7.1	-14.6	2.3	-2.9	-13.5	-0.3	27.3	-23.2	-7.4	-0.3	-1.1
	12-month cumulated transactions											
2010 Apr.	-7.1	-27.9	-202.1	123.3	-103.4	-153.3	234.6	131.1	91.4	-140.8	14.8	25.3

C36 Main b.o.p. items mirroring developments in MFI net external transactions [1]

(EUR billions; 12-month cumulated transactions)



Source: ECB.

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

7.5 Trade in goods

1. Values and volumes by product group [1]

(seasonally adjusted, unless otherwise indicated)

	Total (n.s.a.)		Exports (f.o.b.)					Imports (c.i.f.)					
			Total				Memo item:	Total				Memo items:	
	Exports	Imports		Intermediate	Capital	Consumption	Manufacturing		Intermediate	Capital	Consumption	Manufacturing	Oil
	1	2	3	4	5	6	7	8	9	10	11	12	13
	Values (EUR billions; annual percentage changes for columns 1 and 2)												
2008	3.9	8.1	1,561.6	771.0	337.9	414.0	1,305.0	1,611.3	1,019.2	233.2	333.9	1,022.7	293.6
2009	-18.1	-22.1	1,275.6	625.5	261.6	352.9	1,061.9	1,259.0	725.6	191.8	313.4	839.3	174.4
2009 Q2	-22.9	-26.8	310.3	153.2	63.6	85.2	258.5	305.2	172.7	47.5	77.5	205.3	41.6
Q3	-19.6	-25.7	318.8	157.1	64.6	88.6	266.2	313.1	179.7	47.4	78.8	207.5	47.5
Q4	-8.6	-14.5	330.2	163.2	67.2	92.5	275.5	320.0	189.3	47.2	78.0	210.9	49.2
2010 Q1	12.7	9.1	353.6	175.2	68.2	98.5	292.0	348.2	207.7	51.1	81.2	230.4	52.6
2009 Nov.	-5.9	-13.8	109.8	53.9	21.3	32.0	90.5	106.3	63.4	15.8	25.8	69.8	16.7
Dec.	-0.8	-5.7	112.1	55.3	23.5	30.9	93.6	109.0	64.2	16.2	26.5	71.5	16.5
2010 Jan.	3.9	0.7	112.2	56.4	20.4	31.4	91.9	110.4	66.6	16.2	26.8	73.6	17.3
Feb.	9.9	6.0	116.1	57.6	22.4	32.2	94.3	112.6	67.8	16.1	26.2	73.8	16.0
Mar.	22.7	20.3	125.4	61.2	25.4	34.9	105.7	125.1	73.3	18.8	28.2	83.1	19.3
Apr.	18.1	19.3	122.2	.	.	.	100.7	120.6	.	.	.	78.8	.
	Volume indices (2000 = 100; annual percentage changes for columns 1 and 2)												
2008	1.4	0.1	143.4	136.7	154.2	147.0	142.3	126.9	119.3	140.4	144.5	133.3	108.1
2009	-16.7	-14.6	119.2	114.7	117.8	126.7	115.5	108.7	99.7	113.8	134.9	110.4	97.1
2009 Q2	-21.6	-19.3	116.6	113.4	115.0	122.5	112.9	106.2	96.5	110.9	133.6	107.5	97.5
Q3	-17.5	-15.9	119.0	115.4	116.2	126.7	116.0	107.0	96.6	114.2	135.4	110.0	95.3
Q4	-6.0	-7.9	123.7	119.8	121.7	133.5	120.7	110.5	102.1	114.9	137.5	113.7	95.4
2010 Q1	11.3	3.5	129.6	125.3	122.9	138.0	125.7	114.5	105.5	120.1	139.0	120.2	94.0
2009 Nov.	-2.9	-6.2	123.9	118.1	116.3	139.8	119.1	110.5	103.0	115.6	136.6	113.1	95.2
Dec.	1.0	-2.7	125.3	121.5	126.5	132.2	122.5	111.6	102.2	118.0	139.3	115.0	94.3
2010 Jan.	3.2	-3.6	124.3	121.6	110.9	134.0	119.4	110.5	103.6	115.9	137.0	115.8	94.7
Feb.	9.0	1.1	127.4	123.8	121.0	134.7	121.6	111.5	103.4	114.3	135.2	115.8	87.0
Mar.	20.1	12.7	137.0	130.6	136.8	145.4	136.1	121.7	109.6	130.1	144.8	129.1	100.3
Apr.	.	.	.	.	.	.	.	.	.	.	.	.	.

2. Prices [2]

(annual percentage changes, unless otherwise indicated)

	Industrial producer export prices (f.o.b.) [3]							Industrial import prices (c.i.f.)						
	Total (index: 2005 = 100)	Total					Memo item: Manufacturing	Total (index: 2005 = 100)	Total					Memo item: Manufacturing
			Intermediate goods	Capital goods	Consumer goods	Energy				Intermediate goods	Capital goods	Consumer goods	Energy	
% of total	100.0	100.0	32.2	46.3	17.7	3.8	99.4	100.0	100.0	28.4	27.9	22.1	21.6	81.1
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2008	103.5	1.6	1.5	-0.4	2.4	25.2	1.5	112.7	6.5	0.2	-3.4	2.4	28.2	0.8
2009	100.9	-2.5	-4.1	0.6	0.5	-26.5	-2.5	102.2	-9.4	-5.8	-0.8	0.2	-26.5	-3.8
2009 Q3	100.9	-4.0	-6.2	0.7	0.4	-34.0	-3.8	102.3	-13.0	-7.8	-1.0	-0.3	-33.8	-5.2
Q4	100.6	-2.0	-5.2	-1.1	-0.5	6.8	-1.9	103.4	-3.3	-4.9	-2.1	-2.9	-2.9	-3.2
2010 Q1	102.5	1.3	-0.3	-0.2	0.6	37.8	1.4	107.6	6.1	2.5	-1.1	-0.9	26.7	1.5
2009 Dec.	100.6	-0.2	-3.7	-0.6	0.3	33.1	-0.1	103.9	1.9	-2.0	-1.7	-1.9	15.1	-1.0
2010 Jan.	101.8	0.4	-1.7	-0.7	0.4	32.2	0.5	106.2	4.6	0.5	-1.4	-1.2	22.9	0.4
Feb.	102.6	1.2	-0.4	-0.1	0.4	36.5	1.3	107.3	5.5	2.0	-1.1	-1.2	25.3	1.1
Mar.	103.2	2.3	1.2	0.3	1.1	44.4	2.4	109.3	8.1	5.0	-0.8	-0.3	31.8	2.9
Apr.	104.3	3.5	3.6	0.2	1.6	47.9	3.6	112.0	11.4	8.4	-0.3	0.7	41.2	4.6
May	105.3	4.4	5.6	0.9	2.6	35.2	4.4	112.8	11.6	11.5	1.4	3.0	33.3	6.6

Source: Eurostat.

1) Product groups as classified in the Broad Economic Categories. Unlike the product groups shown in Table 2, intermediate and consumption product groups include agricultural and energy products.

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

3) Industrial producer export prices refer to direct transactions between domestic producers and non-domestic customers. Contrary to the data shown for values and volumes in Table 1, exports from wholesalers and re-exports are not covered.

7.5 Trade in goods

(EUR billions, unless otherwise indicated; seasonally adjusted)

