



EUROPEAN CENTRAL BANK
EUROSYSTEM

05 | 2012

MONTHLY BULLETIN

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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 3 May 2012 to keep the key ECB interest rates unchanged. Inflation rates are likely to stay above 2% in 2012. However, over the policy-relevant horizon, the Governing Council expects price developments to remain in line with price stability. Consistent with this picture, the underlying pace of monetary expansion remains subdued. Available indicators for the first quarter remain consistent with a stabilisation in economic activity at a low level. Latest survey indicators for the euro area highlight prevailing uncertainty. Looking ahead, economic activity is expected to recover gradually over the course of the year. At the same time, the economic outlook continues to be subject to downside risks.

Inflation expectations for the euro area economy continue to be firmly anchored in line with the Governing Council's aim of maintaining inflation rates below, but close to, 2% over the medium term. Over the last few months the Eurosystem has implemented both standard and non-standard monetary policy measures. This combination of measures has helped both the financial environment and the transmission of monetary policy. Further developments will be closely monitored, keeping in mind that all the non-standard monetary policy measures are temporary in nature and that the Governing Council maintains its full capacity to ensure medium-term price stability by acting in a firm and timely manner.

With regard to the economic analysis, available indicators for the first quarter remain consistent with a stabilisation in economic activity at a low level. Latest signals from euro area survey data highlight prevailing uncertainty. At the same time, there are indications that the global recovery is proceeding. Looking beyond the short term, the Governing Council continues to expect the euro area economy to recover gradually in the course of the year, supported by foreign demand, the very low short-term interest rates in the euro area, and all the measures taken to foster the proper functioning

of the euro area economy. However, remaining tensions in some euro area sovereign debt markets and their impact on credit conditions, as well as the process of balance sheet adjustment in the financial and non-financial sectors and high unemployment, are expected to continue to dampen the underlying growth momentum.

This economic outlook continues to be subject to downside risks, relating in particular to an intensification of tensions in euro area debt markets and their potential spillover to the euro area real economy, as well as to further increases in commodity prices.

Euro area annual HICP inflation was 2.6% in April 2012, according to Eurostat's flash estimate, after 2.7% in the previous four months. Inflation is likely to stay above 2% in 2012, mainly owing to increases in energy prices, as well as to rises in indirect taxes. On the basis of current futures prices for commodities, annual inflation rates should fall below 2% again in early 2013. In this context, the Governing Council will pay particular attention to any signs of pass-through from higher energy prices to wages, profits and general price-setting. However, looking ahead, in an environment of modest growth in the euro area and well-anchored long-term inflation expectations, underlying price pressures should remain limited.

Risks to the outlook for HICP inflation rates in the coming years are still seen to be broadly balanced. Upside risks pertain to higher than expected commodity prices and indirect tax increases, while downside risks relate to weaker than expected developments in economic activity.

The monetary analysis indicates that the underlying pace of monetary expansion has remained subdued, with somewhat higher growth rates in the past few months. The annual growth rate of M3 was 3.2% in March 2012, compared with 2.8% in February. Since January a strengthening in the deposit base of banks has been observed.

The annual growth rates of loans to non-financial corporations and loans to households (adjusted for loan sales and securitisation) stood at 0.5% and 1.7% respectively in March, both slightly lower than in February. The volume of MFI loans to non-financial corporations and households remained practically unchanged compared with the previous month.

Money and credit data up to March confirm a broad stabilisation of financial conditions and thereby, as intended by the Eurosystem's measures, the avoidance of an abrupt and disorderly adjustment in the balance sheets of credit institutions. In this context, the April bank lending survey indicates that the net tightening of credit standards by euro area banks declined substantially in the first quarter of 2012 as compared with late 2011, for both loans to non-financial corporations and loans to households, also on account of improvements in funding conditions for banks. As also indicated in the bank lending survey, the demand for credit remained subdued in the first quarter of 2012, reflecting weak economic activity and the ongoing process of balance sheet adjustment in non-financial sectors. The full supportive impact of the Eurosystem's non-standard measures will need time to unfold and to have a positive effect on the growth of loans when demand recovers. In this context, it should be noted that the second three-year longer-term refinancing operation was only settled on 1 March 2012.

Looking ahead, it is essential for banks to strengthen their resilience further, including by retaining earnings. The soundness of banks' balance sheets will be a key factor in facilitating both an appropriate provision of credit to the economy and the normalisation of all funding channels.

To sum up, the economic analysis indicates that price developments should remain in line with price stability over the medium term. A cross-check with the signals from the monetary analysis confirms this picture.

It is of utmost importance to ensure fiscal sustainability and sustainable growth in the

euro area. Most euro area countries made good progress in terms of fiscal consolidation in 2011. While the necessary comprehensive fiscal adjustment is weighing on near-term economic growth, its successful implementation will contribute to the sustainability of public finances and thereby to the lowering of sovereign risk premia. In an environment of enhanced confidence in fiscal balances, private sector activity should also be fostered, supporting private investment and medium-term growth.

At the same time, together with fiscal consolidation, growth and growth potential in the euro area need to be enhanced by decisive structural reforms. In this context, facilitating entrepreneurial activities, the start-up of new firms and job creation is crucial. Policies aimed at enhancing competition in product markets and increasing the wage and employment adjustment capacity of firms will foster innovation, promote job creation and boost longer-term growth prospects. Reforms in these areas are particularly important for countries which have suffered significant losses in cost competitiveness and need to stimulate productivity and improve trade performance.

With regard to the adjustment process within the euro area, as evidenced by the experience of other large currency areas, regional divergences in economic developments are a normal feature. However, considerable imbalances have accumulated in the last decade in several euro area countries and they are now in the process of being corrected.

As concerns the monetary policy stance of the ECB, it has to be focused on the euro area. The primary objective of the ECB's monetary policy remains to maintain price stability over the medium term. This is the best contribution of monetary policy to fostering growth and job creation in the euro area.

Addressing divergences among individual euro area countries is the task of national governments. They must undertake determined policy actions to address major imbalances

and vulnerabilities in the fiscal, financial and structural domains. The Governing Council notes that progress is being made in many countries, but several governments need to be more ambitious. Ensuring sound fiscal balances, financial stability and competitiveness in all euro area countries is in our common interest.

This issue of the Monthly Bulletin contains two articles. The first article reviews and assesses the key elements of the fiscal compact, which is part of the new Treaty on Stability, Coordination and Governance in the Economic and Monetary Union. The second article compares the recent financial crisis in the United States and the euro area with the experience of Japan in the 1990s.

I THE EXTERNAL ENVIRONMENT OF THE EURO AREA

The global economy continues to show signs of a modest upturn. Business survey indicators have remained in expansionary territory. Global inflation has eased in recent months, partly reflecting the decline in the annual rate of change in the energy component of consumer price indices.

I.1 DEVELOPMENTS IN THE WORLD ECONOMY

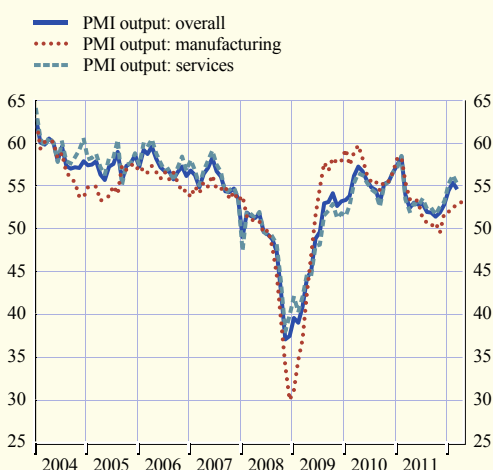
The global economy continues to show signs of a modest upturn. Following a number of very positive data releases in the first few months of the year, partly related to temporary factors, recent data releases have been mixed. Growth impediments prevail in some advanced economies, relating to weaknesses in labour and housing markets, as well as to the need for further repair of both public and private sector balance sheets. While rebalancing is making progress, household debt levels remain elevated in a number of major advanced economies. In emerging markets, growth also decelerated somewhat, but remained much stronger overall than in advanced economies, thereby making an important contribution to global economic growth.

The latest survey evidence is consistent with a gradual recovery of the world economy. Notwithstanding the recent slight weakening of the global Purchasing Managers' Index (PMI) for output, which stood at a level of 54.7 in the first quarter, the index remained well above the level of 52.0 recorded in the fourth quarter of last year and also slightly above its average level since 1999. The decline in the composite PMI for output was due to a weakening of the index for activity in the services sector. In April the PMI for manufacturing output increased to 53.1, compared with 52.7 in March.

Global inflation has eased in recent months and inflationary dynamics remain contained in advanced economies. In March annual headline inflation in the OECD area moderated to 2.7%, compared with 2.8% in the previous month, continuing the gradual decline from its peak of 3.3% recorded in September 2011. Base effects reflecting the annual rate of change in the energy component of

Chart 1 Global PMI output

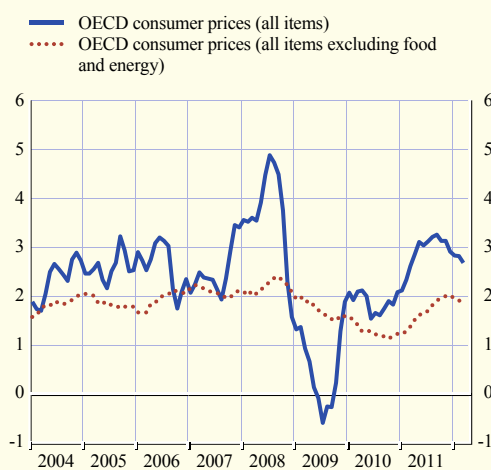
(diffusion index; seasonally adjusted; monthly data)



Source: Markit.

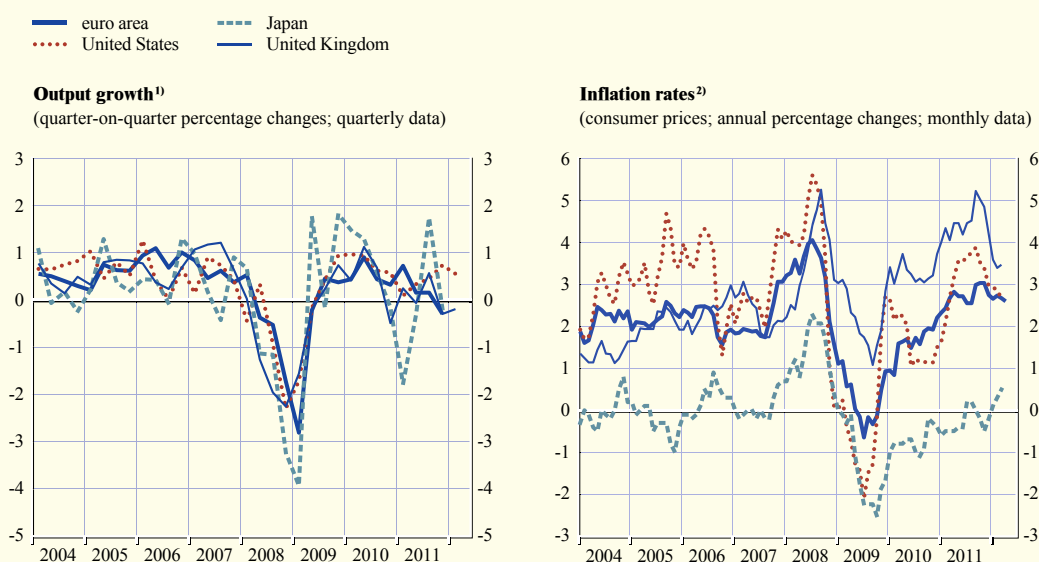
Chart 2 International price developments

(annual percentage changes; monthly data)



Source: OECD.

Chart 3 Main developments in major industrialised economies



Sources: National data, BIS, Eurostat and ECB calculations.

1) Eurostat data are used for the euro area and the United Kingdom; national data are used for the United States and Japan. GDP figures have been seasonally adjusted.

2) HICP for the euro area and the United Kingdom; CPI for the United States and Japan.

consumer price indices partly account for this. Annual inflation excluding food and energy remained at 1.9% in March, unchanged from the previous few months. In emerging economies, inflation rates have declined lately, although inflationary pressures are greater in view of tighter capacity buffers.

UNITED STATES

In the United States, the pace of the economic expansion moderated in early 2012. According to the advance estimate by the Bureau of Economic Analysis, real GDP increased at an annual rate of 2.2% (0.5% quarter on quarter) in the first quarter of 2012, down from 3% in the previous quarter. Growth was primarily driven by personal consumption expenditure growth, which accelerated from 2.1% to 2.9%, in part financed via a drawdown of the personal saving rate. The deceleration in growth resulted largely from a slowdown in private fixed investment, notably in non-residential structures, while government expenditure continued to contract. Inventories contributed much less to growth than in the previous quarter and the contribution from net exports was close to zero as the growth of both exports and imports accelerated, to 5.4% and 4.3% respectively. Supported by favourable weather conditions, residential investment expanded for the fourth successive quarter, by 19.1%. Despite showing some signs of stabilisation, the housing market remains overall weak (see Box 1).

In March annual CPI inflation slowed further to 2.7%, representing more than a full percentage point decline from its peak of 3.9% in September 2011. The deceleration reflects the continued easing in the annual rate of change in energy prices, partly owing to base effects, and to a lesser extent in food prices. Excluding food and energy, annual inflation edged up to 2.3% in March, from 2.2% in the previous month. Shelter costs, which have been recovering from negative annual rates of change in 2010, have more recently steadied to a pace consistent with annual increases of close to 2%.

On 25 April 2012 the Federal Open Market Committee (FOMC) stated that the economy has been expanding moderately and acknowledged the improvement in labour market conditions in recent months. The FOMC decided to keep the target range for the federal funds rate at 0% to 0.25% and anticipated that economic conditions are likely to warrant exceptionally low levels for the federal funds rate at least until late 2014.

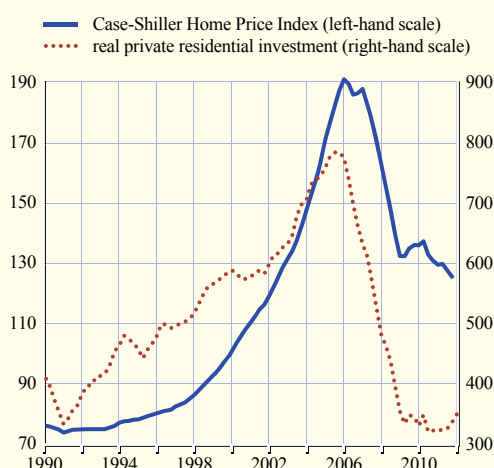
Box I

RECENT DEVELOPMENTS IN THE US HOUSING MARKET

In recent years the US housing market has experienced its sharpest decline since the Second World War. House prices, as measured by the Case-Shiller index, have fallen by more than 30% since their peak in 2006 (see Chart A). Residential investment as a ratio to GDP now stands below 2.5%, compared with around 6% at its peak in 2005. More recently, however, some signs have emerged that the downturn in the US housing market is bottoming out. Home sales, housing starts and building permits have started to recover, albeit from historically low levels. Moreover, after collapsing in 2006, residential investment has been making a positive contribution to economic growth in the United States since the second quarter of 2011. The pace of the decline in house prices has moderated and house price futures suggest that house prices may be nearing a trough. However, the process of adjustment in the US housing market still faces a number of challenges which are constraining growth. This box briefly explains why a recovery in the housing sector is important for economic growth in the United States. It then reviews the main supply and demand factors that are impeding a strong pick-up in housing market activity. The box concludes with an overview of the policy measures taken to support the US housing market.

Chart A House prices and private residential investment

(index: Q1 2000 = 100, seasonally adjusted data; billions of chained 2005 US dollars, seasonally adjusted at an annual rate; quarterly data)



Sources: Bureau of Economic Analysis, Standard & Poor's, Fiserv and MacroMarkets LLC.
Note: The latest observation is for the fourth quarter of 2011.

The importance of the housing market for the US economic recovery

The weak housing market is hindering the economic recovery in the United States owing to several factors. First, the sharp drop in residential investment has had a direct impact on economic output. Since residential investment is much more cyclical than aggregate economic activity, its contribution to GDP growth is typically larger than its contribution to the level of GDP. The contribution of residential investment, which played an important role in the early phases of previous recoveries in the United States, has been subdued until recently. Second, many jobs depend on housing activity, both directly in the construction industry and also in industries

producing complementary items, such as household items, or in related professional and skilled services. Third, declining housing wealth associated with falling house prices is dampening personal consumption expenditure because households assign less value to their housing assets which could affect their attitude towards current and future consumption.

Supply factors

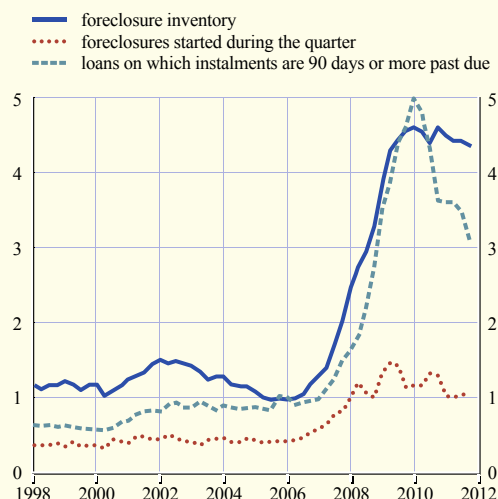
The persistent weakness in US house prices reflects continued imbalances between housing supply and demand. The excess supply of houses in the US market is the key factor limiting a pick-up in house prices and a stronger recovery in residential construction. The inventory of houses is currently at a historically high level; vacant housing units comprised around 14% of the total in 2011 and this percentage has not declined substantially since the peak in 2008. Foreclosures owing to default by borrowers have also added to the supply of homes on the market and continue to exert downward pressure on prices. The main causes of foreclosures are the deterioration in household income and the decline in house prices. In 2011 around one in four single-family homes with a mortgage were in negative equity (when the value of the house is less than the mortgage balance). This also constrains the ability of homeowners to sell or refinance, and they may be tempted to default as a result. The percentage of new foreclosures started in each quarter remained essentially unchanged in 2011, at around 1% of all loans (see Chart B). Moreover, the percentage of delinquent loans (where no payments have been made for 90 days or more) – a good indicator of future new foreclosures – decreased from its peak of 5.0% in early 2010, but remained very elevated at 3.1% at the end of 2011.