3. Geographical breakdown

	Total	EU Member States outside the euro area				Russia	Switzer-land	Turkey	United States	Asia			Africa	Latin America	Other countries
		Denmark	Sweden	United Kingdom	Other EU countries						China	Japan			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	Exports (f.o.b.)														
2008	1,561.6	35.1	53.9	220.4	233.7	78.5	86.7	42.7	187.1	309.5	65.7	33.7	100.2	68.1	145.6
2009	1,275.6	27.5	41.1	174.7	177.3	49.4	78.7	34.4	152.2	282.2	68.0	28.7	91.5	53.9	112.8
2008 Q4	362.5	8.1	11.5	48.6	52.5	17.8	21.1	8.4	44.3	74.2	15.8	8.1	24.9	17.2	33.8
2009 Q1	316.3	7.3	10.0	42.7	43.7	12.7	20.2	7.7	39.4	66.5	15.2	7.1	23.3	13.0	29.8
Q2	310.3	6.7	9.8	42.6	42.8	12.1	19.1	8.3	38.3	69.5	16.8	7.0	22.6	12.5	25.9
Q3	318.8	6.9	10.5	44.5	44.9	12.1	19.3	9.0	36.4	71.0	17.4	7.2	22.4	14.0	27.8
Q4	330.2	6.7	10.8	44.8	45.8	12.5	20.1	9.3	38.1	75.2	18.6	7.4	23.1	14.4	29.3
2010 Q1	353.6	6.9	11.7	46.6	47.7	13.5	21.4	10.8	41.5	81.4	22.2	8.0	24.9	16.7	30.8
2009 Nov.	109.8	2.2	3.5	14.4	15.2	4.2	6.9	3.1	12.8	24.6	6.3	2.4	7.7	4.8	10.4
Dec.	112.1	2.2	3.6	15.3	15.3	4.2	6.7	3.2	12.9	26.1	6.2	2.6	7.8	4.9	9.9
2010 Jan.	112.2	2.2	3.7	15.2	15.3	4.1	7.0	3.4	12.8	25.7	6.9	2.6	7.9	4.8	10.0
Feb.	116.1	2.3	3.8	14.9	15.6	4.2	6.9	3.6	12.8	26.7	7.4	2.7	8.3	5.8	11.1
Mar.	125.4	2.4	4.2	16.4	16.7	5.1	7.4	3.8	15.8	29.0	7.9	2.8	8.7	6.1	9.7
Apr.	122.2	.	.	.	.	5.2	7.4	3.8	14.4	28.0	7.5	2.8	8.7	5.7	.
	Percentage share of total exports														
2009	100.0	2.2	3.2	13.7	13.9	3.9	6.2	2.7	11.9	22.1	5.3	2.3	7.2	4.2	8.8
	Imports (c.i.f.)														
2008	1,611.3	30.7	52.2	164.8	184.9	122.0	70.0	32.4	135.8	481.0	185.3	57.5	141.2	81.7	114.8
2009	1,259.0	26.5	37.8	126.0	162.2	81.4	64.9	26.2	116.0	377.0	159.2	43.0	93.6	59.1	88.1
2008 Q4	373.6	7.4	11.5	36.7	43.0	24.8	17.5	7.1	33.2	114.1	47.5	13.2	30.9	20.2	27.3
2009 Q1	320.6	6.9	9.5	31.5	39.0	17.8	16.7	6.6	31.8	97.3	41.4	11.5	23.9	14.7	25.0
Q2	305.2	6.5	9.0	30.6	39.3	18.1	16.1	6.3	30.2	92.3	39.6	10.2	22.9	14.2	19.9
Q3	313.1	6.8	9.7	31.7	41.1	21.8	16.1	6.6	26.0	93.3	39.0	10.8	22.6	14.8	22.5
Q4	320.0	6.4	9.6	32.2	42.8	23.7	16.0	6.8	28.0	94.1	39.2	10.5	24.3	15.5	20.7
2010 Q1	348.2	6.4	10.4	34.8	44.6	24.3	17.0	7.4	28.8	108.9	46.1	11.7	26.8	16.4	22.4
2009 Nov.	106.3	2.1	3.1	10.3	14.1	8.0	5.3	2.3	9.3	31.2	12.9	3.6	8.4	5.3	6.9
Dec.	109.0	2.1	3.4	11.0	14.4	7.9	5.5	2.1	9.5	31.8	13.6	3.5	8.5	5.3	7.3
2010 Jan.	110.4	2.1	3.2	11.4	14.4	8.2	5.5	2.5	9.6	34.0	13.3	3.8	8.2	5.2	6.1
Feb.	112.6	2.1	3.3	11.5	14.8	7.2	5.7	2.3	9.4	34.2	14.2	3.6	8.9	5.4	7.9
Mar.	125.1	2.3	3.9	12.0	15.4	8.9	5.8	2.6	9.8	40.7	18.6	4.3	9.7	5.8	8.3
Apr.	120.6	.	.	.	.	8.5	5.8	2.5	9.9	38.3	16.4	4.1	10.0	5.8	.
	Percentage share of total imports														
2009	100.0	2.1	3.0	10.0	12.9	6.5	5.2	2.1	9.2	29.9	12.6	3.4	7.4	4.7	7.0
	Balance														
2008	-49.7	4.4	1.8	55.7	48.8	-43.5	16.8	10.4	51.3	-171.5	-119.6	-23.8	-41.0	-13.6	30.8
2009	16.6	1.0	3.3	48.7	15.0	-32.0	13.8	8.1	36.2	-94.8	-91.2	-14.3	-2.2	-5.3	24.8
2008 Q4	-11.0	0.7	0.1	12.0	9.5	-7.1	3.7	1.3	11.1	-40.0	-31.7	-5.1	-6.0	-2.9	6.6
2009 Q1	-4.4	0.4	0.4	11.2	4.7	-5.1	3.5	1.1	7.5	-30.8	-26.2	-4.4	-0.6	-1.7	4.8
Q2	5.1	0.2	0.9	12.1	3.5	-6.0	3.0	2.0	8.1	-22.8	-22.8	-3.2	-0.3	-1.7	6.0
Q3	5.8	0.1	0.8	12.8	3.8	-9.7	3.2	2.4	10.4	-22.3	-21.6	-3.6	-0.2	-0.8	5.3
Q4	10.1	0.3	1.2	12.6	3.0	-11.2	4.1	2.6	10.2	-18.9	-20.6	-3.1	-1.1	-1.1	8.6
2010 Q1	5.5	0.5	1.3	11.7	3.0	-10.9	4.4	3.4	12.7	-27.5	-23.9	-3.6	-1.9	0.3	8.4
2009 Nov.	3.6	0.1	0.4	4.1	1.1	-3.8	1.6	0.8	3.5	-6.6	-6.6	-1.2	-0.7	-0.4	3.5
Dec.	3.2	0.2	0.3	4.3	0.9	-3.7	1.2	1.1	3.3	-5.8	-7.4	-0.9	-0.7	-0.4	2.6
2010 Jan.	1.8	0.2	0.5	3.9	0.9	-4.1	1.5	0.9	3.3	-8.3	-6.3	-1.2	-0.3	-0.4	3.8
Feb.	3.4	0.2	0.5	3.4	0.8	-3.0	1.2	1.2	3.5	-7.5	-6.8	-0.9	-0.5	0.4	3.2
Mar.	0.2	0.1	0.3	4.4	1.3	-3.7	1.6	1.2	6.0	-11.7	-10.8	-1.5	-1.0	0.3	1.4
Apr.	1.6	.	.	.	.	-3.4	1.6	1.3	4.5	-10.3	-8.9	-1.3	-1.2	0.0	.

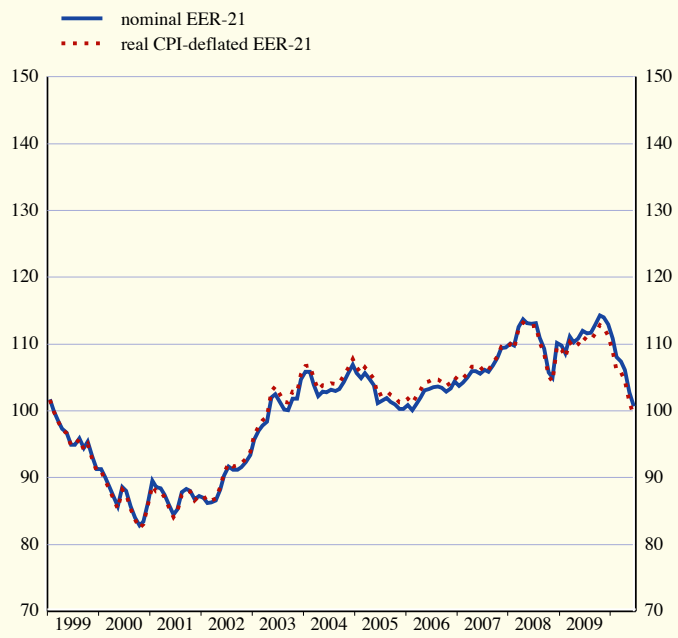
Source: Eurostat.

8 EXCHANGE RATES

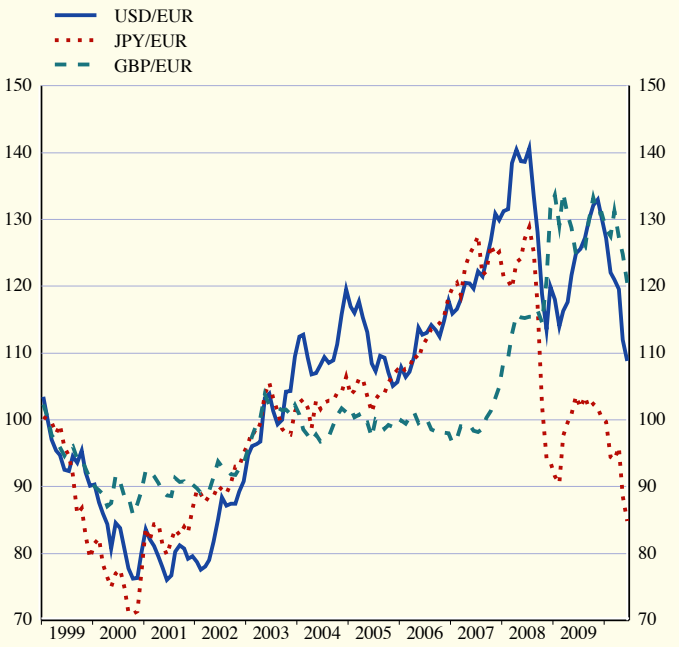
8.1 Effective exchange rates [1]
(period averages; index: 1999 Q1=100)

	EER-21						EER-41	
	Nominal	Real CPI	Real PPI	Real GDP deflator	Real ULCM	Real ULCT	Nominal	Real CPI
	1	2	3	4	5	6	7	8
2007	106.3	106.8	105.2	102.6	106.8	100.8	113.0	104.2
2008	110.5	110.1	107.4	105.4	112.6	104.6	118.0	107.0
2009	111.7	110.6	105.9	106.3	119.1	106.9	120.6	107.8
2009 Q2	111.1	110.2	105.3	106.0	120.1	106.3	119.8	107.4
Q3	112.1	110.9	106.2	106.8	118.9	106.8	121.0	108.1
Q4	113.8	112.2	107.3	107.5	120.2	109.4	122.5	108.8
2010 Q1	108.7	106.9	102.3	102.4	114.5	104.1	116.9	103.2
Q2	103.1	101.7	97.3	.	.	.	110.4	97.5
2009 June	112.0	111.1	106.2	-	-	-	120.7	108.2
July	111.6	110.5	105.8	-	-	-	120.5	107.7
Aug.	111.7	110.6	106.0	-	-	-	120.6	107.8
Sep.	112.9	111.6	106.9	-	-	-	122.0	108.7
Oct.	114.3	112.8	108.2	-	-	-	123.0	109.5
Nov.	114.0	112.5	107.6	-	-	-	122.9	109.2
Dec.	113.0	111.2	106.2	-	-	-	121.7	107.8
2010 Jan.	110.8	108.9	104.1	-	-	-	119.1	105.4
Feb.	108.0	106.1	101.6	-	-	-	116.2	102.5
Mar.	107.4	105.7	101.1	-	-	-	115.2	101.8
Apr.	106.1	104.5	100.2	-	-	-	113.5	100.3
May	102.8	101.4	96.9	-	-	-	109.9	97.1
June	100.7	99.2	94.8	-	-	-	107.7	95.1
	Percentage change versus previous month							
2010 June	-2.1	-2.1	-2.2	-	-	-	-2.0	-2.1
	Percentage change versus previous year							
2010 June	-10.1	-10.7	-10.7	-	-	-	-10.8	-12.1

C37 Effective exchange rates
(monthly averages; index: 1999 Q1=100)



C38 Bilateral exchange rates
(monthly averages; index: 1999 Q1=100)



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

8.2 Bilateral exchange rates

(period averages; units of national currency per euro)

	Danish krone	Swedish krona	Pound sterling	US dollar	Japanese yen	Swiss franc	South Korean won	Hong Kong dollar	Singapore dollar	Canadian dollar	Norwegian krone	Australian dollar
	1	2	3	4	5	6	7	8	9	10	11	12
2007	7.4506	9.2501	0.68434	1.3705	161.25	1.6427	1,272.99	10.6912	2.0636	1.4678	8.0165	1.6348
2008	7.4560	9.6152	0.79628	1.4708	152.45	1.5874	1,606.09	11.4541	2.0762	1.5594	8.2237	1.7416
2009	7.4462	10.6191	0.89094	1.3948	130.34	1.5100	1,772.90	10.8114	2.0241	1.5850	8.7278	1.7727
2009 Q4	7.4424	10.3509	0.90483	1.4779	132.69	1.5088	1,725.91	11.4555	2.0604	1.5604	8.3932	1.6250
2010 Q1	7.4426	9.9464	0.88760	1.3829	125.48	1.4632	1,581.41	10.7364	1.9395	1.4383	8.1020	1.5293
Q2	7.4416	9.6313	0.85239	1.2708	117.15	1.4086	1,481.01	9.8857	1.7674	1.3054	7.9093	1.4403
2009 Dec.	7.4419	10.4085	0.89972	1.4614	131.21	1.5021	1,703.03	11.3296	2.0392	1.5397	8.4066	1.6185
2010 Jan.	7.4424	10.1939	0.88305	1.4272	130.34	1.4765	1,624.76	11.0783	1.9930	1.4879	8.1817	1.5624
Feb.	7.4440	9.9505	0.87604	1.3686	123.46	1.4671	1,582.70	10.6305	1.9326	1.4454	8.0971	1.5434
Mar.	7.4416	9.7277	0.90160	1.3569	123.03	1.4482	1,542.59	10.5313	1.8990	1.3889	8.0369	1.4882
Apr.	7.4428	9.6617	0.87456	1.3406	125.33	1.4337	1,494.53	10.4065	1.8505	1.3467	7.9323	1.4463
May	7.4413	9.6641	0.85714	1.2565	115.83	1.4181	1,465.81	9.7843	1.7503	1.3060	7.8907	1.4436
June	7.4409	9.5723	0.82771	1.2209	110.99	1.3767	1,483.22	9.5091	1.7081	1.2674	7.9062	1.4315
	Percentage change versus previous month											
2010 June	0.0	-1.0	-3.4	-2.8	-4.2	-2.9	1.2	-2.8	-2.4	-3.0	0.2	-0.8
	Percentage change versus previous year											
2010 June	-0.1	-11.9	-3.4	-12.9	-18.0	-9.1	-16.1	-12.5	-16.1	-19.6	-11.6	-18.0

	Czech koruna	Estonian kroon	Latvian lats	Lithuanian litas	Hungarian forint	Polish zloty	Bulgarian lev	New Romanian leu	Croatian kuna	New Turkish lira
	13	14	15	16	17	18	19	20	21	22
2007	27.766	15.6466	0.7001	3.4528	251.35	3.7837	1.9558	3.3353	7.3376	1.7865
2008	24.946	15.6466	0.7027	3.4528	251.51	3.5121	1.9558	3.6826	7.2239	1.9064
2009	26.435	15.6466	0.7057	3.4528	280.33	4.3276	1.9558	4.2399	7.3400	2.1631
2009 Q4	25.923	15.6466	0.7084	3.4528	270.88	4.1745	1.9558	4.2680	7.2756	2.2029
2010 Q1	25.868	15.6466	0.7087	3.4528	268.52	3.9869	1.9558	4.1135	7.2849	2.0866
Q2	25.591	15.6466	0.7078	3.4528	274.85	4.0171	1.9558	4.1854	7.2477	1.9560
2009 Dec.	26.089	15.6466	0.7077	3.4528	273.22	4.1439	1.9558	4.2284	7.2907	2.2013
2010 Jan.	26.133	15.6466	0.7088	3.4528	269.43	4.0703	1.9558	4.1383	7.2938	2.1028
Feb.	25.979	15.6466	0.7090	3.4528	271.21	4.0144	1.9558	4.1196	7.3029	2.0756
Mar.	25.541	15.6466	0.7083	3.4528	265.40	3.8906	1.9558	4.0866	7.2616	2.0821
Apr.	25.308	15.6466	0.7076	3.4528	265.53	3.8782	1.9558	4.1306	7.2594	1.9983
May	25.663	15.6466	0.7075	3.4528	276.78	4.0567	1.9558	4.1767	7.2630	1.9459
June	25.780	15.6466	0.7082	3.4528	281.49	4.1055	1.9558	4.2434	7.2225	1.9274
	Percentage change versus previous month									
2010 June	0.5	0.0	0.1	0.0	1.7	1.2	0.0	1.6	-0.6	-1.0
	Percentage change versus previous year									
2010 June	-2.9	0.0	1.0	0.0	0.4	-8.9	0.0	0.7	-1.0	-11.1

	Brazilian real [1]	Chinese yuan renminbi	Icelandic krona [2]	Indian rupee [3]	Indonesian rupiah	Malaysian ringgit	Mexican peso [1]	New Zealand dollar	Philippine peso	Russian rouble	South African rand	Thai baht
	23	24	25	26	27	28	29	30	31	32	33	34
2007	2.6633	10.4178	87.63	56.4186	12,528.33	4.7076	14.9743	1.8627	63.026	35.0183	9.6596	44.214
2008	2.6737	10.2236	143.83	63.6143	14,165.16	4.8893	16.2911	2.0770	65.172	36.4207	12.0590	48.475
2009	2.7674	9.5277	-	67.3611	14,443.74	4.9079	18.7989	2.2121	66.338	44.1376	11.6737	47.804
2009 Q4	2.5703	10.0905	-	68.9088	13,999.42	5.0275	19.3003	2.0297	69.080	43.5740	11.0757	49.221
2010 Q1	2.4917	9.4417	-	63.4796	12,809.32	4.6590	17.6555	1.9510	63.593	41.2697	10.3852	45.472
Q2	2.2762	8.6717	-	57.9879	11,581.24	4.1172	15.9583	1.8145	57.848	38.5027	9.5974	41.152
2009 Dec.	2.5566	9.9777	-	68.0924	13,830.84	4.9859	18.7787	2.0383	67.706	43.9019	10.9261	48.544
2010 Jan.	2.5383	9.7436	-	65.5361	13,263.60	4.8170	18.2820	1.9646	65.702	42.5749	10.6492	47.150
Feb.	2.5237	9.3462	-	63.4291	12,786.05	4.6743	17.7154	1.9615	63.317	41.2845	10.4964	45.360
Mar.	2.4233	9.2623	-	61.7352	12,434.53	4.5083	17.0587	1.9301	61.999	40.1219	10.0589	44.111
Apr.	2.3550	9.1505	-	59.6203	12,101.70	4.2935	16.3957	1.8814	59.788	39.1335	9.8658	43.279
May	2.2750	8.5794	-	57.6166	11,517.01	4.0874	15.9856	1.8010	57.315	38.2707	9.6117	40.714
June	2.2057	8.3245	-	56.8582	11,169.39	3.9853	15.5346	1.7667	56.594	38.1507	9.3398	39.635
	Percentage change versus previous month											
2010 June	-3.0	-3.0	-	-1.3	-3.0	-2.5	-2.8	-1.9	-1.3	-0.3	-2.8	-2.6
	Percentage change versus previous year											
2010 June	-19.5	-13.1	-	-15.0	-22.0	-19.2	-16.8	-19.6	-15.6	-12.4	-17.1	-17.2

Source: ECB.

1) For these currencies the ECB computes and publishes euro reference exchange rates as from 1 January 2008. Previous data are indicative.
2) The most recent rate for the Icelandic krona refers to 3 December 2008.
3) For this currency the ECB computes and publishes euro reference exchange rates as from 1 January 2009. Previous data are indicative.

9 DEVELOPMENTS OUTSIDE THE EURO AREA

9.1 In other EU Member States

(annual percentage changes, unless otherwise indicated)

1. Economic and financial developments

	Bulgaria	Czech Republic	Denmark	Estonia	Latvia	Lithuania	Hungary	Poland	Romania	Sweden	United Kingdom
	1	2	3	4	5	6	7	8	9	10	11
	HICP										
2008	12.0	6.3	3.6	10.6	15.3	11.1	6.0	4.2	7.9	3.3	3.6
2009	2.5	0.6	1.1	0.2	3.3	4.2	4.0	4.0	5.6	1.9	2.2
2009 Q4	0.9	0.0	0.9	-2.0	-1.3	1.2	4.9	3.8	4.5	2.3	2.1
2010 Q1	1.9	0.4	1.9	0.0	-3.9	-0.4	5.8	3.4	4.6	2.7	3.3
2010 Mar.	2.4	0.4	2.1	1.4	-4.0	-0.4	5.7	2.9	4.2	2.5	3.4
Apr.	3.0	0.9	2.4	2.5	-2.8	0.2	5.7	2.7	4.2	2.1	3.7
May	3.0	1.0	1.9	2.8	-2.4	0.5	4.9	2.3	4.4	1.9	3.4
	General government deficit (-)/surplus (+) as a percentage of GDP										
2007	0.1	-0.7	4.8	2.6	-0.3	-1.0	-5.0	-1.9	-2.5	3.8	-2.8
2008	1.8	-2.7	3.4	-2.7	-4.1	-3.3	-3.8	-3.7	-5.4	2.5	-4.9
2009	-3.9	-5.9	-2.7	-1.7	-9.0	-8.9	-4.0	-7.1	-8.3	-0.5	-11.5
	General government gross debt as a percentage of GDP										
2007	18.2	29.0	27.4	3.8	9.0	16.9	65.9	45.0	12.6	40.8	44.7
2008	14.1	30.0	34.2	4.6	19.5	15.6	72.9	47.2	13.3	38.3	52.0
2009	14.8	35.4	41.6	7.2	36.1	29.3	78.3	51.0	23.7	42.3	68.1
	Long-term government bond yield as a percentage per annum; period average										
2009 Dec.	6.61	3.98	3.53	-	13.75	9.10	7.69	6.22	8.66	3.24	3.60
2010 Jan.	6.65	4.28	3.57	-	13.76	8.15	7.62	6.13	9.05	3.37	4.01
Feb.	6.05	4.33	3.50	-	13.62	7.15	7.69	6.09	7.92	3.28	4.02
Mar.	5.82	4.02	3.40	-	10.54	5.15	7.16	5.72	7.11	3.20	3.98
Apr.	5.94	3.84	3.34	-	10.13	5.15	6.57	5.57	6.97	3.14	3.96
May	6.13	4.10	2.93	-	10.13	5.15	7.07	5.74	7.27	2.73	3.60
	3-month interest rate as a percentage per annum; period average										
2009 Dec.	4.71	1.64	1.55	3.28	8.39	4.54	7.47	4.23	10.18	0.48	0.61
2010 Jan.	4.44	1.55	1.46	2.74	4.77	3.07	6.78	4.24	8.56	0.48	0.61
Feb.	4.27	1.52	1.39	2.12	3.16	2.24	6.59	4.17	6.93	0.48	0.63
Mar.	4.21	1.43	1.37	1.86	2.33	1.87	6.65	4.13	6.01	0.49	0.65
Apr.	4.21	1.42	1.28	1.79	2.14	1.57	6.14	3.69	4.99	0.52	0.66
May	4.19	1.27	1.25	1.67	2.26	1.47	6.23	3.85	6.38	0.60	0.70
	Real GDP										
2008	6.0	2.5	-0.9	-3.6	-4.2	2.8	0.6	5.1	7.3	-0.4	0.5
2009	-5.0	-4.1	-4.7	-14.1	-18.0	-14.8	-6.3	1.8	-7.1	-5.1	-4.9
2009 Q3	-5.4	-4.4	-5.3	-15.6	-19.3	-14.7	-6.8	1.4	-7.1	-5.8	-5.3
Q4	-5.9	-3.2	-2.9	-9.5	-16.8	-12.5	-4.6	2.8	-6.5	-1.5	-3.1
2010 Q1	-3.6	1.1	-0.6	-2.0	-5.1	-2.6	-0.9	2.8	-2.6	2.9	-0.2
	Current and capital account balance as a percentage of GDP										
2008	-23.2	0.2	2.0	-8.4	-11.6	-10.1	-5.9	-3.9	-11.1	9.2	-1.3
2009	-8.0	0.1	3.9	7.4	12.0	7.2	1.5	0.0	-4.0	7.3	-1.1
2009 Q3	3.0	-2.0	5.6	10.9	11.9	8.0	2.8	-0.9	-2.8	7.0	-1.6
Q4	-7.1	0.9	5.0	9.9	14.8	13.2	2.2	-1.2	-3.9	5.5	-0.2
2010 Q1	-6.4	2.1	2.3	4.3	12.6	3.1	2.4	0.2	-6.1	8.2	.
	Gross external debt as a percentage of GDP										
2007	100.4	44.5	170.6	111.0	127.6	71.9	115.1	48.4	50.9	176.2	401.3
2008	108.8	50.0	179.0	118.5	129.2	71.6	155.0	56.5	56.0	203.8	431.4
2009 Q3	107.8	46.7	191.8	124.0	147.9	82.9	168.8	60.2	66.7	203.2	411.1
Q4	111.3	50.8	190.5	126.7	156.6	86.5	163.2	59.3	68.9	203.8	405.0
2010 Q1	.	.	.	124.7	161.8	.	.	.	.	205.5	.
	Unit labour costs										
2008	16.2	5.1	6.5	14.1	22.0	9.3	4.5	6.8	14.5	2.6	2.8
2009	10.6	3.6	4.5	1.7	-7.1	0.9	1.5	2.3	5.1	4.8	4.9
2009 Q3	10.2	2.9	4.8	1.5	-12.9	-6.5	-	4.5	-	5.3	4.5
Q4	3.7	2.2	-1.6	-7.5	-20.2	-11.4	-	-3.5	-	0.2	4.0
2010 Q1	6.6	-2.7	0.9	-8.9	-19.8	-9.5	-	.	-	-1.1	.
	Standardised unemployment rate as a percentage of labour force (s.a.)										
2008	5.6	4.4	3.4	5.5	7.5	5.9	7.8	7.2	5.8	6.2	5.7
2009	6.9	6.7	6.0	13.8	17.1	13.7	10.0	8.2	6.9	8.3	7.6
2009 Q4	8.2	7.4	7.1	15.6	19.8	15.9	10.6	8.9	7.6	8.8	7.8
2010 Q1	9.3	7.8	7.1	19.0	20.0	17.4	11.2	9.7	7.4	8.8	7.9
2010 Mar.	9.5	7.9	7.1	-	20.0	17.4	11.2	9.9	7.4	8.6	7.9
Apr.	9.7	7.6	7.0	-	22.5	.	10.9	9.9	.	9.1	.
May	9.7	7.5	6.8	-	.	.	10.4	9.8	.	8.8	.