Demand factors

The main factor dampening demand for housing is the continued weakness in both employment and income growth. The US unemployment rate stood at 8.2% in March 2012, which is much higher than the 4.6% registered on average in 2007 before the crisis period. Despite the recent amelioration in the pace of employment growth, the US labour market remains structurally weak. The share of the long-term unemployed (defined as those out of work for six months or more) in total unemployment stood at the elevated level of around 43% in March 2012 – about twice the level seen after the 2001 recession. At the same time, those who are in employment are witnessing a decline in the purchasing power of their income, as inflation has been running higher than income growth. Indeed, the US Bureau for Labor Statistics reports that real average hourly earnings growth was negative in the first three months of 2012, and stood at a rate of -0.6% in March.

Chart B Delinquencies and foreclosures

(percentages of the total number of mortgages outstanding, seasonally adjusted quarterly data)



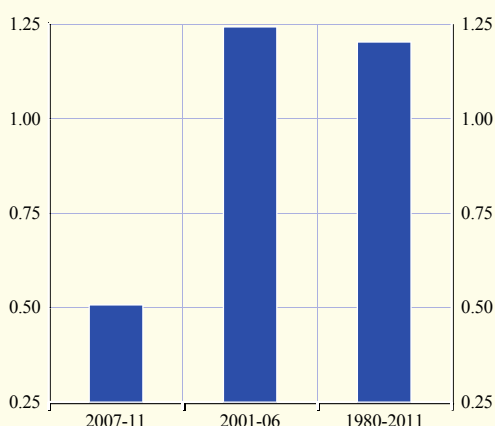
Source: Mortgage Bankers Association.

Notes: Data on the foreclosure inventory are not seasonally adjusted. The latest observation is for the fourth quarter of 2011.

The weak US job market and poor income prospects have also affected household formation, which, in turn, has dampened demand for homes. Many school leavers who cannot find work continue to live at home with their parents rather than forming new households, while people who lose their jobs may also tend to move back in with their relatives. As a result, since 2007 the rate of growth in household formation in the United States has averaged around 0.5% per annum, which is substantially less than the annual average rate of 1.2% for the period since 1980 (see Chart C). It is also less than the population growth rate, including that of the age cohort usually associated with the formation of new households. The pace of household formation is expected to pick up once employment and income prospects improve further.

Chart C Number of households

(monthly averages of year-on-year growth rates as percentages)



Sources: Census Bureau and Haver Analytics.
Note: The latest observation is for December 2011.

A further factor constraining demand is the availability of mortgage credit. Despite historically low mortgage rates in the United States, broad access to new mortgage debt on reasonable terms is still limited. In an environment of declining house prices, banks are less willing to lend because the collateral is losing value. Consequently, residential mortgage lending standards tightened significantly during the crisis and have not eased substantially. For example, such restrictions take the form of higher fees, more stringent documentation requirements, the need for larger down payments, and stricter appraisal standards. Moreover, the prospect of a further decline in house prices, and thus a fall in collateral values, has deterred potential buyers. Reflecting the overall weak demand, in 2011 purchase mortgage originations were around 25% of the level recorded at their peak in 2003, while the volume of mortgage loan applications for purchase were around a third of the level at their peak in 2005.

Policy measures and considerations

The vicious circle of falling house prices leading to foreclosures and high supply on the market, which further depresses house prices, led the US authorities to take several measures to halt this spiral.

In September 2008 the government-sponsored enterprises (GSEs) Fannie Mae and Freddie Mac – which together hold around 60% of outstanding mortgages and play an important role in supporting a liquid mortgage market – were placed under government conservatorship and provided with a capital injection in view of their deteriorating solvency situation. In 2009 and 2010 the government provided a home-buyer tax credit programme which gave temporary financial assistance to first-time buyers and was intended to spur housing sales. The Home Affordable Modification Program (HAMP), which was launched in 2009, aimed to modify the mortgage loan conditions for those who are in default or at risk of default by lowering monthly mortgage payments to an affordable

level. In addition, the Home Affordable Refinancing Program (HARP) aimed at reducing monthly mortgage payments for households not in default by helping them to refinance and thus to benefit from the low interest rates. Both HAMP and HARP are considered to have achieved only limited success as take-up rates have been lower than expected. In view of this, in the past few months both programmes have been expanded to widen their reach.¹ Early in 2012 the US administration increased incentives for both investors and GSEs to reduce the principal of loans for borrowers whose mortgages are significantly more than the value of their homes. This aims at avoiding further foreclosures and accelerating the pace of adjustment in the housing market.²

In conclusion, the huge imbalances in the US housing market that accumulated before the crisis have hindered the subsequent economic recovery and, despite several measures taken by the US authorities, the housing market remains weak and the pace of the adjustment process is slow. Nonetheless, recent data suggest that the housing market is gradually stabilising and, as the US labour market continues to improve, the pent-up demand for housing should eventually support a stronger recovery. The renewed policy efforts targeted towards the housing sector may accelerate the pace of the adjustment and the subsequent recovery.

1 For more details on each programme, see www.makinghomeaffordable.gov

2 For a recent discussion on US housing market policies see “The US Housing Market: Current Conditions and Policy Considerations”, US Federal Reserve System, January 2012. See also *World Economic Outlook*, April 2012, Chapter 3, IMF, which, citing other case studies, suggested that targeted household debt restructuring policies, including write-downs of a part of the value of the mortgage, can deliver significant economic benefits at relatively low fiscal cost.

JAPAN

In Japan, economic activity continued to show, overall, tentative signs of a pick-up following a pause in the recovery in the last quarter of 2011. In spite of some recent weakness, business survey indicators generally signalled an improvement in the first quarter of 2012, although with some divergence of sentiment between manufacturers and non-manufacturers. Industrial production bounced back in March from the previous month’s decline, bringing the quarterly growth rate for the first quarter of 2012 to 1.1%. After a somewhat muted recovery at the start of the year, exports of goods in real terms remained flat in March, bringing the average for the first three months of 2012 to roughly the same level as that of the previous quarter. In spite of a recovery in March, real imports of goods in the first quarter remained, on average, below the level observed in the previous quarter. Private consumption has firmed over the past few months, while public investment appears to be gaining momentum, in line with reconstruction efforts.

Annual CPI inflation edged up in March to 0.5% (from 0.3% in the previous month), owing to a large extent to increases in energy prices and some technical factors. Annual CPI inflation excluding fresh food also increased, from 0.1% in February to 0.2% in March, while the annual rate of change of CPI inflation excluding food and energy remained at -0.5%. At its latest monetary policy meeting on 27 April, the Bank of Japan decided to maintain its target for the uncollateralised overnight call rate at around 0% to 0.1%. It also announced a net increase in the size of its Asset Purchase Program of about JPY 5 trillion and some changes in its composition – including an increase in the purchases of Japanese government bonds (JGBs) of JPY 10 trillion, an increase in the purchases of exchange-traded funds and Japanese real estate investment trusts by a total of JPY 210 billion and a reduction in the maximum outstanding amount of the Bank of Japan’s fixed rate funds-supplying operations against pooled collateral of about JPY 5 trillion. Moreover, the Bank of Japan also decided to extend the remaining maturity of the JGBs to be purchased under the programme from “one to two years” to “one to three years”. The time frame for the implementation of the programme was extended by six months to the end of June 2013.

UNITED KINGDOM

In the United Kingdom, economic activity has continued to be subdued. In the first quarter of 2012 real GDP declined by 0.2% quarter on quarter, mainly owing to a substantial contraction in construction activity. However, business survey data during the first quarter of 2012 have been relatively upbeat, while industrial production and consumer confidence have shown signs of weakness. The labour market situation has remained weak amid some signs of stabilisation, as the unemployment rate is relatively high (8.3% on average in the three months to February) and employment growth is sluggish. Looking ahead, the economic recovery is likely to gather pace only gradually, as domestic demand is expected to remain constrained by tight credit conditions, ongoing household balance sheet adjustment and substantial fiscal tightening.

Annual CPI inflation increased to 3.5% in March from 3.4% in February, while CPI inflation excluding energy and unprocessed food remained unchanged at 2.9%. Inflation is likely to decline slightly further in the short term. In the longer term the weak economic outlook and the existence of spare capacity will probably contribute to a further dampening of inflationary pressures. On 5 April the Bank of England's Monetary Policy Committee maintained the official Bank Rate paid on commercial bank reserves at 0.5% and the stock of asset purchases financed by the issuance of central bank reserves at a total of GBP 325 billion.

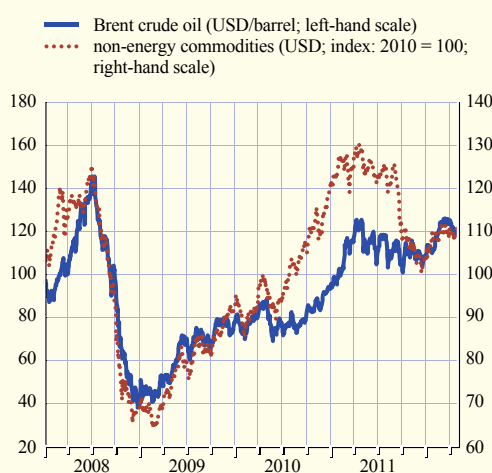
CHINA

In China, real GDP growth decelerated to 8.1% in year-on-year terms in the first quarter of 2012, down from 8.9% in the previous quarter, confirming that the Chinese economy remains on track for a soft landing. Exports picked up in March, but external conditions remained weak overall in the first few months of the year. Domestic demand growth continued to decelerate gradually. Industrial production growth slowed further in March, but was still robust at 11.9% in year-on-year terms. Annual CPI inflation picked up moderately to 3.6% in March, from 3.2% in February, on account of a temporary increase in food prices. Nonetheless, for the first time since October 2010, the CPI inflation rate stayed below the authorities' 4% target for a second consecutive month. Domestic liquidity conditions eased in March as loan and money growth accelerated to 15.7% and 13.4% on a yearly basis, respectively. The renminbi's appreciation vis-à-vis the US dollar has come to a halt in recent months. In order to allow for greater two-way volatility of the exchange rate, the monetary authorities enlarged the renminbi's intraday floating band against the US dollar from 0.5% to 1%.

1.2 COMMODITY MARKETS

Oil prices declined in April. Brent crude oil prices stood at USD 119.5 per barrel on 2 May, which is 3% lower than at the beginning of April, but still 11.1% higher than at the beginning of the year (see Chart 4). Looking ahead, market participants expect lower oil prices in the medium term, with futures contracts for December 2013 trading at USD 109.2 per barrel.

Chart 4 Main developments in commodity prices



Sources: Bloomberg and HWWI.

The recent decline reflects a combination of factors. First, there have been some concerns among market participants about the global economic outlook, as recent macroeconomic data releases in several major economies were mixed. Moreover, the first quarter of this year saw the first signs of easing market fundamentals in more than two years, according to the International Energy Agency's latest Oil Market Report. This was mainly due to robust growth in OPEC supply alongside relatively sluggish oil demand, while there was a more mixed performance in non-OPEC supply. Finally, market speculation about a potential strategic stock release, together with assurances by Saudi Arabia that it will maintain a stable oil supply, appear to have increased market confidence in the ability of suppliers to compensate smoothly for a future decline in Iranian oil exports.

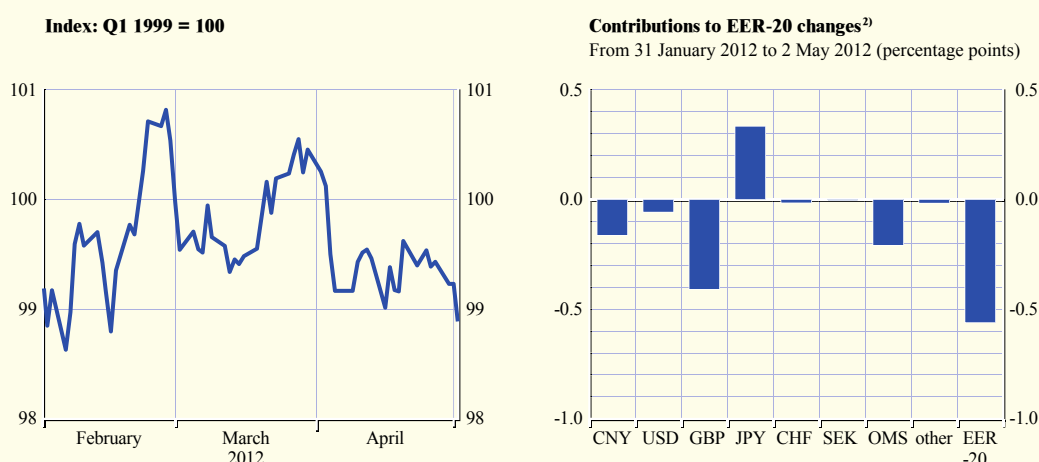
On aggregate, prices of non-oil commodities were broadly flat in April. While metal prices were negatively affected mainly by concerns about global growth, food prices increased, on aggregate, as a result of further strong supply-driven increases in the prices of oilseeds and oils. By contrast, prices of cereals and of beverages, sugar and tobacco declined further. On aggregate, the price index for non-energy commodities (in US dollar terms) was about 6.5% higher towards the end of April than at the beginning of the year.

1.3 EXCHANGE RATES

Between the end of January and early May 2012 the effective exchange rate of the euro remained broadly unchanged in an environment of steadily declining volatility. On 2 May 2012 the nominal effective exchange rate of the euro, as measured against the currencies of 20 of the euro area's most important trading partners, was close to the level prevailing at the end of January 2012 and 4.4% below its average level in 2011 (see Chart 5).

Chart 5 Euro effective exchange rate (EER-20) and its decomposition¹⁾

(daily data)



Source: ECB.

1) An upward movement of the index represents an appreciation of the euro against the currencies of 20 of the most important trading partners of the euro area (including all non-euro area EU Member States).

2) Contributions to EER-20 changes are displayed individually for the currencies of the 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 currencies of the remaining six trading partners of the euro area in the EER-20 index. Changes are calculated using the corresponding overall trade weights in the EER-20 index.

Table 1 Euro exchange rate developments¹⁾

(daily data; units of national currency per euro; percentage changes)

	Weight in EER-20	Level on 2 May 2012	Appreciation (+)/depreciation (–) of the euro as at 2 May 2012		
			since: 31 January 2012	3 January 2011	compared with: average for 2011
Chinese renminbi	18.8	8.240	-0.9	-6.3	-8.4
US dollar	16.9	1.313	-0.3	-1.6	-5.7
Pound sterling	14.9	0.812	-2.8	-5.7	-2.3
Japanese yen	7.2	105.3	4.7	-3.1	-5.1
Swiss franc	6.5	1.202	-0.2	-3.6	-2.5
Polish zloty	6.2	4.169	-1.3	5.3	1.2
Czech koruna	5.0	24.90	-1.1	-0.7	1.3
Swedish krona	4.7	8.888	-0.1	-0.5	-1.6
Korean won	3.9	1,484	0.4	-1.1	-3.7
Hungarian forint	3.2	283.5	-3.5	1.8	1.5
NEER ²⁾		98.9	-0.6	-2.7	-4.4

Source: ECB.

1) Bilateral exchange rates in descending order based on the corresponding currencies' trade weights in the EER-20 index.

2) Euro nominal effective exchange rate against the currencies of 20 of the most important trading partners of the euro area (EER-20).

In bilateral terms, over the past three months the euro has been broadly stable against major currencies. Between 31 January 2012 and 2 May 2012 the euro depreciated against the US dollar, by 0.3%, amid fluctuations that reflected changes in market sentiment with regard to developments in some euro area sovereign debt markets. The euro also depreciated slightly against the Swiss franc and the Chinese renminbi. Over the same horizon, the euro depreciated more strongly against the pound sterling, by 2.8%, but appreciated significantly against the Japanese yen, by 4.7%, amid the Japanese authorities' continued commitment to contain the appreciation of the Japanese yen. Vis-à-vis other European currencies, the euro broadly depreciated over the period under review, in particular against the Czech koruna, the Polish zloty and the Hungarian forint (see Table 1). Market volatility, as measured on the basis of foreign exchange option prices, has continued to decline since the end of January and currently stands below long-term average levels for most currency pairs.

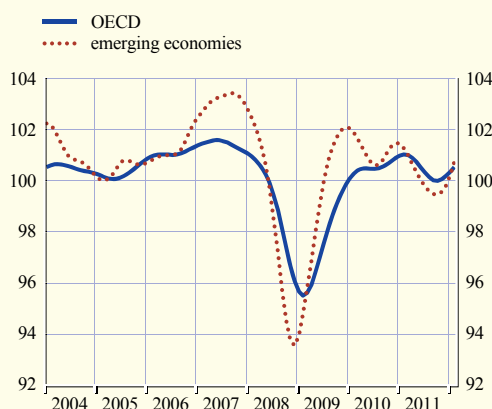
Between 31 January and 2 May 2012 the currencies participating in ERM II remained broadly stable against the euro, trading at, or close to, their respective central rates. The Latvian lats traded on the stronger side of its central rate within the unilaterally set fluctuation band of $\pm 1\%$.