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

9.2 In the United States and Japan

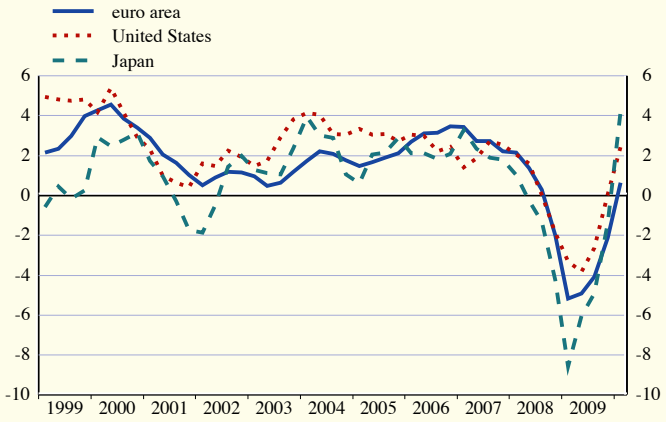
(annual percentage changes, unless otherwise indicated)

1. Economic and financial developments

	Consumer price index	Unit labour costs [1]	Real GDP	Industrial production index (manufacturing)	Unemployment rate as a % of labour force (s.a.)	Broad money [2]	3-month interbank deposit rate [3]	10-year zero coupon government bond yield; [3] end of period	Exchange rate [4] as national currency per euro	Fiscal deficit (-)/ surplus (+) as a % of GDP	Gross public debt [5] as a % of GDP
	1	2	3	4	5	6	7	8	9	10	11
	United States										
2006	3.2	2.8	2.7	2.7	4.6	5.3	5.20	5.26	1.2556	-2.2	47.8
2007	2.9	2.3	2.1	3.2	4.6	6.3	5.30	4.81	1.3705	-2.8	48.4
2008	3.8	1.0	0.4	-4.4	5.8	7.1	2.93	2.70	1.4708	-6.5	56.3
2009	-0.4	-1.9	-2.4	-10.9	9.3	7.8	0.69	4.17	1.3948	-11.1	67.6
2009 Q2	-1.2	0.4	-3.8	-14.7	9.3	8.7	0.84	3.95	1.3632	-11.6	62.7
Q3	-1.6	-2.7	-2.6	-10.0	9.6	7.8	0.41	3.61	1.4303	-11.6	65.8
Q4	1.4	-5.2	0.1	-3.7	10.0	5.1	0.27	4.17	1.4779	-11.1	67.6
2010 Q1	2.4	-4.2	2.4	3.9	9.7	2.0	0.26	4.01	1.3829	-10.9	70.7
Q2	.	.	.	.	9.7	.	0.44	3.13	1.2708	.	.
2010 Feb.	2.1	-	-	2.9	9.7	2.4	0.25	3.89	1.3686	-	-
Mar.	2.3	-	-	5.8	9.7	1.4	0.27	4.01	1.3569	-	-
Apr.	2.2	-	-	7.4	9.9	1.6	0.31	3.84	1.3406	-	-
May	2.0	-	-	9.4	9.7	1.7	0.46	3.52	1.2565	-	-
June	.	-	-	.	9.5	.	0.54	3.13	1.2209	-	-
	Japan										
2006	0.2	-0.5	2.0	4.5	4.1	1.0	0.30	1.85	146.02	-1.6	159.9
2007	0.1	-1.0	2.3	2.8	3.8	1.6	0.79	1.70	161.25	-2.4	156.3
2008	1.4	2.6	-1.2	-3.4	4.0	2.1	0.93	1.21	152.45	-2.1	162.2
2009	-1.4	0.4	-5.3	-21.9	5.1	2.7	0.47	1.42	130.34	.	.
2009 Q2	-1.0	0.9	-6.0	-27.4	5.1	2.6	0.53	1.41	132.59	.	.
Q3	-2.2	1.0	-4.9	-19.4	5.4	2.8	0.40	1.45	133.82	.	.
Q4	-2.0	-4.0	-1.4	-4.2	5.2	3.3	0.31	1.42	132.69	.	.
2010 Q1	-1.2	.	4.2	27.6	4.9	2.8	0.25	1.48	125.48	.	.
Q2	.	.	.	.	.	.	0.24	1.18	117.15	.	.
2010 Feb.	-1.1	-	-	31.5	4.8	2.7	0.25	1.43	123.46	-	-
Mar.	-1.1	-	-	31.9	5.0	2.7	0.25	1.48	123.03	-	-
Apr.	-1.2	-	-	25.9	5.1	2.9	0.24	1.37	125.33	-	-
May	-0.9	-	-	20.2	5.2	3.1	0.24	1.37	115.83	-	-
June	.	-	-	.	.	.	0.24	1.18	110.99	-	-

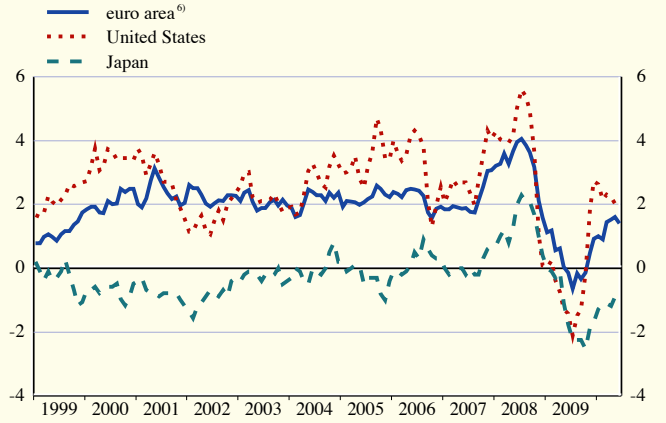
C39 Real gross domestic product

(annual percentage changes; quarterly data)



C40 Consumer price indices

(annual percentage changes; monthly data)



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

1) Seasonally adjusted. The data for the United States refer to the private non-agricultural business sector.
2) Period averages; M2 for the United States, M2+CDs for Japan.
3) Percentages per annum. For further information on the three-month interbank deposit rate, see Section 4.6.
4) For more information, see Section 8.2.
5) Gross consolidated general government debt (end of period).
6) Data refer to the changing composition of the euro area. For further information, see the General Notes.

LIST OF CHARTS

TECHNICAL NOTES

EURO AREA OVERVIEW

CALCULATION OF GROWTH RATES FOR MONETARY DEVELOPMENTS

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

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

where I_t is the index of adjusted outstanding amounts as at month t (see also below). Likewise, for the year ending in month t, the average growth rate is calculated as:

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

SECTIONS 2.1 TO 2.6

CALCULATION OF TRANSACTIONS

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

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

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

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

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

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

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

CALCULATION OF GROWTH RATES FOR MONTHLY SERIES

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

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

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

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

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

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

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

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

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

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

CALCULATION OF GROWTH RATES FOR QUARTERLY SERIES

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

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

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

SEASONAL ADJUSTMENT OF THE EURO AREA MONETARY STATISTICS [1]

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

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

SECTIONS 3.1 TO 3.5

EQUALITY OF USES AND RESOURCES

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

CALCULATION OF BALANCING ITEMS

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

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

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

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

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

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

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

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

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

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

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

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

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

SECTIONS 4.3 AND 4.4

CALCULATION OF GROWTH RATES FOR DEBT SECURITIES AND QUOTED SHARES

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

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

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

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

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

The method used to calculate the growth rates for securities other than shares is the same as that used for the monetary aggregates, the only difference being that an "N" is used instead of an "F". This is to show that the method used to obtain "net issues" for securities issues statistics differs from that used to calculate equivalent "transactions" for the monetary aggregates.

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

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

where I_t is the index of notional stocks as at month t. Likewise, for the year ending in month t, the average growth rate is calculated as:

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

The calculation formula used for Section 4.3 is also used for Section 4.4 and is likewise based on that used for the monetary aggregates. Section 4.4 is based on market values, and the calculations are based on financial transactions, which exclude reclassifications, revaluations and any other changes that do not arise from transactions. Exchange rate variations are not included, as all quoted shares covered are denominated in euro.

SEASONAL ADJUSTMENT OF SECURITIES ISSUES STATISTICS [4]

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

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

As in formulae k) and l), the growth rate a_t for month t, corresponding to the change in the six months ending in month t, can be calculated using either of the following two formulae:

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

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

TABLE 1 IN SECTION 5.1

SEASONAL ADJUSTMENT OF THE HICP [4]

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

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

TABLE 2 IN SECTION 7.1

SEASONAL ADJUSTMENT OF THE BALANCE OF PAYMENTS CURRENT ACCOUNT

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

SECTION 7.3

CALCULATION OF GROWTH RATES FOR THE QUARTERLY AND ANNUAL SERIES

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

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

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

GENERAL NOTES

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

In general, the cut-off date for the statistics included in the Monthly Bulletin is the day preceding the Governing Council of the ECB's first meeting of the month. For this issue, the cut-off date was 7 July 2010.

Unless otherwise indicated, all data series including observations for 2009 and beyond relate to the Euro 16 (the euro area including Slovakia) for the whole time series. For interest rates, monetary statistics and the HICP (and, for consistency reasons, the components and counterparts of M3 and the components of the HICP), statistical series refer to the changing composition of the euro area (see below for details). Where applicable, this is indicated in the tables by means of a footnote. In such cases, where underlying data are available, absolute and percentage changes for the respective year of entry into the euro area of Greece (2001), Slovenia (2007), Cyprus (2008), Malta (2008) and Slovakia (2009), calculated from bases covering the year prior to the year of entry, use a series in which the impact of these countries' joining the euro area is taken into account.

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

Given that the composition of the European currency unit (ECU) does not coincide with the former currencies of the countries that have adopted the single currency, pre-1999 amounts originally expressed in the participating currencies and converted into ECU at current ECU exchange rates are affected by movements in the currencies of EU Member States that have not adopted the euro. To avoid this effect on the monetary statistics, pre-1999 data[1] are expressed in units converted from national currencies at the irrevocable euro exchange rates established on 31 December 1998. Unless otherwise indicated, price and cost statistics before 1999 are based on data expressed in national currency terms.

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

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

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

In most cases, the terminology used within the tables follows international standards, such as those contained in the European System

1 Data on monetary statistics in Sections 2.1 to 2.8 are available for periods prior to January 1999 on the ECB's website (http://www.ecb.europa.eu/stats/services/downloads/html/index.en.html) and in the SDW (http://sdw.ecb.europa.eu/browse.do?node=2018811).

of Accounts 1995 and the IMF Balance of Payments Manual. Transactions refer to voluntary exchanges (measured directly or derived), while flows also encompass changes in outstanding amounts owing to price and exchange rate changes, write-offs and other changes.

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

OVERVIEW

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

MONETARY POLICY STATISTICS

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

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

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

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

MONEY, BANKING AND INVESTMENT FUNDS

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

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

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

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

Details of sector definitions are set out in the third edition of the "Monetary financial institutions and markets statistics sector manual – Guidance for the statistical classification of customers" (ECB, March 2007). The publication "Guidance Notes to the Regulation ECB/2001/13 on the MFI Balance Sheet Statistics" (ECB, November 2002) explains practices that NCBs are recommended to follow. Since 1 January 1999, statistical information has been collected and compiled on the basis of Regulation ECB/1998/16 of 1 December 1998 concerning the consolidated balance sheet of the monetary financial institutions sector,[2] as last amended by Regulation ECB/2003/10[3].

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

Section 2.9 shows outstanding amounts and transactions on the balance sheet of euro area investment funds (other than money market funds, which are included in the MFI balance sheet statistics). An investment fund is a collective investment undertaking that invests capital raised from the public in financial and/or non-financial assets. A complete list of euro

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

area investment funds is published on the ECB's website. The balance sheet is aggregated, so investment funds' assets include their holdings of shares/units issued by other investment funds. Shares/units issued by investment funds are also broken down by investment policy (i.e. into bond funds, equity funds, mixed funds, real estate funds, hedge funds and other funds) and by type (i.e. into open-end funds and closed-end funds). Section 2.10 provides further details on the main types of asset held by euro area investment funds. This Section contains a geographical breakdown of the issuers of securities held by investment funds, as well as breaking issuers down by economic sector where they are resident in the euro area.

Further information on these investment fund statistics can be found in the "Manual on investment fund statistics". Since December 2008 harmonised statistical information has been collected and compiled on the basis of Regulation ECB/2007/8 concerning statistics on the assets and liabilities of investment funds.

EURO AREA ACCOUNTS

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

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

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

The sectoral coverage of the financial account and the financial balance sheets is more detailed for the financial corporation sector, which is broken down into MFIs, other financial intermediaries (including financial auxiliaries), and insurance corporations and pension funds.

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

Section 3.3 shows four-quarter cumulated flows (transactions and other changes) for households' income, expenditure and accumulation accounts, as well as outstanding amounts for the financial balance sheet accounts, presenting data in a more analytical manner. Sector-specific transactions and balancing items are arranged in a way that more clearly depicts the financing

and investment decisions of households, while respecting the accounting identities presented in Sections 3.1 and 3.2.

Section 3.4 displays four-quarter cumulated flows (transactions) for non-financial corporations' income and accumulation accounts, as well as outstanding amounts for the financial balance sheet accounts, presenting data in a more analytical manner.

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

FINANCIAL MARKETS

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

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

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

Section 4.1 shows securities other than shares, broken down by original maturity, residency of the issuer and currency. It presents outstanding amounts, gross issues and net issues of securities other than shares, broken down into: (i) issues denominated in euro and issues in all currencies; (ii) issues by euro area residents and total issues; and (iii) total and long-term maturities. Net issues differ from the changes in outstanding amounts owing to valuation changes, reclassifications and other adjustments. This section also presents seasonally adjusted statistics, including six-month annualised seasonally adjusted growth rates for total and long-term debt securities. Seasonally adjusted data are derived from the index of notional stocks, from which the seasonal effects have been removed. See the Technical Notes for details.

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

The total outstanding amounts for total and long-term debt securities in column 1 of Table 1 in Section 4.2 correspond to the data on outstanding

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

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

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

Columns 3, 5, 7 and 9 in Table 1 of Section 4.4 show annual growth rates for quoted shares issued by euro area residents (broken down by the sector of the issuer), which are based on financial transactions that occur when an issuer issues or redeems shares for cash, excluding investments in the issuer's own shares. The calculation of annual growth rates excludes reclassifications, revaluations and any other changes that do not arise from transactions.

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

MFI interest rate statistics are broken down by type of business coverage, sector, instrument category and maturity, period of notice or initial period of interest rate fixation. These MFI interest rate statistics replaced the ten transitional statistical series on euro area retail interest rates that had been published in the Monthly Bulletin as of January 1999.

Section 4.6 presents money market interest rates for the euro area, the United States and Japan. For the euro area, a broad spectrum of money market interest rates is covered, ranging from interest rates on overnight deposits to those on twelve-month deposits. Before January 1999, synthetic euro area interest rates were calculated on the basis of national rates weighted by GDP. With the exception of the overnight rate prior to January 1999, monthly, quarterly and yearly values are period averages. Overnight deposits are represented by end-of-period interbank deposit bid rates up to and including December 1998 and period averages for the euro overnight index average (EONIA) thereafter. As of January 1999, euro area interest rates on one, three, six and twelve-month deposits are euro interbank offered rates (EURIBOR); prior to that date, they are London interbank offered rates (LIBOR) where available. For the United States and Japan, interest rates on three-month deposits are represented by LIBOR.

Section 4.7 shows end-of-period rates estimated from nominal spot yield curves based on AAA-rated euro-denominated bonds issued by euro area central governments. The yield curves

are estimated using the Svensson model[4]. Spreads between the ten-year rates and the three-month and two-year rates are also released. Additional yield curves (daily releases, including charts and tables) and the corresponding methodological information are available at: http://www.ecb.europa.eu/stats/money/yc/html/index.en.html. Daily data can also be downloaded.

Section 4.8 shows stock market indices for the euro area, the United States and Japan.

PRICES, OUTPUT, DEMAND AND LABOUR MARKETS

Most of the data described in this section are produced by the European Commission (mainly Eurostat) and national statistical authorities. Euro area results are obtained by aggregating data for individual countries. As far as possible, the data are harmonised and comparable. Statistics on labour costs indices, GDP and expenditure components, value added by economic activity, industrial production, retail sales passenger car registrations and employment in terms of hours worked are working day-adjusted.

The Harmonised Index of Consumer Prices (HICP) for the euro area (Table 1 in Section 5.1) is available from 1995 onwards. It is based on national HICPs, which follow the same methodology in all euro area countries. The breakdown into goods and services components is derived from the classification of individual consumption by purpose (Coicop/HICP). The HICP covers monetary expenditure by households on final consumption in the economic territory of the euro area. The table includes seasonally adjusted HICP data and experimental HICP-based estimates of administered prices, which are compiled by the ECB.

Industrial producer prices (Table 2 in Section 5.1), industrial production, industrial new orders, industrial turnover and retail sales (Section 5.2) are covered by Council Regulation (EC) No 1165/98 of 19 May 1998 concerning short-term statistics[5]. Since January 2009 the revised classification of economic activities (NACE Revision 2), as covered by Regulation (EC) No 1893/2006 of the European Parliament and of the Council of 20 December 2006 establishing the statistical classification of economic activities NACE Revision 2 and amending Council Regulation (EEC) No 3037/90, as well as certain EC Regulations on specific statistical domains,[6] has been applied in the production of short-term statistics. The breakdown by end-use of product for industrial producer prices and industrial production is the harmonised sub-division of industry excluding construction (NACE Revision 2, sections B to E) into Main Industrial Groupings (MIGs) as defined by Commission Regulation (EC) No 656/2007 of 14 June 2007[7]. Industrial producer prices reflect the ex-factory gate prices of producers. They include indirect taxes except VAT and other deductible taxes. Industrial production reflects the value added of the industries concerned.

The two non-energy commodity price indices shown in Table 3 in Section 5.1 are compiled with the same commodity coverage, but using two different weighting schemes: one based on the respective commodity imports of the euro area (columns 2-4), and the other (columns 5-7) based on estimated euro area domestic demand, or "use", taking into account information on imports, exports and the domestic production of each commodity (ignoring, for the sake of simplicity, inventories, which are assumed to be relatively stable over the observed period). The import-weighted commodity price index is appropriate for analysing external developments, while the use-weighted index is suitable for the specific purpose of analysing international commodity price pressures on euro area inflation. The use-weighted commodity price indices are experimental data. For more details as regards the compilation of the ECB commodity price indices, see Box 1 in the December 2008 issue of the Monthly Bulletin.

4 Svensson, L. E., "Estimating and Interpreting Forward Interest Rates: Sweden 1992-1994", Centre for Economic Policy Research, Discussion Paper No 1051, 1994.
5 OJ L 162, 5.6.1998, p. 1.
6 OJ L 393, 30.12.2006, p. 1.
7 OJ L 155, 15.6.2007, p. 3.

The labour cost indices (Table 5 in Section 5.1) measure the changes in labour costs per hour worked in industry (including construction) and market services. Their methodology is laid down in Regulation (EC) No 450/2003 of the European Parliament and of the Council of 27 February 2003 concerning the labour cost index[8] and in the implementing Commission Regulation (EC) No 1216/2003 of 7 July 2003[9]. A breakdown of the labour cost indices for the euro area is available by labour cost component (wages and salaries, and employers' social contributions plus employment-related taxes paid by the employer less subsidies received by the employer) and by economic activity. The ECB calculates the indicator of negotiated wages (memo item in Table 3 of Section 5.1) on the basis of non-harmonised, national-definition data.

Unit labour cost components (Table 4 in Section 5.1), GDP and its components (Tables 1 and 2 in Section 5.2), GDP deflators (Table 3 in Section 5.1) and employment statistics (Tables 1, 2 and 3 in Section 5.3) are derived from the ESA 95 quarterly national accounts.