1.4 OUTLOOK FOR THE EXTERNAL ENVIRONMENT

Looking ahead, leading indicators suggest a further improvement in the momentum of economic growth. The OECD's composite leading indicator, designed to anticipate turning points in economic activity relative to trend, has continued to increase gradually over recent months. In February the indicator for the OECD area stood above its long-term

Chart 6 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.

average, supported by rather strong readings for the United States and Japan. Among emerging economies, the indicators also showed stronger positive signals compared with the previous month. Notwithstanding the uncertainty surrounding the global outlook, risks to the outlook for the external environment of the euro area remain broadly balanced. Downside risks mainly relate to the imbalances which are still evident in several major economies as well as increases in commodity prices, while, on the upside, the recovery could also turn out to be more robust than presently anticipated.

2 MONETARY AND FINANCIAL DEVELOPMENTS

2.1 MONEY AND MFI CREDIT

Underlying money and credit growth remained subdued in March 2012, despite a sizeable inflow for broad money in the first quarter of the year. On the counterpart side, euro area MFIs increased their main asset holdings substantially by purchasing securities in the first quarter of 2012, while the annual growth of loans to the non-financial private sector moderated slightly. Developments observed in the first quarter of the year support the assessment that deleveraging pressures on banks have eased, so that the risk of an abrupt and disorderly deleveraging has declined considerably. At the same time, the full supportive impact of the three-year longer-term refinancing operations (LTROs) on the supply of loans to the non-financial private sector will take time to materialise. This depends on a number of determinants, including a pick-up in loan demand and continued efforts to address the necessary balance sheet adjustments in the euro area.

THE BROAD MONETARY AGGREGATE M3

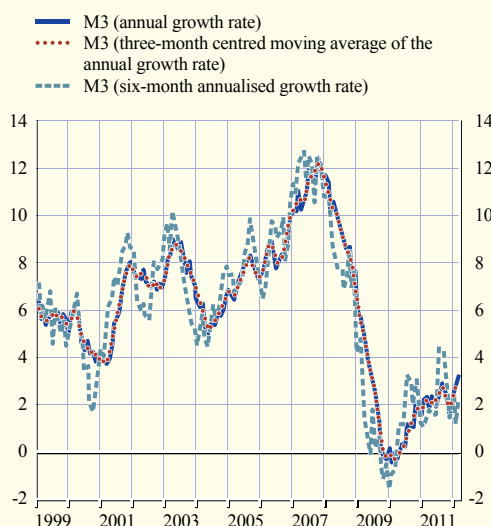
The annual growth rate of euro area M3 increased further in March 2012, standing at 3.2%, up from 2.8% in February (see Chart 7). This reflected the third consecutive sizeable month-on-month expansion of broad money (0.6% in March), which brought the annualised three-month growth rate to 7.8%. The contribution of secured interbank transactions conducted via central counterparties (CCPs) was negative in March and slightly reduced the monthly increase in M3 (by 0.2 percentage point). This notwithstanding, the annual growth rate of M3 adjusted for the impact of CCP transactions rose by the same order of magnitude in March, standing at 2.9%, up from 2.5% in February, owing to base effects.

The increase in money growth was broadly based across components and sectors. All three main components registered significant monthly inflows. From a sectoral point of view, households' higher holdings of deposits continued to contribute to M3 growth. The increase in the deposits held by households mirrors the efforts of credit institutions to attract stable deposit funding by offering an attractive remuneration of short-term time deposits.

On the counterpart side, the strengthening of money growth in March continued to mirror MFI purchases of government bonds and reductions in longer-term financial liabilities. At the same time, the annual growth rate of MFI loans to the private sector (adjusted for the impact of loan sales and securitisation activity) remained weak, standing unchanged at 1.2%. The monthly flow of MFI lending to the non-financial private sector was marginally positive, but this masked net redemptions in MFI lending to non-financial corporations. The net external asset position of MFIs contributed negatively to annual M3 growth in March, whereas it had contributed positively in the preceding twelve months.

Chart 7 M3 growth

(percentage changes; adjusted for seasonal and calendar effects)



Source: ECB.

Overall, data up to March continue to suggest that the two three-year LTROs have significantly alleviated credit institutions' deleveraging pressures, especially those stemming from difficult funding conditions. At the same time, a translation of the impact of these measures on higher MFI lending to the private sector needs time to work through, also requiring a recovery in loan demand and continued efforts to address the necessary balance sheet adjustments in the euro area.

The volume of euro area MFIs' main assets rose substantially for the third consecutive month in March, on account of the funds obtained through the second three-year LTRO that had been conducted at end-February. This reflected primarily increases in holdings of external assets, as well as further purchases of government and MFI debt securities. At the same time, the excess central bank liquidity induced MFIs to reduce inter-MFI lending markedly. Box 2 discusses the relationship between central bank liquidity, broad money, credit and inflation.

Box 2

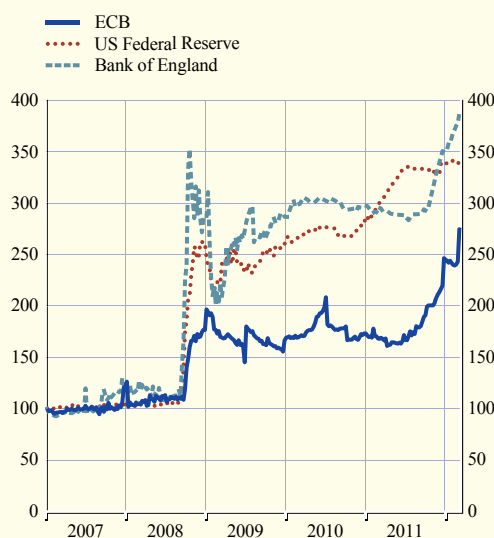
THE RELATIONSHIP BETWEEN BASE MONEY, BROAD MONEY AND RISKS TO PRICE STABILITY

From a medium to longer-term perspective, inflation moves in line with broad monetary aggregates. This relationship holds through time, as well as across countries and monetary policy regimes: it is "hardwired" into the deep structure of the economy. Empirical evidence confirms this relationship also for the euro area. This underpins the prominent role assigned to broad money in the ECB's monetary policy strategy.

The responses of all major central banks to the financial crisis have entailed the implementation of non-standard monetary policy measures. In particular, after the collapse of Lehman Brothers in September 2008, the volume of monetary policy operations undertaken by the Eurosystem, the Bank of England and the Federal Reserve System increased (see Chart A). The timing and magnitude of this expansion, however, were not identical, reflecting the specificities of the operational framework of the respective central banks and their different assessments regarding the impact of financial market tensions on the economy. In the euro area, the volume of monetary policy operations increased sharply in the second half of 2011, mainly as a consequence of higher demand in the liquidity-providing operations, as was visible, in particular, in the two longer-term refinancing operations (LTROs) with three-year maturity conducted in December 2011 and February 2012. This box discusses whether the significant expansion in the provision of

Chart A Balance sheet expansion of the Eurosystem, the Bank of England and the Federal Reserve System

(index, January 2007=100)



Sources: Federal Reserve System, Bank of England and ECB.
Note: The balance sheet measure used follows the presentation in Chart 9 in the article entitled "The ECB's non-standard measures – impact and phasing-out", *Monthly Bulletin*, ECB, July 2011.

liquidity by the Eurosystem might have implications for broad money and credit growth, and thus ultimately raise risks to price stability over the medium to long term.

The box is structured on the basis of two key questions, namely as to whether a large increase in central bank liquidity:

- (i) necessarily implies rapid broad money and credit growth;
- (ii) can create inflationary pressure without a corresponding increase in broad money and credit.

(i) Does a large increase in central bank liquidity necessarily imply rapid broad money and credit growth?

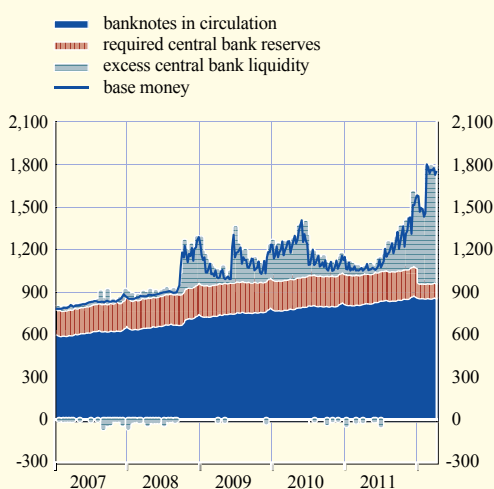
The large increase in Eurosystem lending to euro area credit institutions was mirrored by a significant increase in base money (see Chart B). Base money consists of currency in circulation, the deposits that credit institutions are required to maintain with the Eurosystem in order to cover the minimum reserve requirement (required central bank reserves) and credit institutions' holdings of highly liquid deposits with the Eurosystem over and beyond the level of required central bank reserves (excess central bank reserves and recourse to the deposit facility), which can be considered "excess central bank liquidity". The increase in base money is mainly attributable to an expansion of the excess central bank liquidity held by some euro area credit institutions.

The occurrence of significant excess central bank liquidity does not, in itself, necessarily imply an accelerated expansion of MFI credit to the private sector. If credit institutions were constrained in their capacity to lend by their holdings of central bank reserves, then the easing of this constraint would result mechanically in an increase in the supply of credit. The Eurosystem, however, as the monopoly supplier of central bank reserves in the euro area, always provides the banking system with the liquidity required to meet the aggregate reserve requirement. In fact, the ECB's reserve requirements are backward-looking, i.e. they depend on the stock of deposits (and other liabilities of credit institutions) subject to reserve requirements as it stood in the previous period, and thus after banks have extended the credit demanded by their customers.¹

In the current situation of malfunctioning money markets, the Eurosystem supplies central bank reserves to each counterparty elastically against the provision of adequate collateral, through fixed rate tenders with full

Chart B Base money in the euro area

(EUR billions)



Source: ECB.

¹ The set of credit institutions' liabilities subject to reserve requirements largely coincides with the liabilities included in the broad monetary aggregate M3 and comprises: overnight deposits, deposits with an agreed maturity of up to and including two years, deposits redeemable at notice of up to and including two years and MFI debt securities issued with an original maturity of up to and including two years.

allotment. This ensures that each individual counterparty is able to meet its reserve requirements, as well as any additional liquidity needs. In the case of normally functioning interbank markets, the Eurosystem always provides the central bank reserves needed on aggregate, which are then traded among banks and therefore redistributed within the banking system as necessary. The Eurosystem thus effectively accommodates the aggregate demand for central bank reserves at all times and seeks to influence financing conditions in the economy by steering short-term interest rates.²

In sum, holdings of central bank reserves are thus not a factor that limits the supply of credit for the banking system as a whole. Ultimately, the growth of bank credit depends on a set of factors that determine credit demand and on other factors linked to the supply of credit. The demand factors include borrowing costs and income prospects. Factors relating to the credit supply are the risk-adjusted return on lending, the bank's capital position, its attitude towards risk, the cost of funding and the liquidity (including roll-over) risk. Liquidity risk refers to the risk that a credit institution does not have sufficient financial resources to meet its commitments when they fall due, or can secure them only at excessive cost. Loans to customers contribute to liquidity risk as, following their disbursement, they can generate obligations to make payments on behalf of customers.

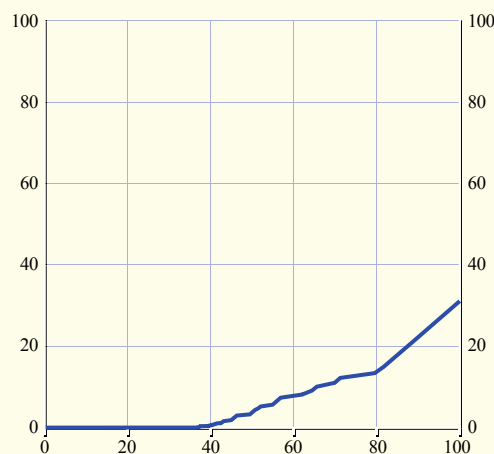
In a situation marked by tension in financial markets, some banks that find it difficult to access markets borrow additional central bank reserves in order to be certain that they will be able to meet payment obligations that are coming up, for example, because they have large imminent bond redemptions. Were the central bank not to accommodate this demand, many credit institutions would have strong incentives to reduce their lending as rapidly as possible and divest other assets. For these banks, therefore, the provision of liquidity is expected to contribute to avoiding a large contraction of credit and to restoring orderly credit supply conditions.

In the current situation in the euro area, central bank reserves end up with a subset of banks, which receive more payments than they make. For a representative period in mid-March 2012, Chart C shows, on the y-axis, the percentage of total borrowing from the Eurosystem that was redeposited with the Eurosystem by the same counterparties. This is related on the x-axis to the proportion of total recourse to the deposit facility and liquidity-absorbing operations that the respective counterparties account for cumulatively. Chart C documents that credit institutions with significant recourse to the deposit facility

Chart C Cumulative distribution of placements in the deposit facility and in liquidity-absorbing operations

(percentages; mid-March 2012)

x-axis: cumulative share in the deposit facility and in liquidity-absorbing operations
y-axis: share of total borrowing from the Eurosystem that was placed in the deposit facility and in liquidity-absorbing operations by the borrowing counterparty



Source: ECB calculations.

² See also "The supply of money – bank behaviour and the implications for monetary analysis", *Monthly Bulletin*, ECB, October 2011.

and to liquidity-absorbing operations have not, by and large, obtained these reserves by borrowing from the Eurosystem. For instance, almost 40% of the total recourse to the deposit facility and to liquidity-absorbing operations was accounted for by counterparties that did not borrow from the Eurosystem. This finding is suggestive of segmentation between a group of credit institutions that relies on Eurosystem refinancing operations and another that eventually ends up holding the excess central bank liquidity.

On aggregate, credit institutions cannot get rid of the excess central bank liquidity as banks cannot, as such, lend on deposits with the central bank to the money-holding sector. For the individual credit institutions, lending to the private sector will not mechanically reduce excess central bank liquidity. Although extending loans to the economy would, in principle, create deposits that are subject to reserve requirements, this approach to reducing excess central bank liquidity is extremely protracted.³ Importantly, excess central bank liquidity does not in itself alter the demand for loans or banks' ability to bear credit risk. Moreover, for credit institutions with excess central bank liquidity, liquidity risk was not, in the first place, a constraining factor in their decisions to extend credit to the economy.

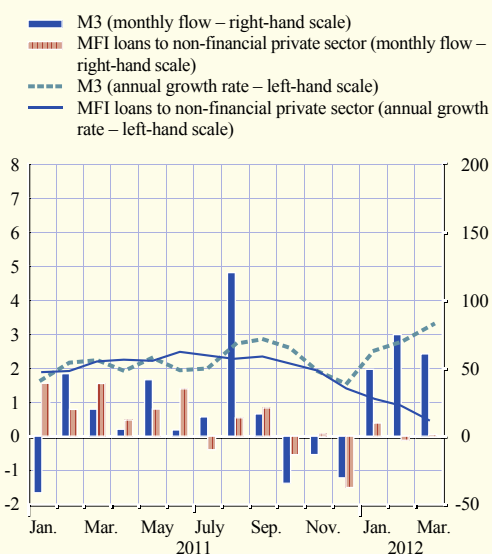
In sum, in the current circumstances, the expansion of base money is a precondition for averting a sharp decrease in broad monetary aggregates, but does not mechanically and in itself lead to an expansion over and beyond the level of money holdings that would prevail in the absence of liquidity tensions. Indeed, the significant expansion of base money that followed the two three-year LTROs was instrumental in interrupting the sharp contraction of broad money and credit in the euro area, which had been unfolding in the last three months of 2011 (see Chart D). At the same time, the expansion of broad money and, in particular, credit to the non-financial private sector remains low, thereby not pointing to excessive monetary expansion.

(ii) Can a large increase in central bank liquidity create inflationary pressure without a corresponding increase in broad money and credit?

Banks that find themselves with central bank reserves that they do not want to hold, as they offer only a low risk-adjusted return, may try to acquire higher-yielding assets, also by extending credit. This has two interdependent effects. First, the demand for assets leads to a stabilisation of their valuation and improves the funding conditions for the issuers. Second, all market participants tend to benefit from the improvement in the valuation of their portfolios and the better risk environment.

Chart D Euro area M3 and MFI lending to the non-financial private sector

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



Source: ECB.

³ The slow pace of the reduction of excess central bank liquidity is due to the fact that an increase of €100 in deposits leads to an increase of €1 in the reserve requirements (as the "reserve ratio" is currently 1%).

To the extent that such an acquisition of assets occurs, it will be reflected in broad money and credit aggregates. This will occur when banks pay for the assets acquired from the money-holding sector or extend credit to this sector, or governments spend the funds received from issuing securities. Moreover, by affecting relative yields and asset prices, the portfolio rebalancing also affects monetary developments. At the same time, the rebalancing could contribute to influencing investment and consumption decisions, and thus spending decisions. All in all, as such broader effects materialise, they would be well captured under the ECB's two-pillar monetary policy strategy.

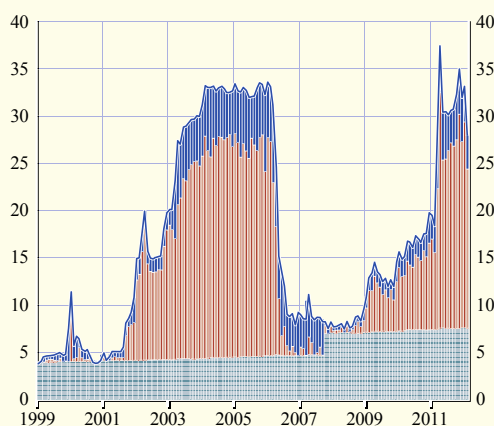
The two episodes of significant excess central bank liquidity in Japan in the period between 2001 to mid-2006 and, more recently, since March 2011 provide an illustration of the thrust of the arguments presented in this box. The adoption of the monetary easing framework by the Bank of Japan in 2001 resulted in a sharp increase in excess central bank reserves (see Chart E).⁴ This increase was accompanied by a reduction in the Bank of Japan's key interest rates to zero and stopped the slowdown in broad money growth. Despite the increase in excess central bank reserves in 2001, there was no strong acceleration of either broad money growth or inflation, both of which remained at very low levels (see Chart F). In 2006, within a span of a few months, the Bank of Japan was able to reabsorb the significant amount of excess central bank reserves and to re-establish balanced liquidity conditions by not rolling over short-term liquidity-providing

4 For an account of the economic environment that ultimately gave rise to the need for the adoption of this monetary easing framework, see the article entitled "Comparing the recent financial crisis in the United States and the euro area with the experience of Japan in the 1990s" in this issue of the Monthly Bulletin.