Industrial new orders (Table 4 in Section 5.2) measure the orders received during the reference period and cover industries working mainly on the basis of orders – in particular the textile, pulp and paper, chemical, metal, capital goods and durable consumer goods industries. The data are calculated on the basis of current prices.

Indices for turnover in industry and for the retail trade (Table 4 in Section 5.2) measure the turnover, including all duties and taxes (with the exception of VAT), invoiced during the reference period. Retail trade turnover covers all retail trade (excluding sales of motor vehicles and motorcycles), except automotive fuel. New passenger car registrations cover registrations of both private and commercial passenger cars. The euro area series excludes Cyprus and Malta.

Qualitative business and consumer survey data (Table 5 in Section 5.2) draw on the European Commission Business and Consumer Surveys.

Unemployment rates (Table 4 in Section 5.3) conform to International Labour Organization guidelines. They refer to persons actively seeking work as a share of the labour force, using harmonised criteria and definitions. The labour force estimates underlying the unemployment rate are different from the sum of the employment and unemployment levels published in Section 5.3.

GOVERNMENT FINANCE

Sections 6.1 to 6.5 show the general government fiscal position in the euro area. The data are mainly consolidated and are based on the ESA 95 methodology. The annual euro area aggregates in Sections 6.1 to 6.3 are compiled by the ECB on the basis of harmonised data provided by the NCBs, which are regularly updated. The deficit and debt data for the euro area countries may therefore differ from those used by the European Commission within the excessive deficit procedure. The quarterly euro area aggregates in Sections 6.4 and 6.5 are compiled by the ECB on the basis of Eurostat and national data.

Section 6.1 presents annual figures on general government revenue and expenditure on the basis of definitions laid down in Commission Regulation (EC) No 1500/2000 of 10 July 2000[10] amending the ESA 95. Section 6.2 shows details of general government gross consolidated debt at nominal value in line with the Treaty provisions on the excessive deficit procedure. Sections 6.1 and 6.2 include summary data for the individual euro area countries owing to their importance within the framework of the Stability and Growth Pact. The deficits/surpluses presented for the individual euro area countries correspond to excessive deficit procedure B.9, as defined by Council Regulation (EC) No 479/2009 as regards references to the ESA 95. Section 6.3 presents changes in general

8 OJ L 69, 13.3.2003, p. 1.
9 OJ L 169, 8.7.2003, p. 37.
10 OJ L 172, 12.7.2000, p. 3.

government debt. The difference between the change in the government debt and the government deficit – the deficit-debt adjustment – is mainly explained by government transactions in financial assets and by foreign exchange valuation effects. Section 6.4 presents quarterly figures on general government revenue and expenditure on the basis of definitions laid down in Regulation (EC) No 1221/2002 of the European Parliament and of the Council of 10 June 2002 on quarterly non-financial accounts for general government[11]. Section 6.5 presents quarterly figures on gross consolidated government debt, the deficit-debt adjustment and the government borrowing requirement. These figures are compiled using data provided by the Member States under Regulation (EC) No 501/2004 and Regulation (EC) No 222/2004 and data provided by the NCBs.

EXTERNAL TRANSACTIONS AND POSITIONS

The concepts and definitions used in balance of payments and international investment position (i.i.p.) statistics (Sections 7.1 to 7.4) are generally in line with the IMF Balance of Payments Manual (fifth edition, October 1993), the ECB Guideline of 16 July 2004 on the statistical reporting requirements of the ECB (ECB/2004/15)[12] and the amending ECB Guideline of 31 May 2007 (ECB/2007/3)[13]. Additional information regarding the methodologies and sources used in the euro area b.o.p. and i.i.p. statistics can be found in the ECB publication entitled "European Union balance of payments/international investment position statistical methods" (May 2007) and in the reports of the Task Force on Portfolio Investment Collection Systems (June 2002), the Task Force on Portfolio Investment Income (August 2003) and the Task Force on Foreign Direct Investment (March 2004), all of which can be downloaded from the ECB's website. In addition, a report by the ECB/European Commission (Eurostat) Task Force on Quality looking at balance of payments and international investment position statistics (June 2004) is available on the website of the Committee on Monetary, Financial and Balance of Payments Statistics (www.cmfb.org). The annual quality report on the euro area b.o.p./i.i.p., which is based on the Task Force's recommendations and follows the basic principles of the ECB Statistics Quality Framework published in April 2008, is available on the ECB's website.

The tables in Sections 7.1 and 7.4 follow the sign convention in the IMF Balance of Payments Manual – i.e. surpluses in the current account and the capital account have a plus sign, while in the financial account a plus sign denotes an increase in liabilities or a decrease in assets. In the tables in Section 7.2, both credit and debit transactions are presented with a plus sign. Furthermore, as of the February 2008 issue of the Monthly Bulletin, the tables in Section 7.3 have been restructured in order to allow the data on the balance of payments, the international investment position and related growth rates to be presented together; in the new tables, transactions in assets and liabilities that correspond to increases in positions are shown with a plus sign.

The euro area b.o.p. is compiled by the ECB. Recent monthly figures should be regarded as provisional. Data are revised when figures for the following month and/or the detailed quarterly b.o.p. are published. Earlier data are revised periodically or as a result of methodological changes in the compilation of the source data.

Table 1 in Section 7.2 also contains seasonally adjusted data for the current account. Where appropriate, the adjustment also covers working day, leap year and/or Easter-related effects. Table 3 in Section 7.2 and Table 9 in Section 7.3 present a breakdown of the euro area b.o.p. and i.i.p. vis-à-vis major partner countries, both individually and as a group, distinguishing between EU Member States outside the euro area and countries or areas outside the European Union. The breakdown also shows transactions and positions vis-à-vis EU institutions (which,

11 OJ L 179, 9.7.2002, p. 1.
12 OJ L 354, 30.11.2004, p. 34.
13 OJ L 159, 20.6.2007, p. 48.

with the exception of the ECB, are considered to be outside the euro area for statistical purposes, regardless of their physical location) and, for some purposes, offshore centres and international organisations. The breakdown does not cover transactions or positions in portfolio investment liabilities, financial derivatives or international reserves. In addition, separate data are not provided for investment income payable to Brazil, mainland China, India or Russia. The geographical breakdown is described in the article entitled "Euro area balance of payments and international investment position vis-à-vis main counterparts" in the February 2005 issue of the Monthly Bulletin.

The data on the euro area b.o.p. financial account and i.i.p. in Section 7.3 are based on transactions and positions vis-à-vis non-residents of the euro area, regarding the euro area as a single economic entity (see also Box 9 in the December 2002 issue of the Monthly Bulletin, Box 5 in the January 2007 issue of the Monthly Bulletin and Box 6 in the January 2008 issue of the Monthly Bulletin). The i.i.p. is valued at current market prices, with the exception of direct investment, where book values are used for unquoted shares, and other investments (e.g. loans and deposits). The quarterly i.i.p. is compiled on the basis of the same methodological framework as the annual i.i.p. As some data sources are not available on a quarterly basis (or are available with a delay), the quarterly i.i.p. is partly estimated on the basis of financial transactions, asset prices and foreign exchange developments.

Table 1 in Section 7.3 summarises the i.i.p. and financial transactions in the euro area b.o.p. The breakdown of the change in the annual i.i.p. is obtained by applying a statistical model to i.i.p. changes other than transactions, using information from the geographical breakdown and currency composition of assets and liabilities, as well as price indices for different financial assets. In this table, columns 5 and 6 refer to direct investment by resident units abroad and direct investment by non-resident units in the euro area.

In Table 5 in Section 7.3, the breakdown into "loans" and "currency and deposits" is based on the sector of the non-resident counterpart – i.e. assets vis-à-vis non-resident banks are classified as deposits, whereas assets vis-à-vis other non-resident sectors are classified as loans. This breakdown follows the distinction made in other statistics, such as the MFI consolidated balance sheet, and conforms to the IMF Balance of Payments Manual.

The outstanding amounts for the Eurosystem's international reserves and related assets and liabilities are shown in Table 7 of Section 7.3. These figures are not fully comparable with those in the Eurosystem's weekly financial statement owing to differences in coverage and valuation. The data in Table 7 are in line with the recommendations for the template on international reserves and foreign currency liquidity. Changes in the gold holdings of the Eurosystem (column 3) are due to transactions in gold within the terms of the Central Bank Gold Agreement of 26 September 1999, which was updated on 27 September 2009. More information on the statistical treatment of the Eurosystem's international reserves can be found in a publication entitled "Statistical treatment of the Eurosystem's international reserves" (October 2000), which can be downloaded from the ECB's website. The website also contains more comprehensive data in accordance with the template on international reserves and foreign currency liquidity.

The euro area's gross external debt statistics in Table 8 of Section 7.3 represent outstanding actual (rather than contingent) liabilities vis-à-vis non-euro area residents that require the payment of principal and/or interest by the debtor at one or more points in the future. Table 8 shows a breakdown of gross external debt by instrument and institutional sector.

Section 7.4 contains a monetary presentation of the euro area balance of payments, showing the transactions by non-MFIs that mirror the net external transactions by MFIs. Included in the

transactions by non-MFIs are b.o.p. transactions for which a sectoral breakdown is not available. These concern the current and capital accounts (column 2) and financial derivatives (column 11). An up-to-date methodological note on the monetary presentation of the euro area balance of payments is available in the "Statistics" section of the ECB's website. See also Box 1 in the June 2003 issue of the Monthly Bulletin.

Section 7.5 shows data on euro area external trade in goods. The source is Eurostat. Value data and volume indices are seasonally and working day-adjusted. The breakdown by product group in columns 4 to 6 and 9 to 11 of Table 1 in Section 7.5 is in line with the classification contained in the Broad Economic Categories and corresponds to the basic classes of goods in the System of National Accounts. Manufactured goods (columns 7 and 12) and oil (column 13) are in line with the SITC Rev. 4 definition. The geographical breakdown (Table 3 in Section 7.5) shows major trading partners both individually and in regional groups. China excludes Hong Kong. On account of differences in definitions, classification, coverage and time of recording, external trade data, in particular for imports, are not fully comparable with the goods item in the b.o.p. statistics (Sections 7.1 and 7.2). Part of the difference arises from the inclusion of insurance and freight services in the recording of imported goods in external trade data.

Industrial import prices and industrial producer export prices (or industrial output prices for the non-domestic market) shown in Table 2 in Section 7.5 were introduced by Regulation (EC) No 1158/2005 of the European Parliament and of the Council of 6 July 2005 amending Council Regulation (EC) No 1165/98, which is the principal legal basis for short-term statistics. The industrial import price index covers industrial products imported from outside the euro area under sections B to E of the Statistical Classification of Products by Activity in the European Economic Community (CPA) and all institutional import sectors except households, governments and non-profit institutions. It reflects the cost, insurance and freight price excluding import duties and taxes, and refers to actual transactions in euro recorded at the point when ownership of the goods is transferred. The industrial producer export prices cover all industrial products exported directly by euro area producers to the extra-euro area market under sections B to E of NACE Revision 2. Exports from wholesalers and re-exports are not covered. The indices reflect the free on board price expressed in euro and calculated at the euro area frontier, including any indirect taxes except VAT and other deductible taxes. Industrial import prices and industrial producer export prices are available by Main Industrial Grouping as defined by Commission Regulation (EC) No 656/2007 of 14 June 2007. For more details, see Box 11 in the December 2008 issue of the Monthly Bulletin.

EXCHANGE RATES

Section 8.1 shows nominal and real effective exchange rate indices for the euro, which are calculated by the ECB on the basis of weighted averages of the euro's bilateral exchange rates against the currencies of the selected trading partners of the euro area. A positive change denotes an appreciation of the euro. Weights are based on trade in manufactured goods with those trading partners in the periods 1995-1997, 1998-2000, 2001-2003 and 2004-2006, and are calculated to account for third-market effects. The EER indices are obtained by chain-linking the indicators based on each of these four sets of trade weights at the end of each three-year period. The base period of the resulting EER index is the first quarter of 1999. The EER-21 group of trading partners is composed of the 11 non-euro area EU Member States plus Australia, Canada, China, Hong Kong, Japan, Norway, Singapore, South Korea, Switzerland and the United States. The EER-41 group comprises the EER-21 plus the following countries: Algeria, Argentina, Brazil, Chile, Croatia, Iceland, India, Indonesia, Israel, Malaysia, Mexico, Morocco, New Zealand,

the Philippines, Russia, South Africa, Taiwan, Thailand, Turkey and Venezuela. Real EERs are calculated using consumer price indices, producer price indices, gross domestic product deflators and unit labour costs, both for the manufacturing sector and for the total economy.

For more detailed information on the calculation of the EERs, see Box 5, entitled "International trade developments and revision of the effective exchange rates of the euro", in the January 2010 issue of the Monthly Bulletin, the relevant methodological note and ECB Occasional Paper No 2 ("The effective exchange rates of the euro" by Luca Buldorini, Stelios Makrydakis and Christian Thimann, February 2002), which can be downloaded from the ECB's website.

The bilateral rates shown in Section 8.2 are monthly averages of those published daily as reference rates for these currencies.

DEVELOPMENTS OUTSIDE THE EURO AREA

Statistics on other EU Member States (Section 9.1) follow the same principles as data relating to the euro area. As a result, data on current and capital accounts and gross external debt include special-purpose vehicles. The data for the United States and Japan contained in Section 9.2 are obtained from national sources.

ANNEXES

CHRONOLOGY OF MONETARY POLICY MEASURES OF THE EUROSYSTEM[1]

11 JANUARY AND 8 FEBRUARY 2007

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 3.50%, 4.50% and 2.50% respectively.

8 MARCH 2007

The Governing Council of the ECB decides to increase the minimum bid rate on the main refinancing operations by 25 basis points to 3.75%, starting from the operation to be settled on 14 March 2007. In addition, it decides to increase the interest rates on both the marginal lending facility and the deposit facility by 25 basis points, to 4.75% and 2.75%, both with effect from 14 March 2007.

12 APRIL AND 10 MAY 2007

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 3.75%, 4.75% and 2.75% respectively.

6 JUNE 2007

The Governing Council of the ECB decides to increase the minimum bid rate on the main refinancing operations by 25 basis points to 4%, starting from the operation to be settled on 13 June 2007. In addition, it decides to increase by 25 basis points the interest rates on both the marginal lending facility and the deposit facility, to 5% and 3% respectively, with effect from 13 June 2007.

5 JULY, 2 AUGUST, 6 SEPTEMBER, 4 OCTOBER, 8 NOVEMBER AND 6 DECEMBER 2007, AND 10 JANUARY, 7 FEBRUARY, 6 MARCH, 10 APRIL, 8 MAY AND 5 JUNE 2008

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 4.00%, 5.00% and 3.00% respectively.

3 JULY 2008

The Governing Council of the ECB decides to increase the minimum bid rate on the main refinancing operations by 25 basis points to 4.25%, starting from the operation to be settled on 9 July 2008. In addition, it decides to increase by 25 basis points the interest rates on both the marginal lending facility and the deposit facility, to 5.25% and 3.25% respectively, with effect from 9 July 2008.

7 AUGUST, 4 SEPTEMBER AND 2 OCTOBER 2008

The Governing Council of the ECB decides that the minimum bid rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 4.25%, 5.25% and 3.25% respectively.

8 OCTOBER 2008

The Governing Council of the ECB decides to decrease the minimum bid rate on the main refinancing operations by 50 basis points to 3.75%, starting from the operations to be settled on 15 October 2008. In addition, it decides to decrease by 50 basis points the interest rates on

1 The chronology of monetary policy measures taken by the Eurosystem between 1999 and 2006 can be found in the ECB's Annual Report for the respective years.

both the marginal lending facility and the deposit facility, to 4.75% and 2.75% respectively, with immediate effect. Moreover, the Governing Council decides that, as from the operation settled on 15 October, the weekly main refinancing operations will be carried out through a fixed-rate tender procedure with full allotment at the interest rate on the main refinancing operation. Furthermore, as of 9 October, the ECB will reduce the corridor of standing facilities from 200 basis points to 100 basis points around the interest rate on the main refinancing operation. The two measures will remain in place for as long as needed, and at least until the end of the first maintenance period of 2009, on 20 January.

15 OCTOBER 2008

The Governing Council of the ECB decides to further expand the collateral framework and enhance the provision of liquidity. To do so, the Governing Council decides: (i) to expand the list of assets eligible as collateral in Eurosystem credit operations, with this expansion remaining in force until the end of 2009, (ii) to enhance the provision of longer-term refinancing, with effect from 30 October 2008 and until the end of the first quarter of 2009, and (iii) to provide US dollar liquidity through foreign exchange swaps.

6 NOVEMBER 2008

The Governing Council of the ECB decides to decrease the interest rate on the main refinancing operations by 50 basis points to 3.25%, starting from the operations to be settled on 12 November 2008. In addition, it decides to decrease by 50 basis points the interest rates on both the marginal lending facility and the deposit facility, to 3.75% and 2.75% respectively, with effect from 12 November 2008.

4 DECEMBER 2008

The Governing Council of the ECB decides to decrease the interest rate on the main refinancing operations of the Eurosystem by 75 basis points to 2.50%, starting from the operations to be settled on 10 December 2008. In addition, it decides to decrease by 75 basis points the interest rates on both the marginal lending and the deposit facility to 3.00% and 2.00% respectively, with effect from 10 December 2008.

18 DECEMBER 2008

The Governing Council of the ECB decides that the main refinancing operations will continue to be carried out through a fixed rate tender procedure with full allotment beyond the maintenance period ending on 20 January 2009. This measure will be in place for as long as needed, and at least until the last allotment of the third maintenance period in 2009 on 31 March. Moreover, as of 21 January 2009, the corridor of standing facility rates, which on 9 October 2008 was reduced to 100 basis points around the prevailing interest rate of the main refinancing operation, will be re-widened symmetrically to 200 basis points.

15 JANUARY 2009

The Governing Council of the ECB decides to decrease the interest rate on the main refinancing operations by 50 basis points to 2.00%, starting from the operations to be settled on 21 January 2009. In addition, it decides that the interest rates on the marginal lending and the deposit facility will be 3.00% and 1.00% respectively, with effect from 21 January 2009, in line with the decision of 18 December 2008.

5 FEBRUARY 2009

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.00%, 3.00% and 1.00% respectively.

5 MARCH 2009

The Governing Council of the ECB decides to decrease the interest rate on the main refinancing operations by 50 basis points to 1.50%, starting from the operations to be settled on 11 March 2009. In addition, it decides that the interest rates on the marginal lending and the deposit facility will be 2.50% and 0.50% respectively, with effect from 11 March 2009.

Moreover, the Governing Council decides to continue the fixed rate tender procedure with full allotment for all main refinancing operations, special-term refinancing operations and supplementary and regular longer-term refinancing operations for as long as needed, and in any case beyond the end of 2009. In addition, the Governing Council decides to continue with the current frequency and maturity profile of supplementary longer-term refinancing operations and special-term refinancing operations for as long as needed, and in any case beyond the end of 2009.

2 APRIL 2009

The Governing Council of the ECB decides to decrease the interest rate on the main refinancing operations by 25 basis points to 1.25%, starting from the operations to be settled on 8 April 2009. In addition, it decides that the interest rates on the marginal lending and the deposit facility will be 2.25% and 0.25% respectively, with effect from 8 April 2009.

7 MAY 2009

The Governing Council of the ECB decides to decrease the interest rate on the main refinancing operations by 25 basis points to 1.00%, starting from the operation to be settled on 13 May 2009. In addition, it decides to decrease the interest rate on the marginal lending facility by 50 basis points to 1.75% with effect from 13 May 2009, and to leave the interest rate on the deposit facility unchanged at 0.25%. In addition, the Governing Council of the ECB decides to proceed with its enhanced credit support approach. In particular, it decides that the Eurosystem will conduct liquidity-providing longer-term refinancing operations with a maturity of one year as fixed rate tender procedure with full allotment. In addition, it decides in principle that the Eurosystem will purchase euro-denominated covered bonds issued in the euro area.

4 JUNE 2009

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 1.00%, 1.75% and 0.25% respectively. In addition, the Governing Council of the ECB decides upon the technical modalities related to the purchase of euro-denominated covered bonds issued in the euro area decided on 7 May 2009.

2 JULY, 6 AUGUST, 3 SEPTEMBER, 8 OCTOBER, 5 NOVEMBER AND 3 DECEMBER 2009, AND 14 JANUARY, 4 FEBRUARY, 4 MARCH, 8 APRIL AND 6 MAY 2010

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 1.00%, 1.75% and 0.25% respectively.

10 MAY 2010

The Governing Council of the ECB decides on several measures to address severe tensions in financial markets. In particular, it decides to conduct interventions in the euro area public and private debt securities markets (Securities Markets Programme).

10 JUNE 2010

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 1.00%, 1.75% and 0.25% respectively. In addition, it decides to adopt a fixed rate tender procedure with full allotment in the regular three-month longer-term refinancing operations to be allotted during the third quarter of 2010.

8 JULY 2010

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 1.00%, 1.75% and 0.25% respectively.

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GLOSSARY

This glossary contains selected items that are frequently used in the Monthly Bulletin. A more comprehensive and detailed glossary can be found on the ECB's website (www.ecb.europa.eu/home/glossary/html/index.en.html).

Autonomous liquidity factors: liquidity factors that do not normally stem from the use of monetary policy instruments. Such factors are, for example, banknotes in circulation, government deposits with the central bank and the net foreign assets of the central bank.

Balance of payments (b.o.p.): a statistical statement that summarises, for a specific period of time, the economic transactions of an economy with the rest of the world.

Bank lending survey (BLS): a quarterly survey on lending policies that has been conducted by the Eurosystem since January 2003. It addresses qualitative questions on developments in credit standards, terms and conditions of loans and loan demand for both enterprises and households to a predefined sample group of banks in the euro area.