Chart E Current account balances at the Bank of Japan

(JPY trillions)

- balances of financial institutions not subject to reserve requirements
- excess central bank reserves
- required central bank reserves
- current account balances held with the Bank of Japan

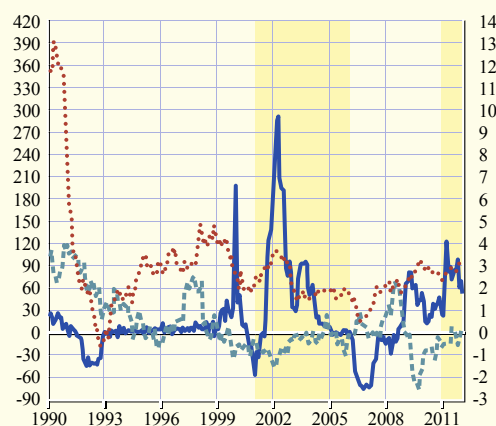


Sources: BIS and ECB estimates.

Chart F Current account balances at the Bank of Japan, broad money and CPI inflation

(annual percentage changes)

- current account balances held with the Bank of Japan (left-hand scale)
- ... broad money (right-hand scale)
- CPI (right-hand scale)



Source: BIS.

Note:

- 1) The episodes of excess reserve holdings are indicated by the shaded areas.
- 2) Broad money is M2 plus certificates of deposit until the discontinuation of the series at the end of 2007, and M2 thereafter.

operations. After the collapse of Lehman Brothers, Japanese banks were again provided with central bank reserves in excess of the required amounts. The second episode with very significant excess central bank reserve holdings by the Japanese banking system, however, only occurred after the Great East Japan Earthquake in March 2011. In this episode, too, there have thus far been no indications of a significant pick-up in broad money growth and inflation. While the first episode of excess central bank reserve holdings was specific to Japan, excess central bank reserves in the current episode are a broadly observed phenomenon across advanced economies. In this respect, caution should be applied in drawing conclusions from the first episode of excess central bank liquidity in Japan for the current episode in both Japan and other advanced economies.

Conclusions

The significant increase in excess central bank liquidity in the euro area was necessary to offset the contractive impact of elevated liquidity stress on banks' balance sheets, which could otherwise have led to abrupt asset sales and a curtailment of credit with potentially severe consequences for the real economy.

In principle, the efforts of banks to offload undesired excess liquidity (which cannot, by nature, be successful on aggregate) may support asset prices and the extension of credit, but in an environment characterised by a stabilisation of economic activity at a low level, this is highly unlikely to translate into consumer price inflation. In any case, signs of a surge in inflationary pressure would be anticipated by a faster expansion in money and credit, which the ECB is well equipped to detect and address with its two-pillar strategy. More broadly, the ECB will continue to use the full range of standard and non-standard policy measures available to ensure that its monetary policy stance is consistent with maintaining price stability in the euro area over the medium term.

MAIN COMPONENTS OF M3

The annual growth rate of M3 saw another increase in March, reflecting sizeable inflows in all main components. The largest monthly flow was recorded for M1, mirroring portfolio re-allocations and the shift of funds from the central government to the money-holding sector in one euro area Member State. Short-term deposits other than overnight deposits (i.e. M2 minus M1) continued to register positive monthly flows, driven by portfolio considerations against the background of credit institutions' attempts to attract stable deposits by offering attractive interest rates.

The annual growth rate of M1 increased further to 2.7% in March, up from 2.5% in the previous month. This development mainly reflected non-monetary financial intermediaries other than insurance corporations and pension funds (OFIs) shifting funds from repurchase agreements to overnight deposits. In addition, general government entities other than central government in one euro area Member State increased their overnight deposits, benefiting from transfers from the central government sector.

The annual growth rate of short-term deposits other than overnight deposits increased to 3.3% in March, up from 3.1% in February, reflecting further slight increases in the annual growth rates of its two sub-components. As has been observed since the turn of the year, other short-term deposits in

some countries continued to benefit from households' reallocation of funds towards higher-yielding monetary instruments.

The annual growth rate of marketable instruments (M3 minus M2) rose noticeably, to 5.1% in March, up from 2.8% in the previous month. This increase masked divergent developments in the respective sub-components. While money market fund shares/units and short-term MFI debt securities (i.e. MFI debt securities with an original maturity of up to two years) recorded strong positive monthly flows, repurchase agreements saw visible outflows. With respect to the latter, almost half of that negative monthly flow stemmed from tri-party repos conducted via central counterparties. Short-term MFI debt securities, by contrast, recorded a strong monthly flow in March, which was probably due to substitution effects from longer-term MFI debt securities. Moreover, this development possibly also mirrored the increased demand for those securities from investment funds, which was related in part to the impact of the Eurosystem's new definition of money market funds. This new definition resulted in an increase in the number of investment funds (i.e. funds that are part of the money-holding sector) purchasing short-term bonds.¹

The annual growth rate of M3 deposits – which comprise short-term deposits and repurchase agreements, and represent the broadest monetary aggregate for which a timely sectoral breakdown is available – increased to 2.8% in March, up from 2.5% in February. The monthly inflow was due to positive flows in the household and other general government sectors more than compensating for withdrawals of deposits held by non-monetary financial intermediaries. Accordingly, the annual growth rate of M3 deposits held by households and other general government increased to 2.2% (up from 2.0% in February) and 15.0% (up from 9.0% in February) respectively in March. M3 deposits held by non-financial corporations remained virtually unchanged, causing the annual growth rate thereof to fall to 0.0%, down from 0.4% in February.

MAIN COUNTERPARTS OF M3

As regards the counterparts of M3, the annual growth rate of MFI credit to euro area residents increased to 1.8% in March, after 1.4% in February (see Table 2). This was due almost entirely to an expansion of credit to the general government sector (to 7.3% in March, up from 5.6% in February). Credit to the private sector remained broadly unchanged at 0.5%.

The annual growth rate of lending to the general government continued to be driven by large net monthly purchases of euro area government securities by MFIs other than the Eurosystem. In seasonally adjusted terms, these purchases totalled €38 billion in March, after €47 billion in February and €57 billion in January. Nevertheless, March flows for this instrument were partially dampened by euro area MFIs' participation in the liability management exercise carried out by the Hellenic Republic. The negative impact on the flows for MFI holdings of government debt securities resulted from the fact that this exercise implied an exchange of part of the Greek government debt securities held for debt instruments issued by the European Financial Stability Facility (EFSF), which has been classified as belonging to the OFI sector. The stabilisation of the annual growth rate of credit to the private sector in March reflected a marginally positive monthly flow. This was due to a sizeable monthly flow in shares and other equity, largely offset by both net redemptions in loans to the private sector and negative flows for securities other than shares.

¹ For details on the change in the ECB's definition of money market funds, see the box entitled "New definition of euro area money market funds", *Monthly Bulletin*, ECB, April 2012.

Table 2 Summary table of monetary variables

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

	Outstanding amounts as a percentage of M3 ¹⁾	Annual growth rates					
		2011 Q2	2011 Q3	2011 Q4	2012 Q1	2012 Feb.	2012 Mar.
M1	49.0	1.7	1.4	1.9	2.2	2.5	2.7
Currency in circulation	8.6	4.2	4.5	6.2	6.1	6.2	5.5
Overnight deposits	40.5	1.1	0.8	1.0	1.4	1.7	2.1
M2-M1 (=other short-term deposits)	39.3	3.4	3.4	2.3	2.8	3.1	3.3
Deposits with an agreed maturity of up to two years	19.3	2.3	3.1	2.0	3.5	4.0	4.1
Deposits redeemable at notice of up to three months	20.0	4.5	3.7	2.5	2.1	2.3	2.4
M2	88.3	2.4	2.3	2.1	2.5	2.8	2.9
M3-M2 (=marketable instruments)	11.7	-0.4	2.7	3.4	3.1	2.8	5.1
M3	100.0	2.1	2.4	2.2	2.5	2.8	3.2
Credit to euro area residents		3.1	2.4	1.4	1.4	1.4	1.8
Credit to general government		6.4	5.2	1.4	5.1	5.6	7.3
Loans to general government		10.7	7.0	-2.2	-4.7	-5.0	-4.4
Credit to the private sector		2.3	1.8	1.4	0.6	0.4	0.5
Loans to the private sector		2.6	2.5	2.1	0.9	0.8	0.6
Loans to the private sector adjusted for sales and securitisation ²⁾		2.9	2.7	2.3	1.3	1.2	1.2
Longer-term financial liabilities (excluding capital and reserves)		3.4	3.6	2.7	0.5	0.4	-1.0

Source: ECB.

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

2) Adjusted for the derecognition of loans from the MFI statistical balance sheet owing to their sale or securitisation.

The annual growth of lending to the private sector, adjusted for loan sales and securitisation, remained unchanged at 1.2% in March, despite moderate monthly net redemptions (of €7 billion), which were concentrated mainly on loans to OFIs. Loans to the non-financial private sector registered a marginally positive flow.

Table 3 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					
		2011 Q2	2011 Q3	2011 Q4	2012 Q1	2012 Feb.	2012 Mar.
Non-financial corporations	42.1	1.1	1.6	1.7	0.7	0.6	0.3
<i>Adjusted for sales and securitisation²⁾</i>	<i>-</i>	<i>1.9</i>	<i>2.3</i>	<i>2.1</i>	<i>0.9</i>	<i>0.7</i>	<i>0.5</i>
Up to one year	24.2	1.5	4.1	3.8	0.5	0.1	-0.4
Over one and up to five years	18.1	-2.8	-2.8	-2.5	-2.9	-3.2	-2.8
Over five years	57.8	2.2	2.1	2.3	2.0	2.0	1.7
Households³⁾	46.9	3.4	3.0	2.2	1.2	1.2	0.6
<i>Adjusted for sales and securitisation²⁾</i>	<i>-</i>	<i>3.0</i>	<i>2.7</i>	<i>2.3</i>	<i>1.9</i>	<i>1.8</i>	<i>1.7</i>
Consumer credit ⁴⁾	11.9	-1.0	-2.0	-2.0	-1.8	-1.8	-2.0
Lending for house purchase ⁴⁾	72.3	4.4	4.0	3.0	1.8	1.8	1.1
Other lending	15.8	2.0	2.4	1.8	0.9	0.8	0.7
Insurance corporations and pension funds	0.8	3.2	7.0	4.3	-3.0	-8.3	-0.3
Other non-monetary financial intermediaries	10.3	6.0	3.9	3.3	1.0	0.8	2.0

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) Adjusted for the derecognition of loans from the MFI statistical balance sheet owing to their sale or securitisation.

3) As defined in the ESA 95.

4) Definitions of consumer credit and lending for house purchase are not fully consistent across the euro area.

The annual growth rate of MFI loans to non-financial corporations, adjusted for sales and securitisation, moderated further as a result of a modestly negative monthly flow in March (standing at 0.5%, down from 0.7% in February). The moderate outflow in March was concentrated on short-term loans (i.e. those with a maturity of up to one year), while flows for medium and longer-term loans were close to zero. The annual growth rate of MFI loans to households, adjusted for sales and securitisation, was marginally lower than in the previous month (1.7% in March, after 1.8% in February). The overall monthly flow for this type of loan was positive, as the moderately positive flows for loans for house purchase were offset only partially by some minor negative flows for consumer credit and other lending.

Lending for house purchase remained the main contributor to the growth of total MFI loans to households in March. However, the annual growth rate of such lending (1.1% in March) has moderated substantially since the summer of 2011, reflecting lower mortgage origination, as well as securitisation activity. Looking forward, government schemes introduced in some Member States in order to support domestic property markets are progressively being phased out. They are thus likely to provide less support for mortgage demand in the future. At the same time, the annual growth rate of consumer credit remained clearly negative (at -2.0% in March).

The persistently weak MFI lending to the non-financial private sector is likely, to a substantial degree, to reflect subdued credit demand (see also Box 3 below), given the current stage of the business cycle and prevailing high uncertainty. Moreover, the need to adjust for the excessive loan growth of the past is weighing on both supply and demand for loans. On the demand side, this is visible in the high leverage ratios prevailing for both the household and the corporate sector, which reduces their capacity to take out additional loans. On the supply side, the impact of excessive loan growth in the past has resulted in increased bank capital needs to cover potential losses. This, together with the higher capital ratio requirements arising from the Basel III regulation, is likely to have reduced the availability of loans to the economy. All these effects are having an uneven impact across the euro area, which explains why cross-country heterogeneity in loan dynamics remains sizeable. At the same time, the three-year LTROs have contributed to reducing the risk of a disorderly deleveraging by substantially easing the funding conditions faced by MFIs across the euro area.

Turning to the other counterparts of M3, the annual growth rate of MFIs' longer-term financial liabilities excluding capital and reserves declined significantly further to -1.0% in March, down from 0.4% in the previous month, thus supporting M3 growth. This fall in the growth rate reflected a substantial monthly contraction of long-term MFI debt securities (on a consolidated basis) and longer-term time deposits (by just under €30 billion in both cases). The decline in long-term MFI debt securities was due mainly to a sizeable increase in the holdings of such instruments by MFIs. These purchases partly reflected the debt security buy-back programmes of a number of credit institutions. These operations improved the capital positions of banks as the securities were purchased at prices below the respective redemption value. The purchases may also have been conducted to create collateral (with a government guarantee) for Eurosystem refinancing operations. The strong outflows from longer-term deposits were related, in part, to the reversal of previous securitisation operations in which the loans had not been derecognised from the banks' balance sheets. In addition, they are also likely to have mirrored the moving of funds by the money-holding sector to more liquid M3 deposits that offer a comparable remuneration. Capital and reserves registered significant inflows. These reflected banks' continued efforts to bring their core tier 1 capital ratios to the levels demanded both by the European Banking Authority (EBA) and Basel III requirements and by recapitalisation needs in general. At the same time, the stock

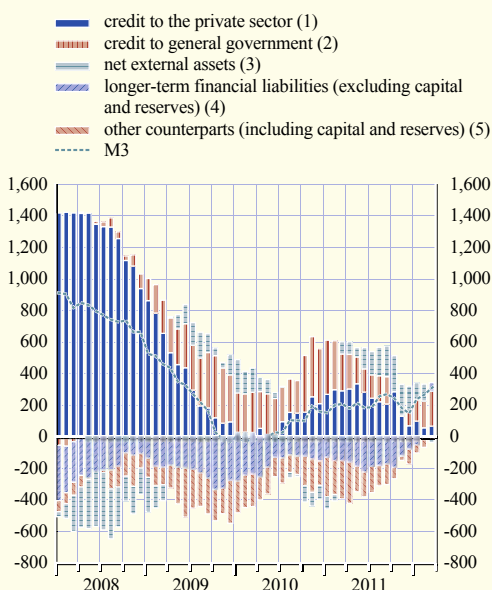
of capital and reserves declined, reflecting the impact of euro area MFIs' participation in the liability management exercise carried out by the Hellenic Republic.

The MFI net external asset position registered a marginal outflow of €1 billion in March, after a modest inflow in February and a substantial outflow in January. In annual terms, the net external asset position of euro area MFIs decreased by €18 billion in March, after having increased by €107 billion in the 12 months up to February. The net external asset position thus contributed negatively to annual M3 growth in March, after having contributed positively throughout the period from March 2011 to February 2012. The sizeable drop observed in the annual flow for the MFI external asset position over past months reflects base effects, as well as the shifting by the euro area money-holding sector of funds outside the euro area in the context of the heightened tensions in the sovereign debt markets in the second half of 2011.

Overall, the underlying dynamics of money and credit remained subdued in March, although short-term dynamics of broad money picked up, while the dynamics in loan growth remained subdued. In part, this reflects the relatively contemporaneous impact of the three-year LTROs on M3, whereas a positive contribution from those operations on loan growth needs time to pass through and, in particular, requires demand to pick up, as well as continued efforts to address the necessary balance sheet adjustments in the euro area. At the same time, data up to March confirm that deleveraging pressures on banks have eased and that the risk of an abrupt and disorderly deleveraging has declined considerably.

Chart 8 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.

Box 3

THE RESULTS OF THE EURO AREA BANK LENDING SURVEY FOR THE FIRST QUARTER OF 2012

This box summarises the main results of the euro area bank lending survey for the first quarter of 2012, which was conducted by the Eurosystem between 23 March and 5 April 2012.¹ Overall, euro area banks reported a marked drop in the net tightening of credit standards in comparison with the fourth quarter of 2011. This drop was stronger than expected by survey participants three months earlier for both loans to non-financial corporations and loans to households.

¹ The cut-off date of the survey was 5 April 2012. A comprehensive assessment of its results was published on the ECB's website on 25 April 2012.

As regards demand for loans, survey participants reported a sizeable fall in net demand from enterprises and households. While the easing of credit standards mainly mirrors the improvement in banks' access to funding, the strong contraction in loan demand largely reflects a sharp fall in the financing needs of firms for fixed investment on the one hand, and a deterioration in housing market prospects and consumer confidence on the other. The expectations of survey participants point to a further decline in the net tightening of credit standards for loans to enterprises and for loans to households for house purchase. Net demand for loans to enterprises is expected to turn positive in the second quarter of 2012, while the decline in net demand for loans to households is expected to decelerate substantially.