Borrowing requirement (general government): net incurrence of debt by the general government.

Break-even inflation rate: the spread between the yield on a nominal bond and that on an inflation-linked bond of the same (or as similar as possible) maturity.

Capital account: a b.o.p. account that covers all capital transfers and acquisitions/disposals of non-produced, non-financial assets between residents and non-residents.

Capital accounts: part of the system of national (or euro area) accounts consisting of the change in net worth that is due to net saving, net capital transfers and net acquisitions of non-financial assets.

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

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

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

Current account: a b.o.p. account that covers all transactions in goods and services, income and current transfers between residents and non-residents.

Debt (financial accounts): loans taken out by households, as well as the loans, debt securities and pension fund reserves (resulting from employers' direct pension commitments on behalf of their employees) of non-financial corporations, valued at market prices at the end of the period.

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

Debt security: a promise on the part of the issuer (i.e. the borrower) to make one or more payment(s) to the holder (the lender) on a specified future date or dates. Such securities usually carry a specific rate of interest (the coupon) and/or are sold at a discount to the amount that will be repaid at maturity. Debt securities issued with an original maturity of more than one year are classified as long-term.

Debt-to-GDP ratio (general government): the ratio of general government debt to GDP at current market prices. It is the subject of one of the fiscal criteria laid down in Article 126(2) of the Treaty on the Functioning of the European Union to define the existence of an excessive deficit.

Deficit (general government): the general government's net borrowing, i.e. the difference between total government revenue and total government expenditure.

Deficit-debt adjustment (general government): the difference between the general government deficit and the change in general government debt.

Deficit ratio (general government): the ratio of the general government deficit to GDP at current market prices. It is the subject of one of the fiscal criteria laid down in Article 126(2) of the Treaty on the Functioning of the European Union to define the existence of an excessive deficit. It is also referred to as the budget deficit ratio or the fiscal deficit ratio.

Deflation: a generalised, persistent and self-reinforcing decline in a broad set of prices that results from a drop in aggregate demand and becomes entrenched in expectations.

Deposit facility: a standing facility of the Eurosystem which counterparties may use to make overnight deposits, remunerated at a pre-specified interest rate, at an NCB.

Disinflation: a process of decelerating inflation that may lead to negative inflation rates of a temporary nature.

Direct investment: cross-border investment for the purpose of obtaining a lasting interest in an enterprise resident in another economy (assumed, in practice, for ownership of at least 10% of the ordinary shares or voting power). Included are equity capital, reinvested earnings and other capital associated with inter-company operations. The direct investment account records net transactions/positions in assets abroad by euro area residents (as "direct investment abroad") and net transactions/positions in euro area assets by non-residents (as "direct investment in the euro area").

Effective exchange rates (EERs) of the euro (nominal/real): weighted averages of bilateral euro exchange rates against the currencies of the euro area's main trading partners. The EER indices of the euro are calculated against two groups of trading partners: the EER-21 (comprising the 11 non-euro area EU Member States and 10 trading partners outside the EU) and the EER-41 (composed of the EER-21 and 20 additional countries). The weights used reflect the share of each partner country in the euro area's trade in manufactured goods and account for competition in third markets. Real EERs are nominal EERs deflated by a weighted average of foreign, relative to domestic, prices or costs. They are thus measures of price and cost competitiveness.

Enhanced credit support: the non-standard measures taken by the ECB/Eurosystem during the financial crisis with a view to supporting financing conditions and credit flows above and beyond what could be achieved through reductions in key ECB interest rates alone.

EONIA (euro overnight index average): a measure of the effective interest rate prevailing in the euro interbank overnight market. It is calculated as a weighted average of the interest rates on unsecured overnight lending transactions denominated in euro, as reported by a panel of contributing banks.

Equities: securities representing ownership of a stake in a corporation. They comprise shares traded on stock exchanges (quoted shares), unquoted shares and other forms of equity. Equities usually produce income in the form of dividends.

ERM II (exchange rate mechanism II): the exchange rate arrangement that provides the framework for exchange rate policy cooperation between the euro area countries and the EU Member States not participating in Stage Three of EMU.

EURIBOR (euro interbank offered rate): the rate at which a prime bank is willing to lend funds in euro to another prime bank, computed daily for interbank deposits with different maturities of up to 12 months.

Euro area: the area formed by those EU Member States in which the euro has been adopted as the single currency in accordance with the Treaty on the Functioning of the European Union.

European Commission surveys: harmonised surveys of business and/or consumer sentiment conducted on behalf of the European Commission in each of the EU Member States. Such questionnaire-based surveys are addressed to managers in the manufacturing, construction, retail and services industries, as well as to consumers. From each monthly survey, composite indicators are calculated that summarise the replies to a number of different questions in a single indicator (confidence indicators).

Eurosystem: the central banking system made up of the ECB and the NCBs of those EU Member States that have already adopted the euro.

Eurozone Purchasing Managers' Surveys: surveys of business conditions in manufacturing and in services industries conducted for a number of countries in the euro area and used to compile indices. The Eurozone Manufacturing Purchasing Managers' Index (PMI) is a weighted indicator calculated from indices of output, new orders, employment, suppliers' delivery times and stocks of purchases. The services sector survey asks questions on business activity, expectations of future business activity, the amount of business outstanding, incoming new business, employment, input prices and prices charged. The Eurozone Composite Index is calculated by combining the results from the manufacturing and services sector surveys.

External trade in goods: exports and imports of goods with countries outside the euro area, measured in terms of value and as indices of volume and unit value. External trade statistics are not comparable with the exports and imports recorded in the national accounts, as the latter include both intra-euro area and extra-euro area transactions, and also combine goods and services. Nor are they fully comparable with the goods item in b.o.p. statistics. Besides methodological adjustments, the main difference is that imports in external trade statistics are recorded including insurance and freight services, whereas they are recorded free on board in the goods item in the b.o.p. statistics.

Financial account: a b.o.p. account that covers transactions between residents and non-residents in direct investment, portfolio investment, other investment, financial derivatives and reserve assets.

Financial accounts: part of the system of national (or euro area) accounts showing the financial positions (stocks or balance sheets), financial transactions and other changes of the different institutional sectors of an economy by type of financial asset.

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

Fixed rate full-allotment tender procedure: a tender procedure in which the interest rate is specified by the central bank and in which counterparties bid the amount of money they want to transact at that rate, knowing in advance that all their bids will be satisfied.

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

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

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

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

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

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

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

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

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

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

International investment position (i.i.p.): the value and composition of an economy's outstanding net financial claims on (or financial liabilities to) the rest of the world.

International reserves: external assets readily available to and controlled by monetary authorities for directly financing or regulating the magnitude of payments imbalances through intervention in exchange markets. The international reserves of the euro area comprise non-euro denominated claims on non-euro area residents, gold, special drawing rights and the reserve positions in the IMF which are held by the Eurosystem.

Investment funds (except money market funds): financial institutions that pool capital raised from the public and invest it in financial and non-financial assets. See also MFIs.

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

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

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

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

Longer-term refinancing operations: credit operations with a maturity of more than one week that are executed by the Eurosystem in the form of reverse transactions. The regular monthly operations are conducted with a maturity of three months. During the financial market turmoil that started in August 2007, supplementary operations with maturities ranging from one maintenance period to one year were conducted, the frequency of which varied.

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

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

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

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

Marginal lending facility: a standing facility of the Eurosystem which counterparties may use to receive overnight credit from an NCB at a pre-specified interest rate against eligible assets.

MFI credit to euro area residents: MFI loans granted to non-MFI euro area residents (including general government and the private sector) and MFI holdings of securities (shares, other equity and debt securities) issued by non-MFI euro area residents.

MFI interest rates: the interest rates that are applied by resident credit institutions and other MFIs, excluding central banks and money market funds, to euro-denominated deposits and loans vis-à-vis households and non-financial corporations resident in the euro area.

MFI longer-term financial liabilities: deposits with an agreed maturity of over two years, deposits redeemable at a period of notice of over three months, debt securities issued by euro area MFIs with an original maturity of more than two years and the capital and reserves of the euro area MFI sector.

MFI net external assets: the external assets of the euro area MFI sector (such as gold, foreign currency banknotes and coins, securities issued by non-euro area residents and loans granted to non-euro area residents) minus the external liabilities of the euro area MFI sector (such as non-euro area residents' deposits and repurchase agreements, as well as their holdings of money market fund shares/units and debt securities issued by MFIs with a maturity of up to and including two years).

MFIs (monetary financial institutions): financial institutions which together form the money-issuing sector of the euro area. These include the Eurosystem, resident credit institutions (as defined in Community law) and all other resident financial institutions whose business is to receive deposits and/or close substitutes for deposits from entities other than MFIs and, for their own account (at least in economic terms), to grant credit and/or invest in securities. The latter group consists predominantly of money market funds, i.e. funds that invest in short-term and low-risk instruments usually with a maturity of one year or less.

Minimum bid rate: the lower limit to the interest rates at which counterparties may submit bids in the variable tenders.

Other investment: an item in the b.o.p. and the i.i.p. that covers the financial transactions/positions with non-residents in trade credits, deposits and loans, and other accounts receivable and payable.

Portfolio investment: euro area residents' net transactions and/or positions in securities issued by non-residents of the euro area ("assets") and non-residents' net transactions and/or positions in securities issued by euro area residents ("liabilities"). Included are equity securities and debt securities (bonds and notes, and money market instruments). Transactions are recorded at the effective price paid or received, less commissions and expenses. To be regarded as a portfolio asset, ownership in an enterprise must be equivalent to less than 10% of the ordinary shares or voting power.

Price stability: the maintenance of price stability is the primary objective of the Eurosystem. The Governing Council defines price stability as a year-on-year increase in the HICP for the euro area

of below 2%. The Governing Council has also made it clear that, in the pursuit of price stability, it aims to maintain inflation rates below, but close to, 2% over the medium term.

Purchasing power parity (PPP): the rate at which one currency is converted into another so as to equalise the purchasing power of the two currencies by eliminating the differences in the price levels prevailing in the countries concerned. In their simplest form, PPPs show the ratio of the prices in national currency of the same good or service in different countries.

Reference value for M3 growth: the annual growth rate of M3 over the medium term that is consistent with the maintenance of price stability. At present, the reference value for annual M3 growth is 4½%.

Reserve requirement: the minimum amount of reserves a credit institution is required to hold with the Eurosystem over a predefined maintenance period. Compliance with the requirement is determined on the basis of the average of the daily balances in the reserve accounts over the maintenance period.

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

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

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

Volatility: the degree of fluctuation in a given variable.

Write-down: a downward adjustment to the value of loans recorded in the balance sheets of MFIs when it is recognised that the loans have become partly unrecoverable.

Write-off: the removal of the value of loans from the balance sheets of MFIs when the loans are considered to be totally unrecoverable.

Yield curve: a graphical representation of the relationship between the interest rate or yield and the residual maturity at a given point in time for sufficiently homogenous debt securities with different maturity dates. The slope of the yield curve can be measured as the difference between the interest rates or yield at two selected maturities.

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