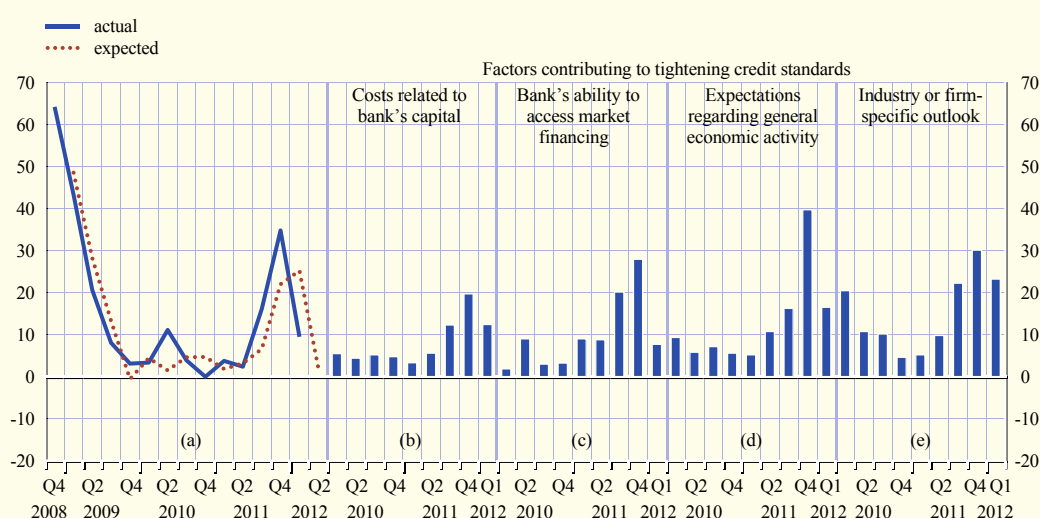
Loans and credit lines to enterprises

Credit standards: In the first quarter of 2012 the net percentage² of banks reporting a tightening of credit standards on loans and credit lines to enterprises dropped to 9% (compared with 35% in the previous quarter; see Chart A). This substantial fall in the net tightening was stronger than anticipated by survey participants three months earlier (25%). Credit standards declined in net terms across maturities, on both short-term (3%, down from 24% in the previous quarter) and long-term loans (15%, down from 42%). In addition, the decrease in the net tightening of credit standards applied both to loans to small and medium-sized enterprises (SMEs; 1%, down from 28%) and to loans to large firms (17%, down from 44%).

2 The reported net percentage refers to the difference between the proportion of banks reporting that credit standards have been tightened and the proportion of banks reporting that they have been eased. A positive net percentage indicates that banks have tended to tighten credit standards ("net tightening"), whereas a negative net percentage indicates that banks have tended to ease credit standards ("net easing").

Chart A Changes in credit standards applied to the approval of loans or credit lines to enterprises

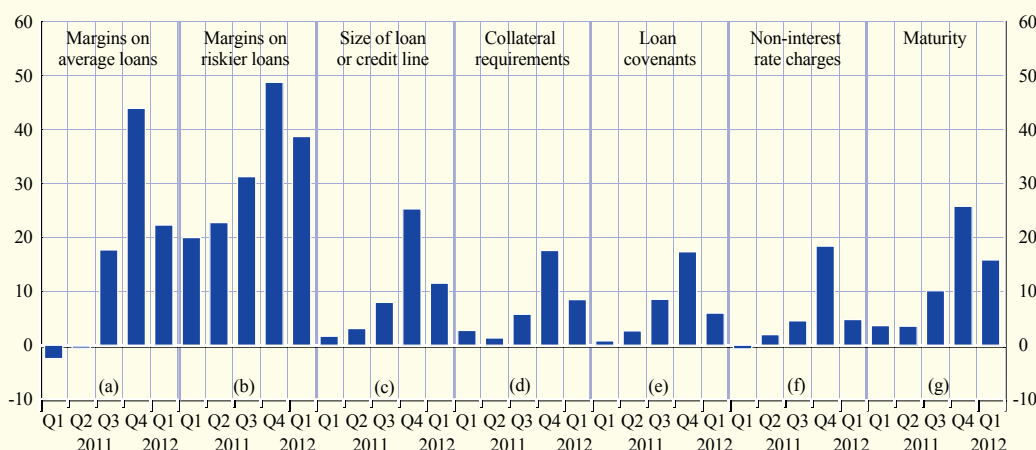
(net percentages)



Notes: In panel (a), the net percentages refer to the difference between the sum of the percentages for "tightened considerably" and "tightened somewhat" and the sum of the percentages for "eased somewhat" and "eased considerably". The net percentages for the questions related to the factors are the difference between the percentage of banks reporting that the given factor contributed to tightening and the percentage reporting that it contributed to easing. "Realised" values refer to the period in which the survey was conducted. "Expected" values refer to the expected changes over the next three months.

Chart B Changes in terms and conditions for approving loans or credit lines to enterprises

(net percentages of banks reporting tightening terms and conditions)



Note: The net percentages refer to the difference between the sum of the percentages for “tightened considerably” and “tightened somewhat” and the sum of the percentages for “eased somewhat” and “eased considerably”.

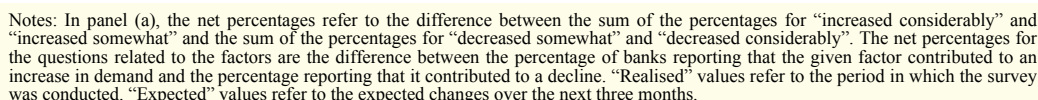
Looking at the underlying factors, the overall decrease in the net tightening of credit standards mainly reflected milder pressures from cost of funds and balance sheet constraints, in particular as regards banks’ access to funding (8%, after 28% in the previous quarter) and their liquidity position (2%, down from 27%). These developments attest to a substantial positive impact of the two three-year longer-term refinancing operations (LTROs) on banks’ funding conditions. In addition, overall risk perceptions contributed less strongly to a tightening of credit standards than in the previous quarter. While expectations regarding the economic outlook contributed substantially less to tighter credit standards (17%, after 40%), the decline in the contribution of industry-specific risks (23%, after 30%) as well as collateral risk (11%, after 19%) to a further tightening was less marked. Moreover, other factors, such as competitive pressures from other banks and non-banks, were reported to have remained broadly neutral as compared with the fourth quarter of 2011.

The developments in lending terms and conditions reported by euro area banks overall reflect the strong fall in the net tightening of credit standards in the first quarter of 2012 (see Chart B). The widening of margins was significantly reduced for average loans (22%, down from 44%), but margins on riskier loans remained at high levels (39%, down from 49%), suggesting some degree of risk-related price differentiation by banks. The net tightening was also reduced for other terms and conditions (e.g. non-interest charges, loan size and maturity, and collateral requirements).

Looking ahead, on balance, euro area banks expect a further slight decline in the net tightening of credit standards for loans to enterprises in the second quarter of 2012 (to 2%). Some further tightening is expected to affect large firms (8%) rather than SMEs (2%), as well as primarily long-term loans.

Loan demand: In the first quarter of 2012 net demand for loans from enterprises dropped markedly (-30%, down from -5%) and by more than expected in the previous quarter (-21%). Moreover, the decline appeared to have been stronger for large firms than for SMEs (-26% and

(net percentages)



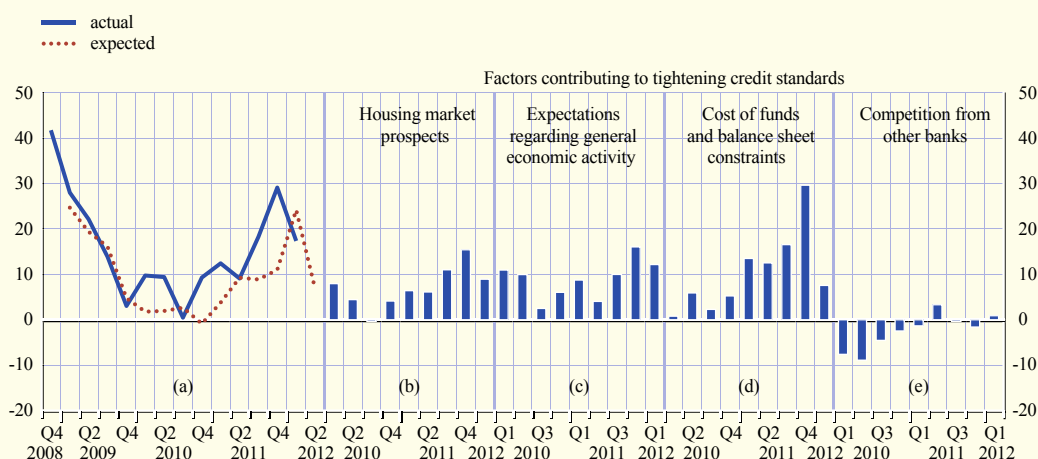
According to survey participants, the fall in demand was mainly driven by a sharp drop in the financing needs of firms for fixed investment (-36%, down from -20% in the fourth quarter of 2011; see Chart C), combined with a decline in financing for mergers and acquisitions (-17%, down from -18%), a slightly negative contribution of financing needs for inventories and working capital (-6%, down from -1%), and a moderate decline related to the higher availability of internal funds.

Loans to households for house purchase

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Chart D Changes in credit standards applied to the approval of loans to households for house purchase

(net percentages)



Note: See notes to Chart A.

activity (12%, down from 16%) and housing market prospects (9%, down from 15%) contributed to the decline in the net tightening of credit standards on housing loans.

The reported decline in the net tightening of credit standards on housing loans, however, translated into only a mild moderation in the net tightening of price terms and conditions, notably for margins on average loans (24%, down from 29%), while the widening of margins on riskier loans remained at elevated levels (32%, down from 33%).

Looking ahead, banks expect a somewhat lower degree of net tightening of credit standards on loans for house purchase (7%) for the second quarter of 2012.

Loan demand: In parallel to the decline in net loan demand by firms, participating banks reported a strong contraction in the net demand for housing loans (-43%, down from -27%; see Chart E). This decline appeared to be driven mainly by the ongoing deterioration of housing market prospects (-31%, down from -27%) and consumer confidence (-37%, down from -34%).

Looking ahead, banks expect a further decline in demand for housing loans (-12% in net terms) for the second quarter of 2012, albeit at a slower pace.

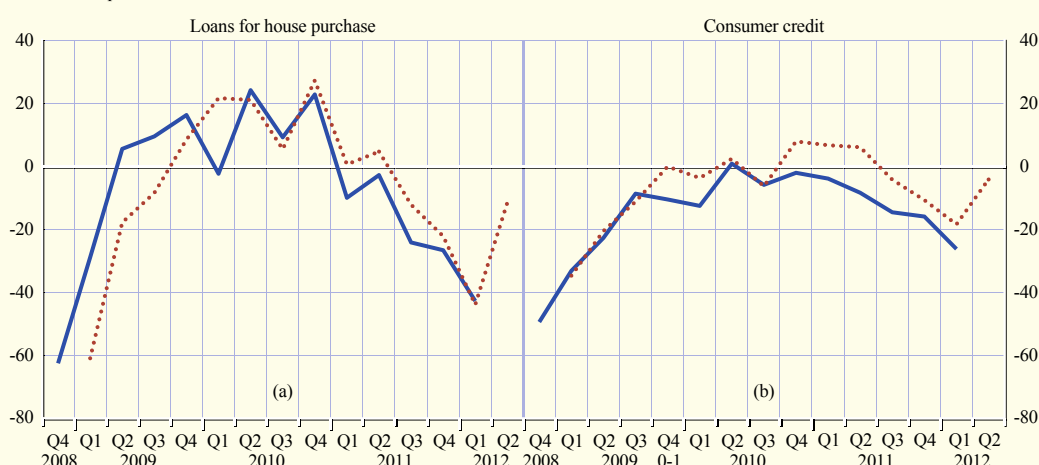
Consumer credit and other lending to households

Credit standards: For the first quarter of 2012 euro area banks reported a decline in the net tightening of credit standards (5%, down from 13%; see Chart F). The main factors driving this easing were cost of funds and balance sheet constraints, as well as improved risk perceptions (related to the economic outlook and consumers' creditworthiness). As for housing loans, the fall in the net tightening did not translate into improved price terms and conditions. The net percentage of banks reporting a further widening in their margins remained at similar levels to the previous quarter, while the contribution of non-price terms and conditions remained broadly neutral.

Chart E Changes in demand for loans to households for house purchase and consumer credit

(net percentages)

— actual
..... expected



Notes: The net percentages refer to the difference between the sum of the percentages for “increased considerably” and “increased somewhat” and the sum of the percentages for “decreased somewhat” and “decreased considerably”. “Realised” values refer to the period in which the survey was conducted. “Expected” values refer to the expected changes over the next three months.

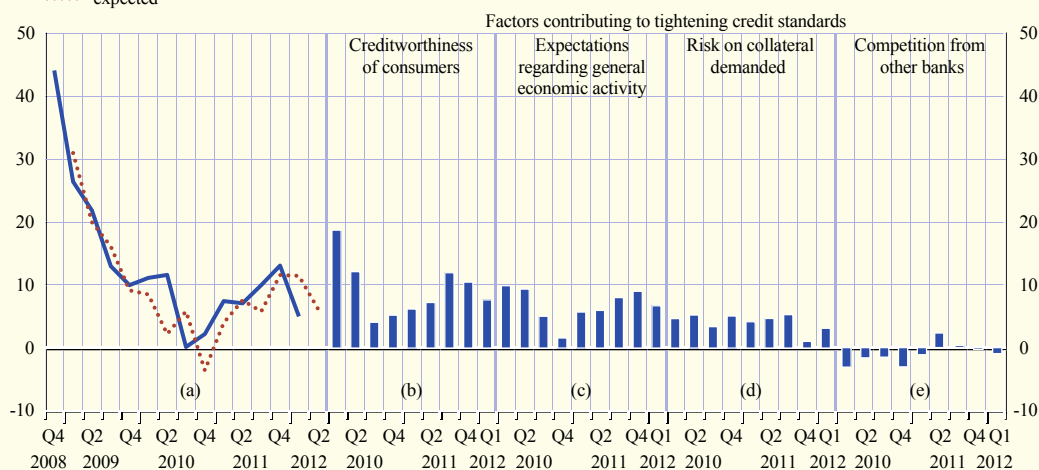
Looking ahead, in net terms, 6% of banks expect a further tightening of credit standards for consumer credit and other lending to households in the second quarter of 2012.

Loan demand: In the first quarter of 2012 net demand for consumer credit was reported to have declined further (-26% in net terms, down from -16% in the previous quarter; see Chart E).

Chart F Changes in credit standards applied to the approval of consumer credit and other lending to households

(net percentages)

— actual
..... expected



Note: See notes to Chart A.

This was mainly explained by the negative impact on loan demand from the internal financing of households via higher savings, lower spending on durable consumer goods and a further decrease in consumer confidence.

Looking ahead, banks expect the decline in net demand for consumer credit to decelerate in the second quarter of 2012 (-4% in net terms).

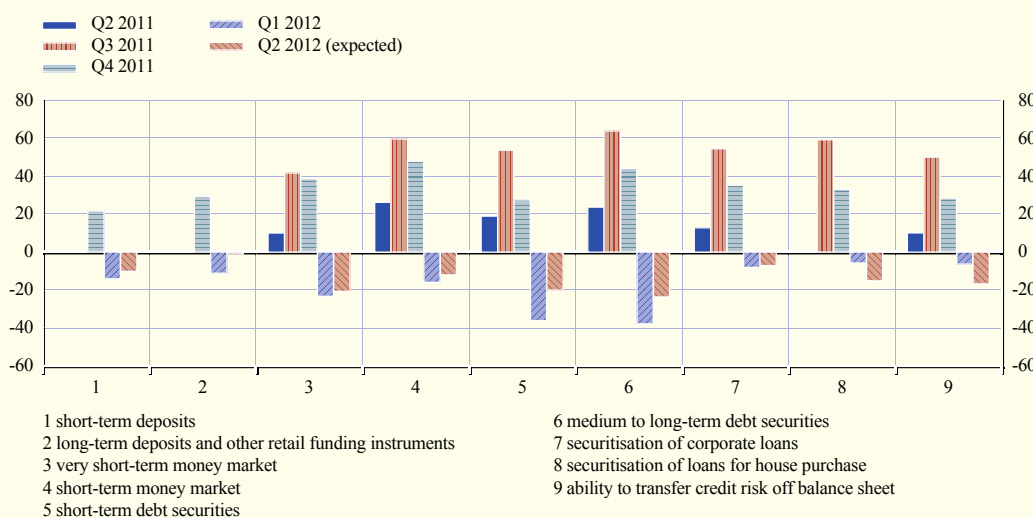
Ad hoc question on the impact of the financial turmoil

As in previous survey rounds, the April 2012 bank lending survey contained an ad hoc question aimed at assessing the extent to which the financial market tensions affected banks' access to the retail and wholesale funding markets in the first quarter of 2012, and the extent to which they might still have an effect in the second quarter of 2012.

On balance, euro area banks reported a substantial improvement in their access to retail and wholesale funding across all categories, but particularly with regard to money markets and debt securities (see Chart G). In addition, conditions for securitisation appeared to have considerably improved in the first quarter of 2012, both with regard to true-sale securitisation and with regard to banks' ability to transfer risks off their balance sheets (synthetic securitisation). As regards access to retail funding, both short and long-term, banks on average pointed to some improvement in the first quarter of 2012, albeit less than that seen in their access to wholesale funding. Looking ahead, euro area banks expect further – albeit more moderate – improvements in the conditions for access to wholesale funding in the second quarter of 2012 and only a marginal improvement with regard to their retail funding.

Chart G Change in the access to wholesale funding over the past three months

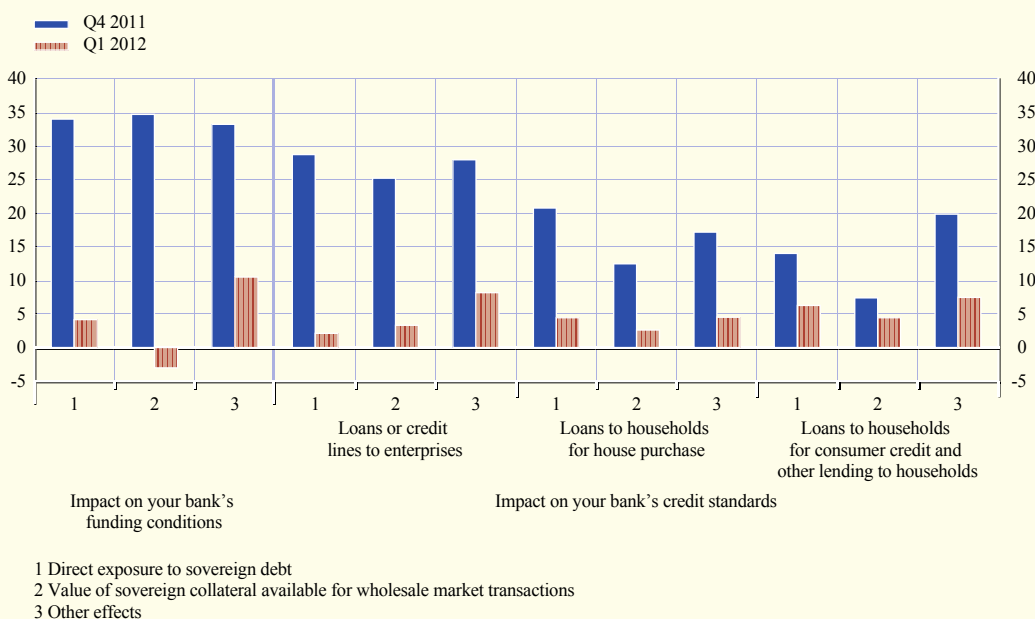
(net percentages of banks reporting deteriorated market access)



Note: The net percentages are defined as the difference between the sum of the percentages for “deteriorated considerably” and “deteriorated somewhat” and the sum of the percentages for “eased somewhat” and “eased considerably”.

Chart H Impact of the sovereign debt crisis on banks' funding conditions and credit standards

(net percentages of banks reporting an impact on funding conditions or on the tightening of credit standards)



Note: The net percentages are defined as the difference between the sum of the percentages for “contributed to a deterioration of funding conditions/tightening of credit standards considerably” and “contributed somewhat” and the sum of the percentages for “contributed to an easing of funding conditions/easing of credit standards somewhat” and “contributed considerably”.

Ad hoc question on the impact of the sovereign debt crisis on banks' funding conditions and credit standards

The questionnaire for the April 2012 survey included for the second time an ad hoc question aimed at assessing the impact of the sovereign debt crisis on banks' funding conditions and their credit standards. On average, only 4% of euro area banks in net terms – compared with 34% in the fourth quarter of 2011 – attributed the deterioration in funding conditions to the sovereign debt crisis through either direct exposure to sovereign debt, reduced collateral value of government bonds or other effects. In fact, increased collateral value for the first quarter of 2012 was even quoted as a reason for improved funding conditions. A similar percentage of banks – in net terms – indicated an impact on the tightening of their credit standards (about 5% on average both for loans to non-financial corporations and for loans to households; see Chart H). This suggests that, despite the substantially lower impact of the sovereign debt crisis following the two recent three-year LTROs, banks were not able to fully shield their lending policy from the remaining balance sheet and liquidity constraints associated with the sovereign debt tensions.

2.2 SECURITIES ISSUANCE

The annual growth rate of debt securities issuance by euro area residents stood at 4.3% in February 2012, up from 4% in the previous month. An easing of market uncertainty in comparison with the end of last year allowed all types of issuer to accelerate their debt securities issuance in the first two months of 2012 across all maturities. At the same time, the annual growth rate of quoted share issuance declined somewhat to 1.6%.

Table 4 Securities issued by euro area residents

Issuing sector	Amount outstanding (EUR billions) 2012 February	Annual growth rates ¹⁾					
		2011 Q1	2011 Q2	2011 Q3	2011 Q4	2012 January	2012 February
Debt securities	16,753	3.7	3.5	3.5	3.1	4.0	4.3
MFIs	5,606	0.6	1.1	1.9	3.3	4.3	4.5
Non-monetary financial corporations	3,296	1.8	0.7	-0.3	-1.1	-0.6	0.0
Non-financial corporations	883	6.2	4.1	4.9	5.0	6.2	6.6
General government	6,968	7.3	6.9	6.6	4.9	5.7	6.1
of which:							
Central government	6,314	6.7	6.1	5.9	4.2	4.8	4.8
Other general government	654	13.0	15.8	14.6	13.2	15.4	19.9
Quoted shares	4,291	1.4	1.5	1.9	1.7	1.7	1.6
MFIs	399	6.4	7.4	12.4	10.2	11.6	11.9
Non-monetary financial corporations	311	3.4	4.2	5.0	5.2	4.0	3.1
Non-financial corporations	3,580	0.6	0.5	0.4	0.3	0.4	0.3

Source: ECB.

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

DEBT SECURITIES

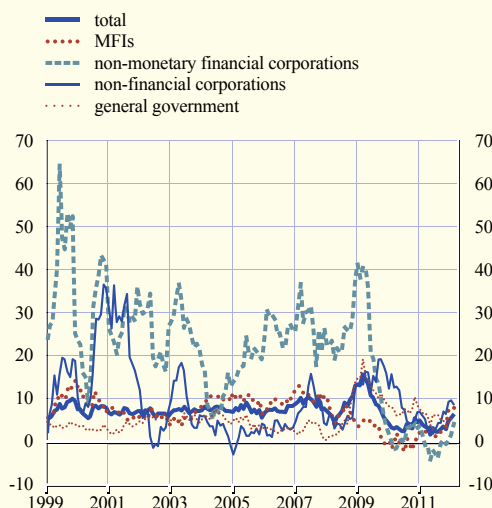
In February 2012 the annual rate of growth in debt securities issued by euro area residents increased to 4.3%, from 4% in the previous month (see Table 4). This overall development was driven mainly by higher growth in the issuance of long-term debt. Moreover, the pick-up in issuance activity for short-term debt securities which started in December 2011 continued in January and February 2012. Issuance of short-term debt has been particularly strong in the MFI sector since the end of 2011.

Looking at short-term trends, the seasonally adjusted annualised six-month growth rate of debt securities issuance points to an acceleration of issuance activity in most sectors, with the exception of non-financial corporations, for which the growth of debt securities issuance edged down somewhat (see Chart 9). In particular, short-term trends continue to point to a rapid acceleration of debt securities issuance in the MFI sector, especially since mid-2011. Higher rates of issuance may reflect, to some extent, the improvement in sentiment and the easing of uncertainty brought about by the impact of the two longer-term refinancing operations carried out by the Eurosystem at the end of December 2011 and in February 2012.

On an annual basis, the increase in the growth rate of debt securities issuance in February 2012 was broad-based across sectors. In the financial sector, the annual growth rate of securities issued by MFIs increased slightly, from 4.3% in January to 4.5% in February 2012. The pace of issuance of debt securities by general government has been on an upward trend since November 2011. In particular, the annual rate

Chart 9 Sectoral breakdown of debt securities issued by euro area residents

(six-month annualised growth rates; seasonally adjusted)



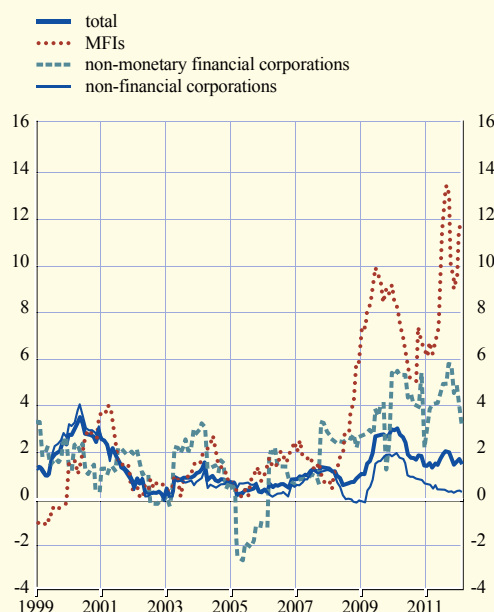
Source: ECB.

of growth of debt securities issued by general government increased to 6.1% in February 2012, from 5.7% in the previous month. Finally, the annual growth rate of debt securities issued by non-financial corporations increased further, to 6.6% in February, from 6.1% in the previous month, continuing an upward trend that started in April 2011. As observed in 2008 and 2009, corporate issuers may have intended to benefit from the financial market improvements over the period in order to substitute market funding for bank lending in a context of tight credit standards.

According to data provided by market participants, issuance activity in January and February 2012 was concentrated in the high-rated and intermediate debt securities segments, possibly related to the comparatively favourable financing conditions there, while issuance activity in the high-yield segment remained low. There was renewed issuance of government-guaranteed securities in the MFI sector in November 2011, followed by particularly strong issuance in December 2011 and February 2012.

Chart 10 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 share issuance by euro area residents decelerated somewhat, to 1.6% in February 2012, from 1.7% in the previous month. On the one hand, the annual rate of growth in equity issuance by MFIs increased slightly in February 2012, to 11.9%, from 11.6% in January 2012 (see Chart 10), reflecting the easing of financial market tensions and the continued need to consolidate banks' capital positions. At the same time, the annual growth rate of quoted shares issued by financial corporations other than MFIs continued to decline, to 3.0%, while that of quoted shares issued by non-financial corporations remained broadly unchanged at about 0.3%.

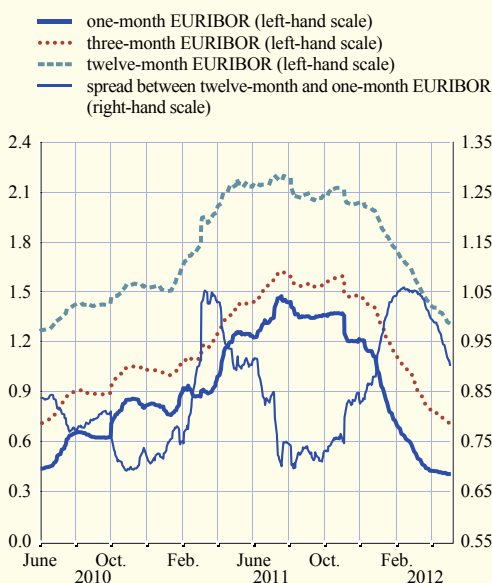
2.3 MONEY MARKET INTEREST RATES

Money market interest rates declined between early April and early May 2012. In the fourth maintenance period of 2012, which began on 11 April, the EONIA remained at a low level, hovering at around 10 basis points above the deposit rate. This spread reflects the significant amount of excess liquidity prevailing in the interbank money market after the settlement of the second three-year longer-term refinancing operation (LTRO) on 1 March.

Unsecured money market interest rates declined between early April and early May 2012. On 2 May the one-month, three-month, six-month and twelve-month EURIBOR stood at 0.40%, 0.70%, 0.99% and 1.30% respectively, i.e. 2, 7, 8 and 10 basis points lower respectively than on 3 April. In addition, the spread between the twelve-month and the one-month EURIBOR – an indicator of

Chart 11 Money market interest rates

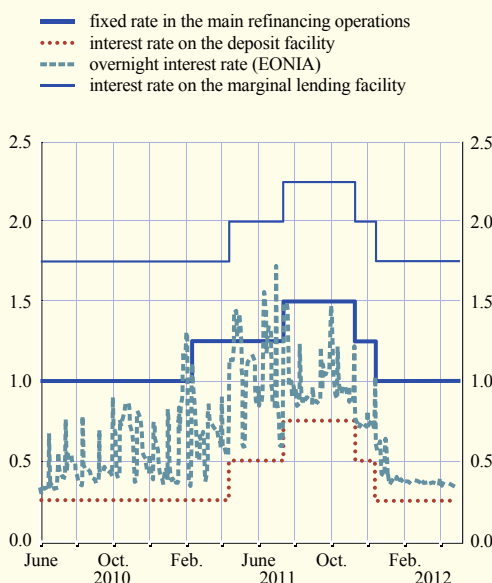
(percentages per annum; spread in percentage points; daily data)



Sources: ECB and Thomson Reuters.

Chart 12 ECB interest rates and the overnight interest rate

(percentages per annum; daily data)



Sources: ECB and Thomson Reuters.

the slope of the money market yield curve – decreased marginally to stand at 90 basis points on 2 May (see Chart 11).

The three-month EONIA swap rate stood at 0.31% on 2 May, 5 basis point lower than on 3 April. The corresponding unsecured rate decreased by 7 basis points, to 0.70%, by 2 May. This caused the spread between the unsecured three-month EURIBOR and the three-month EONIA swap rate to decrease by 2 basis points: it now stands at 39 basis points.

The interest rates implied by the prices of three-month EURIBOR futures maturing in June, September and December 2012 and March 2013 stood at 0.59%, 0.55%, 0.55% and 0.55% respectively on 2 May, representing decreases of 9, 14, 19 and 23 basis points respectively in comparison with the levels observed on 3 April.

Between 3 April and 10 April, the end of the third maintenance period of 2012, the EONIA remained stable, hovering at around 0.35% against the background of higher levels of excess liquidity. On the last day of the maintenance period, it stood at 0.347%. The EONIA was equally stable at the beginning of the fourth reserve maintenance period, continuing to fluctuate around 0.35%. On 2 May the EONIA stood at 0.343%.

The Eurosystem conducted several refinancing operations between 3 April and 2 May. In the main refinancing operations of the fourth maintenance period of 2012, which were conducted on 10, 17, 24 and 30 April, the Eurosystem allotted €55.4 billion, €51.8 billion, €46.4 billion and €34.4 billion respectively. The Eurosystem also conducted two LTROs in April, both as fixed rate tenders with full allotment, as well as a special-term refinancing operation with a maturity of one maintenance period on 10 April (in which €11.4 billion was allotted) and a three-month LTRO on 25 April

(in which €21.3 billion was allotted). The decline observed in the allotment values of the main refinancing operations reflected the fact that the banking sector had received substantial liquidity at longer maturities, in particular at a maturity of three years, as well as the reduction of the reserve requirement ratio from 2% to 1% as from the beginning of the 2012. The conduct of three-year operations and the reduction of the reserve requirement had the automatic effect of reducing banks' demand for liquidity at short maturities (see also Box 2).

The Eurosystem also conducted four one-week liquidity-absorbing operations as variable rate tenders with a maximum bid rate of 1.00% on 10, 17, 24 and 30 April. With these operations, the Eurosystem fully absorbed the liquidity provided through the Securities Markets Programme.

The fourth maintenance period of 2012, which began on 11 April, continued to be characterised by high levels of excess liquidity, with average daily recourse to the deposit facility over the period standing at €762.9 billion on 2 May.

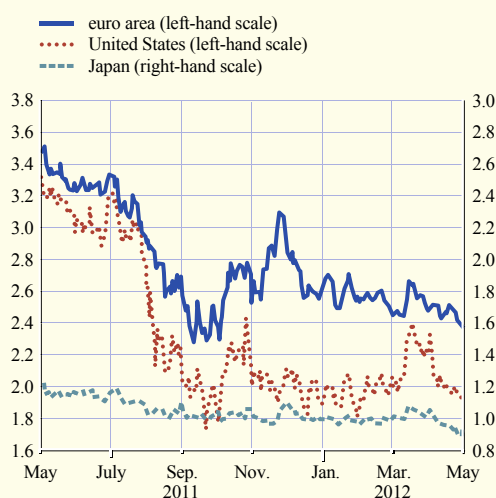
2.4 BOND MARKETS

AAA-rated long-term government bond yields declined by around 10 basis points between 3 April and 2 May, whereas they declined by around 30 basis points in the United States over the same period. Within the euro area, differentials vis-à-vis German yields rose or remained broadly stable in a majority of countries. Yields declined overall for AAA-rated issuers, with the exception of France where they remained broadly stable, possibly as a result of flight-to-liquidity flows. Uncertainty about future bond market developments, as measured by implied bond market volatility, recorded a further decline in the euro area, although current levels remain above historical standards. Market-based indicators suggest that inflation expectations remain fully consistent with price stability.

Between 3 April and 2 May 2012, AAA-rated long-term euro area government bond yields declined by approximately 10 basis points, to around 2.4%. In the United States, by contrast, long-term government bond yields declined by around 30 basis points over the same period, to around 1.9%, thus reversing almost entirely the increase recorded in the first part of March. Long-term euro area government bond yields registered only minor daily oscillations in April, whereas the corresponding US yields declined in the initial twenty days of the month and then stabilised (see Chart 13). Overall, the decline in long-term bond yields in the United States has tracked the releases of mixed economic data, as well as the reassessment of economic growth prospects. By contrast, long-term yields on AAA-rated euro area government bonds exhibited a much more subdued sensitivity to

Chart 13 Long-term government bond yields

(percentages per annum; daily data)



Sources: EuroMTS, ECB, Bloomberg and Thomson Reuters.
Notes: Long-term government bond yields refer to ten-year bonds or to the closest available bond maturity. The euro area bond yield is based on the ECB's data on AAA-rated bonds, which currently include French bonds.

either rising growth-related concerns or renewed financial and political tensions in some euro area countries. As a result of the relative movements of the yields in the two economic areas, the nominal interest rate differential between ten-year government bond yields in the United States and those in the euro area increased in the period under review and stood at around 40 basis points on 2 May. In Japan, ten-year government bond yields declined by approximately 10 basis points over the period under review, standing at 0.9% on 2 May.

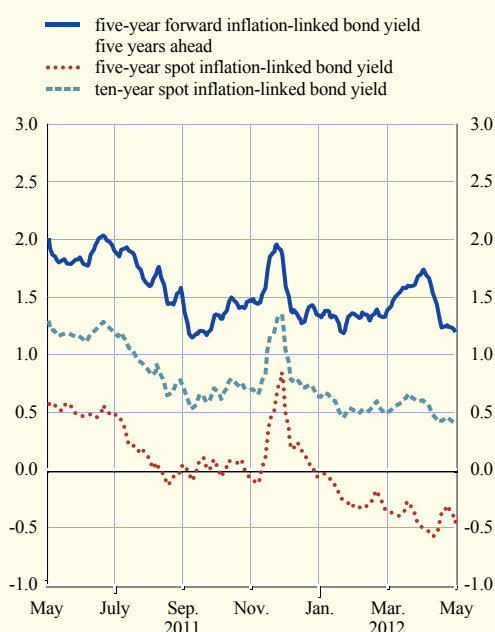
Investors' uncertainty about near-term bond market developments in the euro area, as measured by option-implied volatility, declined marginally in the period under review. Somewhat larger declines, of around 1.1 percentage points, were observed in the United States in the same period. Implied bond market volatility has significantly declined in both economic areas from the peaks recorded in November 2011, although the current levels of volatility remain high by historical standards. Furthermore, compared with the levels observed just before the default of Lehman Brothers, implied bond market volatility in the euro area is currently broadly similar, while that in the United States is about 4 percentage points lower. The same pattern is observable for the implied stock market volatility, suggesting that market participants' concerns are currently more focused on developments in the euro area. In line with the recent increase in investors' risk aversion, demand for safe-haven assets (as proxied by still high liquidity premia on ten-year German government bonds relative to those on agency bonds) increased noticeably in the period under review, to a level not seen since May 2009, suggesting that overall bond market sentiment may have again significantly deteriorated.

In the period under review, the spreads of ten-year sovereign bond yields vis-à-vis German sovereign bonds widened for Italy, France and Spain, by between 20 and 40 basis points, while they remained broadly stable for Austria, Belgium, Ireland and the Netherlands. Spreads declined instead in Greece and Portugal in the period under review, by around 150 basis points, and in Finland, by 10 basis points. With the exception of France, long-term bond yields declined in AAA-rated euro area countries, possibly also reflecting a renewed rise in the liquidity premium on account of market tensions in some euro area countries.

The yield on five-year inflation-linked euro area government bonds rose by around 10 basis points in the period under review, to -0.4%, while the yield on the ten-year inflation-linked bond declined by around 20 basis points, to 0.4% on 2 May (see Chart 14). Reflecting the different movements of five and ten-year spot nominal and real yields, the implied forward break-even inflation rates in the euro area (five-year forward five years ahead) rose by around 30 basis points, to 2.3% in the period under review (see Chart 15). The largest part of this increase, however, took place on account of

Chart 14 Euro area zero coupon inflation-linked bond yields

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

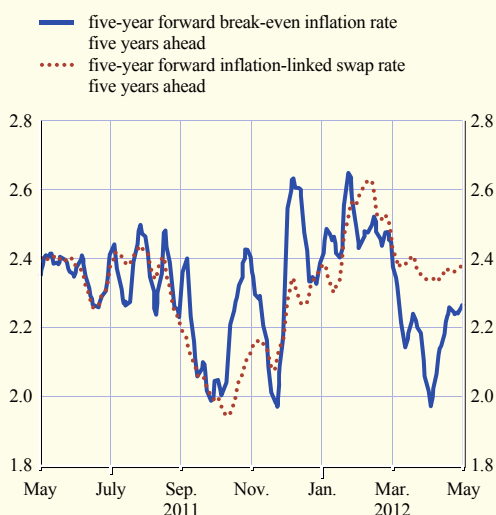


Sources: Thomson Reuters and ECB calculations.

Notes: Since the end of August 2011, real rates have been computed as a GDP-weighted average of separate real rates for France and Germany. Before this date, real rates were computed by estimating a combined real yield curve for France and Germany.

Chart 15 Euro area zero coupon break-even inflation rates and inflation-linked swap rates

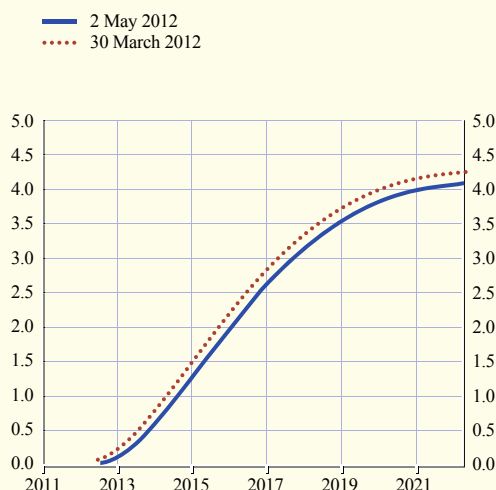
(percentages per annum; five-day moving averages of daily data; seasonally adjusted)



Sources: Thomson Reuters and ECB calculations.
 Notes: Since the end of August 2011, break-even inflation rates have been computed as a GDP-weighted average of separately estimated break-even rates for France and Germany. Before this date, break-even inflation rates were computed by comparing yields from the nominal yield curve of AAA-rated euro area government bonds with a combined real yield curve derived from French and German inflation-linked government bonds.

Chart 16 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 AAA-rated euro area government bond yields.

technical factors, namely the maturing of an inflation-linked bond and its replacement with a more recent issue. Indeed, the inflation swap rate with the same time horizon remained broadly unchanged at 2.4% over the same period, thus also indirectly supporting the view that no major changes in inflation expectations occurred in the review period. Overall, taking into account not only market volatility and distortions amid high liquidity premia, but also inflation risk premia, market-based indicators suggest that inflation expectations remain fully consistent with price stability.

The general pattern of AAA-rated long-term euro area government bond yields can be broken down into changes in interest rate expectations (and related risk premia) at different horizons (see Chart 16). The term structure of forward rates prevailing on 2 May was broadly similar to that seen at the end of March.

Between 3 April and 2 May, spreads on investment-grade corporate bonds issued by non-financial corporations (relative to the Merrill Lynch EMU AAA-rated government bond index) declined for the middle-rated issuers, by between 2 and 13 basis points, while they rose for AAA and BBB-rated issuers, by around 6 basis points. Over the same period, spreads on investment-grade corporate bonds issued by financial corporations fell for AAA and AA-rated issuers, by 8 and 13 basis points respectively, whereas they rose for the A and BBB- rating classes by around 10 and 60 basis points respectively.

2.5 INTEREST RATES ON LOANS AND DEPOSITS

No new data became available before the cut-off date for this issue of the Monthly Bulletin. In February 2012 MFI interest rates on deposits decreased marginally. At the same time, interest rates on short-term loans declined across most loan categories and maturities, while developments have been more heterogeneous in the case of MFI interest rates on long-term loans.

In February 2012 short-term MFI interest rates on deposits decreased marginally. The rates on both deposits from households with an agreed maturity of up to one year and deposits from non-financial corporations declined by around 3 basis points (see Chart 17).

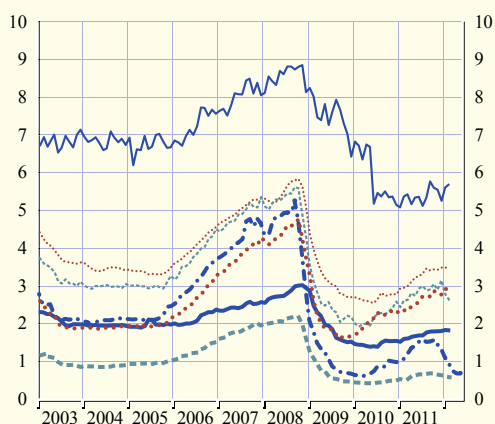
At the same time, most short-term MFI lending rates also declined, albeit to varying degrees. For example, interest rates on overdrafts for non-financial corporations decreased by 4 basis points. More significantly, MFI lending rates for small corporate loans (i.e. loans of up to €1 million) declined by 10 basis points, to 4.3%, in February 2012, while those on large loans (i.e. loans of more than €1 million) fell by 15 basis points, to 2.6%. This means that the spread between MFI lending rates on large loans, supposedly granted to large firms, and those on small loans, supposedly granted

to smaller firms, continued to rise, reaching a historical high of 160 basis points in February. Over the same period, MFI lending rates on loans to households for house purchase declined by only 5 basis points, while those on consumer credit actually increased by 10 basis points. As a result, and given that the EURIBOR decreased by 14 basis points in February 2012, the spread vis-à-vis short-term lending rates on loans to households for house purchase widened from 237 basis points in January to 246 basis points in February, while the spread vis-à-vis large short-term loans to non-financial corporations remained broadly unchanged (Chart 18).

Chart 17 Short-term MFI interest rates and a short-term market rate

(percentages per annum; rates on new business)

- deposits from households redeemable at notice of up to three months
- deposits from households with an agreed maturity of up to one year
- overnight deposits from non-financial corporations
- loans to households for consumption with a floating rate and an initial rate fixation period of up to one year
- loans to households for house purchase with a floating rate and an initial rate fixation period of up to one year
- loans to non-financial corporations of over €1 million with a floating rate and an initial rate fixation period of up to one year
- - - three-month money market rate



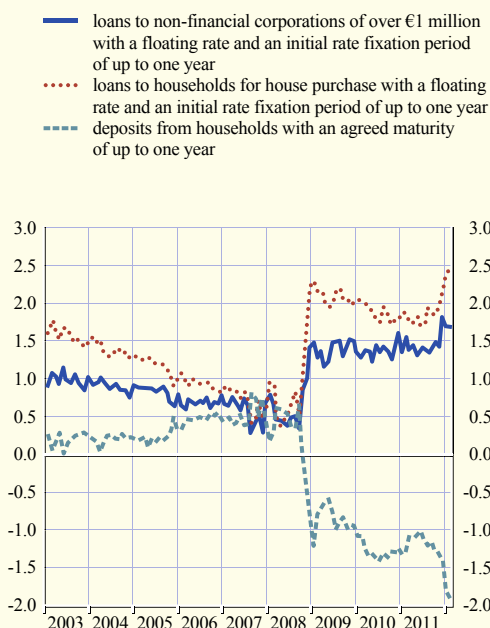
Source: ECB.

Note: Data as of June 2010 may not be fully comparable with those prior to that date owing to methodological changes arising from the implementation of Regulations ECB/2008/32 and ECB/2009/7 (amending Regulation ECB/2001/18).

Taking a longer-term perspective, a significant pass-through of changes in market rates to bank lending rates occurred during the latest full cycle of monetary policy easing (between October 2008 and March 2010). Throughout most of 2011, MFI lending rates increased somewhat, largely reflecting generally higher credit risk and the deterioration of bank financing conditions against the background of acute tensions in banks' funding markets and significant deleveraging needs. More recently, signs of easing are likely to reflect the cuts in the ECB's key interest rates in November and December 2011, as well as the liquidity provision to the banking system through the two three-year LTROs.

Chart 18 Spreads of short-term MFI interest rates vis-à-vis the three-month money market rate

(percentage points; rates on new business)

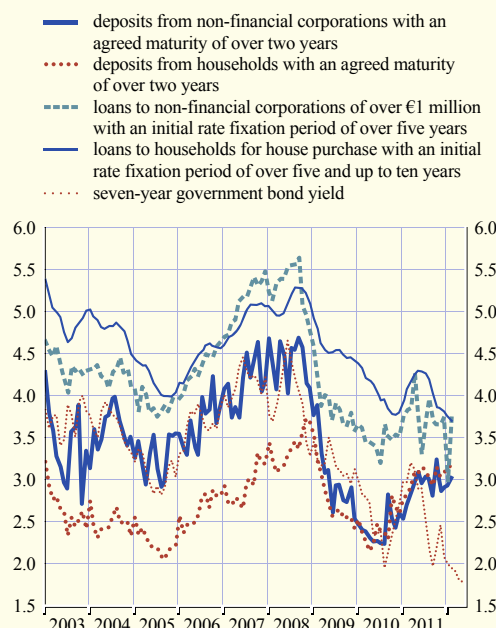


Source: ECB.

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. Data as of June 2010 may not be fully comparable with those prior to that date owing to methodological changes arising from the implementation of Regulations ECB/2008/32 and ECB/2009/7 (amending Regulation ECB/2001/18).

Chart 19 Long-term MFI interest rates and a long-term market rate

(percentages per annum; rates on new business)



Source: ECB.

Note: Data as of June 2010 may not be fully comparable with those prior to that date owing to methodological changes arising from the implementation of Regulations ECB/2008/32 and ECB/2009/7 (amending Regulation ECB/2001/18).

Turning to longer-term maturities, the overall picture presented by the latest developments in long-term MFI lending rates appears to have been blurred by a certain degree of volatility in some of the series. More specifically, corporate lending rates on large loans with an initial rate fixation period of over five years stood at 3.7% in February 2012, thus having rebounded sharply from January, but basically unchanged in comparison with previous months. At the same time, MFI lending rates on small-sized loans increased only slightly, namely by 5 basis points. By contrast, the rates on loans to households for house purchase with an initial rate fixation period of over five and up to ten years declined slightly, by about 5 basis points (see Chart 19).

Prior to February 2012, the spreads between long-term lending rates and AAA-rated seven-year government bond yields tended to increase, driven in part by the downward pressure on AAA-rated government bond yields caused by flight-to-safety flows. In February, the spread between long-term rates on loans to households for house purchase (over ten years' maturity) and the yield on AAA-rated seven-year government bonds remained broadly unchanged at 200 basis points. For non-financial corporations, the corresponding spread for small-sized loans increased by about 10 basis points to stand at 226 basis points.

Viewed from a longer-term perspective, long-term lending rates for households and the rates on small-sized long-term corporate loans have generally shown a somewhat incomplete and sluggish pass-through, while those on large long-term corporate loans have evolved more in line with the

yields on AAA-rated long-term government bonds. As in the case of the pass-through of short-term market rates to short-term bank lending rates, historical regularities between long-term lending rates and the yields on corresponding AAA-rated government bonds may recently have been distorted by the tensions associated with the euro area sovereign debt crisis, as well as by the vulnerabilities of euro area banks.

2.6 EQUITY MARKETS

Between end-March and 2 May 2012 stock prices declined by 6.5% in the euro area and by 0.5% in the United States. The declines in equity prices in the two main economic areas took place against the background of data releases pointing to some deterioration in the short-term economic outlook and a renewed increase in global economic and financial uncertainty. Developments in euro area equity prices were also driven by a moderate rise in financial market tensions within the euro area as well as by concerns about fiscal developments and political uncertainty in a number of euro area countries. Financial equity prices in the euro area recorded a much larger decline than the composite index, while the decline in the composite US stock market index was almost equally accounted for by losses in the financial and the non-financial sectors. Stock market uncertainty, as measured by implied volatility, rose in the euro area, to reach the levels prevailing in early 2012.

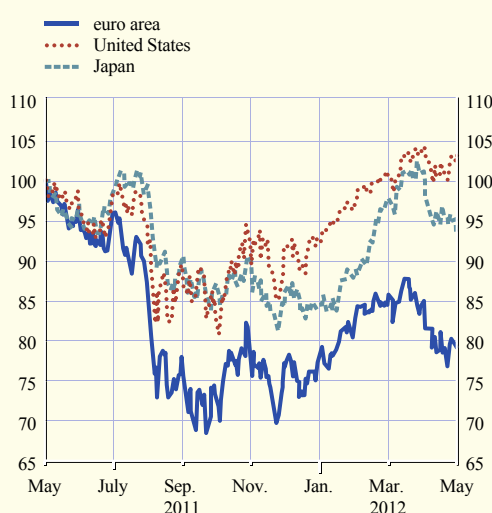
Between end-March and 2 May 2012 stock prices in the euro area, as measured by the broad-based Dow Jones EURO STOXX index, declined by 6.5%, while those in the United States, as measured by the Standard & Poor's 500 index, fell by 0.5% (see Chart 20). Stock prices in Japan, as measured by the Nikkei 225 index, also declined, by 7.0%, over the same period.

Developments in equity indices in the two main economic areas were not uniform throughout April. After having declined in both areas up to 10 April, in the remainder of the review period stock prices stabilised in the euro area, while they increased in the United States, particularly in the last week of April. The different developments in equity prices in the two economic areas in the second half of April reflected, among other factors, renewed market concerns about fiscal developments and political uncertainty in some euro area countries. The expected effects of the review by one credit rating agency of the ratings of a large number of European banks may also partly explain the much worse performance of the financial sector in the euro area relative to its US counterpart.

Equity price declines in April and early May were broad-based within the euro area, with losses recorded in a majority of countries, both

Chart 20 Stock price indices

(index: 1 May 2011 = 100; daily data)



Source: Thomson Reuters.

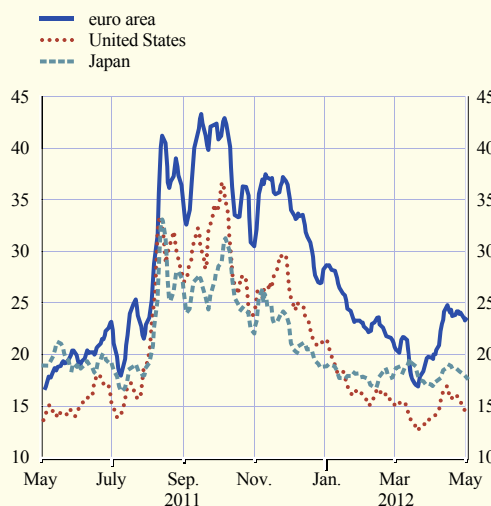
Note: The indices used are the Dow Jones EURO STOXX broad index for the euro area, the Standard & Poor's 500 index for the United States and the Nikkei 225 index for Japan.

in the financial and the non-financial sector. In the euro area as a whole, the financial sub-index of the equity market tended to lead the movements of the composite index, declining by around 10% in the period under review. In the United States, by contrast, developments in the financial and non-financial sub-indices were much more similar, posting a decline of around 1.5% and 0.5%, respectively.

Stock market uncertainty, as measured by implied volatility, rose in the euro area up to 20 April, but thereafter tended to stabilise, reaching 23% on 2 May. In the United States, by contrast, implied stock market volatility remained broadly stable over the review period at around 15%. However, unlike developments in the euro area, it tended to record wide oscillations around this level in the second part of April. In both economic areas, the current levels of stock market uncertainty are around those prevailing in early 2012 (see Chart 21). In the euro area, the decline in equity returns took place against the background of rising implied volatility in the broad equity market index. Such highly correlated developments in equity returns and expected risk perceptions have not been a regularity recently, as also developments in risk aversion have played a key role. Indeed, the changes that occurred in global risk aversion (proxied by the difference between the VIX index and the realised volatility of the US composite stock market index) and in risk perceptions in the two main economic areas since mid-2011 have been related to a broadly similar extent to developments in equity returns.

Chart 21 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.

Box 4

THE RESULTS OF THE "SURVEY ON THE ACCESS TO FINANCE OF SMALL AND MEDIUM-SIZED ENTERPRISES IN THE EURO AREA: OCTOBER 2011 TO MARCH 2012"

This box presents the main results of the sixth round of the "Survey on the access to finance of small and medium-sized enterprises (SMEs) in the euro area".¹ The survey was conducted between 29 February and 29 March 2012 and covered 7,511 firms, of which 6,969 (i.e. 93%) had less than 250 employees (and are thus categorised as SMEs). This box provides evidence mainly on the changes in the financial situation, financing needs and the access to financing of SMEs in the euro area, compared with large firms, over the six preceding months (i.e. from October 2011 to March 2012).²

¹ A comprehensive report, detailed statistical tables and additional breakdowns were published on 27 April 2012 in the "Statistics" section of the ECB's website under Monetary and financial statistics/Surveys/Access to finance of SMEs.

² The reference period for the previous survey round was April to September 2011.

SMEs' overall financial situation deteriorated in the reporting period

In the period from October 2011 to March 2012, which was characterised by a weakening of economic activity in the euro area compared with the previous six-month period, the financial situation of euro area SMEs deteriorated. Overall, when asked for their dominant concern, most SMEs mentioned "Finding customers" (27%, up from 23% in the previous survey round). The importance of "Access to finance" was broadly unchanged as a concern for euro area SMEs (17% mentioned this, compared with 16% in the previous survey round), remaining below the peak reached in the second half of 2009 (19%), whereas "Access to finance" was less of an issue for large firms. Compared with large firms, SMEs' financial situation remained more difficult.

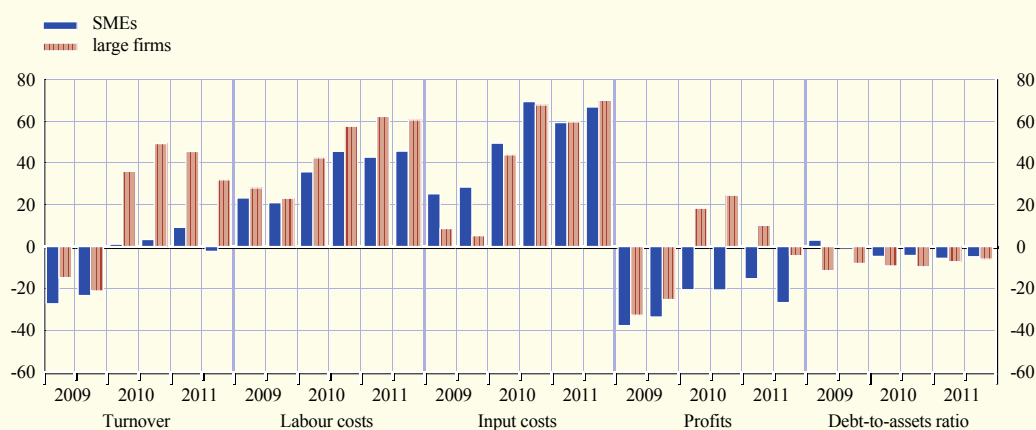
In the survey period, a net³ 2% of euro area SMEs reported a contraction in turnover. This was a deterioration compared with the previous six-month period when SMEs reported on balance an increase in turnover (9%; see Chart A). In addition, on balance, a higher percentage (27%) than in the previous survey period (15%) of euro area SMEs reported a decrease of their profits and increased labour and other input costs (46% and 67% respectively, up from 43% and 59% in the previous survey round), likely reflecting in particular increases in energy prices. Large firms also reported, on balance, a decline in their profits, for the first time since the second half of 2009 (4%, down from a net increase of 10% in the previous survey period). However, the net percentage was much lower than for SMEs. In addition, large firms continued to report on balance an increase in turnover, although the net percentage was lower than in the previous six-month period (32%, down from 45%).

Euro area SMEs reported a slight further decline in their ratio of debt to assets (5%, compared with 6% in the previous survey round). This decline reflects the continued need to deleverage from substantial levels of indebtedness, but also a decrease in the availability of debt financing in the survey period. Large firms' leverage also continued declining (in net terms 6% of the large

3 Net percentages refer to the difference between firms reporting an increase and those reporting a decrease.

Chart A Indicators of the financial situation of euro area firms

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



Sources: ECB and European Commission survey on the access to finance of SMEs.

Note: Net percentages are defined as the difference between the percentage of firms reporting an increase for a given factor and that reporting a decrease.

firms mentioned this, compared with 7% in the previous survey period), similar to what was reported for SMEs.

External financing needs of euro area SMEs increased somewhat

Euro area SMEs' need for bank loans and bank overdrafts increased somewhat compared with the previous six-month period (8% and 14% respectively, up from 5% and 10%), possibly reflecting lower profits, while the need for trade credit remained broadly similar (5%, compared with 4%; see Chart B). While SMEs reported on balance a higher need for external finance, this is not reflected in SMEs' financing need for fixed investment or for inventory and working capital, which remained similar to the previous six-month period (11%, compared with 12%, for both items). Besides the external financing needs due to lower internal funds (on balance 7%, compared with 6% in the previous survey period), the increased need for external financing mentioned by SMEs may also reflect a demand for funds out of

precautionary motives, in particular as the survey period from October 2011 to March 2012 was partly characterised by high uncertainty with respect to available (bank) funding sources. Due to the high dependency of SMEs on bank loans, this may have been particularly relevant for them.

Large firms also reported, on balance, an increased need for bank loans (9%, up from 6%), but not for bank overdrafts and trade credit (5% and 8%, compared with 7% and 9% respectively).

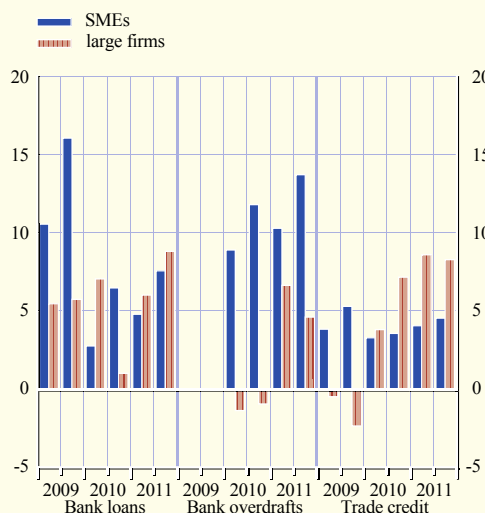
Availability of external financing deteriorated between October 2011 and March 2012

Between October 2011 and March 2012, SMEs perceived a further deterioration in the availability of bank loans (20% in net terms, up from 14% in the previous survey round; see Chart C). The reported deterioration is, however, below the levels of 2009 (around 30%). With regard to other sources of external financing, SMEs also reported a further deterioration in the availability of bank overdrafts as well as trade credit.

The picture with respect to the terms and conditions of bank loan financing was mixed. While the net percentage of SMEs reporting an increase in interest rates remained high (42%), it declined significantly compared with the previous six-month period (54%). At the same time, with respect to non-price terms and conditions, for which the degree of deterioration was generally lower, SMEs reported, for instance, on balance a further albeit moderate increase in collateral requirements (36%, compared with 33%).

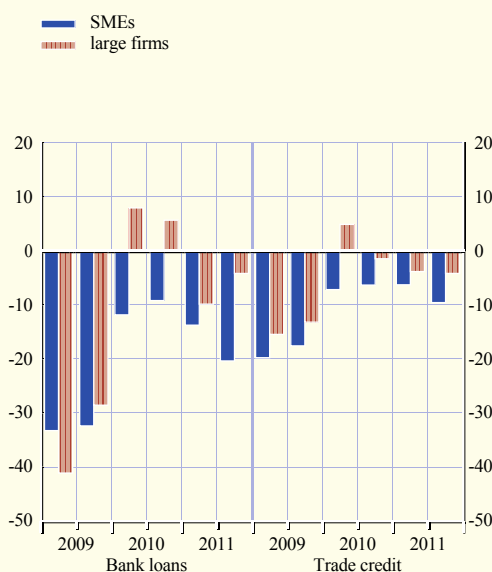
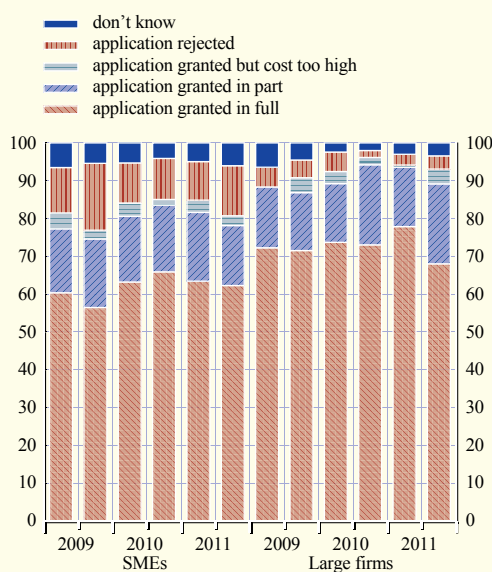
Chart B External financing needs of euro area firms

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



Sources: ECB and European Commission survey on the access to finance of SMEs.

Notes: Net percentages are defined as the difference between the percentage of firms reporting an increase in needs and that reporting a decrease. Data for bank overdrafts (which also include credit lines and credit card overdrafts) are not available for the first two rounds of the survey.

**Chart C Availability of external financing
for euro area firms**(change over the preceding six months; net percentage of firms
that applied for external financing)Source: ECB and European Commission survey on the access to
finance of SMEs.Note: Net percentages are defined as the difference between the
percentage of firms reporting an increase in availability and that
reporting a decrease.**Chart D Outcome of loan applications
by euro area firms**(over the preceding six months; percentage of firms that applied
for bank loans)Sources: ECB and European Commission survey on the access to
finance of SMEs.

The deterioration in the availability of bank loans was much less pronounced for large firms (4% in net terms, down from 10%). This may reflect a lower riskiness of bank loans to large firms and/or a stronger negotiation power of large firms.

Higher rejection of bank loan applications of SMEs

When looking at the actual outcome of the bank loan applications by SMEs between October 2011 and March 2012, 13% of the SMEs reported that their application had been rejected (up from 10% in the previous survey round; see Chart D). This is the highest percentage since the peak of 18% in the second half of 2009, thus reflecting constraints on SMEs' access to bank loans between October 2011 and March 2012. At the same time, 62% (practically unchanged from 63% in the previous survey round) of the SMEs reported that they had received the full amount of their loan application (compared with the low of 56% in the second half of 2009). By contrast, the percentage for the loans which were only granted in part declined to 16% compared with 18% in the previous survey round, and was the lowest percentage since the start of this survey in 2009. This may reflect that banks applied a very cautious lending policy in particular for riskier loans, accepting applications only in part possibly related to lacking collateral. For bank overdrafts, SMEs also reported an increase in the rejection rate (to 14%, up from 10% in the previous survey round).

For large firms, the rejection rate for bank loans remained lower (unchanged at 3%). However, their success when applying for a bank loan declined substantially, to 68% (down from 78%),

which is the lowest value since the start of this survey in 2009. By contrast, the percentage of bank loan applications only partly satisfied increased (21%, up from 16% in the previous survey round). This also tends to confirm a possible increased scrutiny of banks aiming at differentiating between loan applications.

Box 5

INTEGRATED EURO AREA ACCOUNTS FOR THE FOURTH QUARTER OF 2011¹

The integrated euro area accounts released on 30 April 2012, covering data up to the fourth quarter of 2011, offer comprehensive information on the income, spending, financing and portfolio decisions of institutional sectors in the euro area. In the fourth quarter of 2011, the economic weakening interrupted the progressive sectoral rebalancing of financial deficits/surpluses observed during the phase of economic recovery: the gradual increase in net borrowing by non-financial corporations (NFCs) levelled off, as destocking moderated capital formation; the household saving ratio rebounded somewhat from levels near pre-crisis lows, depressing consumption; and the strong reduction in government deficits came to a standstill. At the same time, the euro area current and capital account deficit turned into a surplus (seasonally adjusted). In the quarter under review, households' net wealth declined year on year for the first time in two years, while NFCs resumed their reduction of leverage.

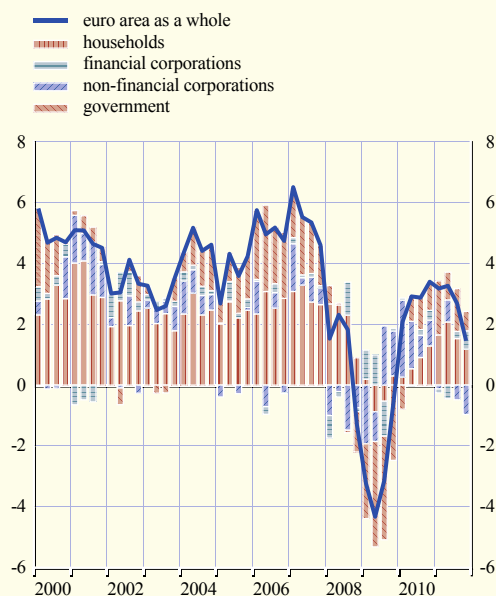
Euro area income and net lending/net borrowing

Annual growth in euro area nominal gross disposable income halved abruptly to 1.5% in the fourth quarter of 2011, reflecting the downturn in economic activity (see Chart A).

As euro area income nonetheless still expanded faster than total consumption (which includes low government consumption growth), euro area gross saving continued growing in the fourth quarter of 2011, albeit at a slower pace. Households increased their saving in the fourth quarter, while governments again reduced their dissaving, although at a slower pace than in previous quarters. Retained earnings of NFCs fell markedly in the fourth quarter (by -9.7% year on year), whereas those of financial corporations increased. Growth in fixed capital formation edged down again to 1.8% in the fourth quarter of 2011, mostly as a result of slower corporate investment

Chart A Gross disposable income in the euro area – contribution by sector

(annual percentage changes; percentage point contributions)



Sources: Eurostat and ECB.

¹ Detailed data can be found on the ECB's website at <http://sdw.ecb.europa.eu/browse.do?node=2019181>

(by both NFCs and financial corporations) and government investment continued to contract. In addition, the slowdown in restocking that has been observed since mid-2011 accelerated in the fourth quarter, turning into a mild destocking, with inventories contributing -0.4 percentage point to the annual growth rate of nominal GDP in the fourth quarter of 2011 after 0.2 percentage point in the third quarter.² As a result, gross capital formation abruptly decelerated and posted a slight annual decline in the fourth quarter (-0.2% year on year).

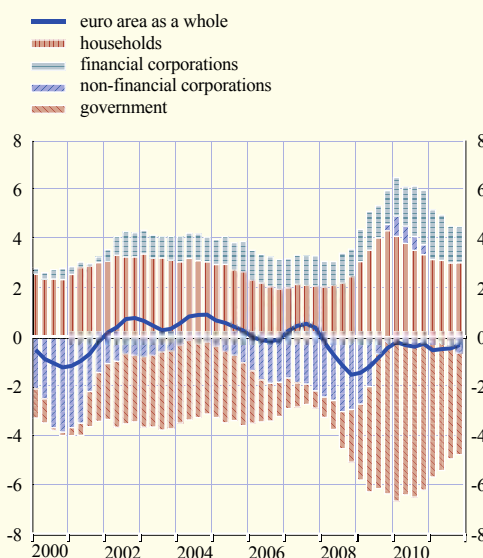
With growth in total saving stronger than that in total investment, the net lending/net borrowing of the euro area improved again, and switched to a surplus (while remaining in deficit at 0.3% of GDP on a four-quarter sum basis), reflecting a shift from a deficit to a surplus in the current account in the fourth quarter of 2011, on a seasonally adjusted basis. This development is largely due to improved net trade. From a sectoral viewpoint, it mostly reflects increased net lending of households and a limited reduction in government deficit. NFCs stabilised their net lending, as a decrease in capital formation compensated for a decline in savings (see Chart B). On the financing side, cross-border transactions stalled, with a decline in interbank deposits and a sell-off by non-residents of debt securities issued by residents in the fourth quarter, in a context of returning investors' home bias.

Behaviour of institutional sectors

Households' nominal income growth fell again (to 1.8% year on year) in the fourth quarter of 2011 owing to slower growth in the compensation of employees, in gross operating surplus and mixed income, as well as in net property income, despite a lesser fiscal drag (household income originating from income streams with government: net social transfers and tax payments). Given high commodity-driven inflation, household income declined significantly in real terms for the second successive quarter, to -0.6% year on year (Chart C). Private consumption dropped even more, as households increased their savings, in reaction to renewed uncertainty, fiscal retrenchment, adverse employment prospects in some countries, falling stock markets and weaker house prices. As a result, their saving ratio, on a seasonally adjusted basis, rebounded somewhat to 13.7% (Chart D). Given subdued capital investment, households increased their net lending, which they used to repay debt, as the growth rate of household financing continued to edge down. Financial asset accumulation slowed further, with portfolio shifts away from intermediated products (deposits, insurance technical reserves) and equity, in favour of debt securities notably issued by financial institutions in some countries under stress. Household net wealth fell year on year, for the first time in two years,

Chart B Net lending/net borrowing of the euro area

(percentages of GDP; four-quarter moving sums)

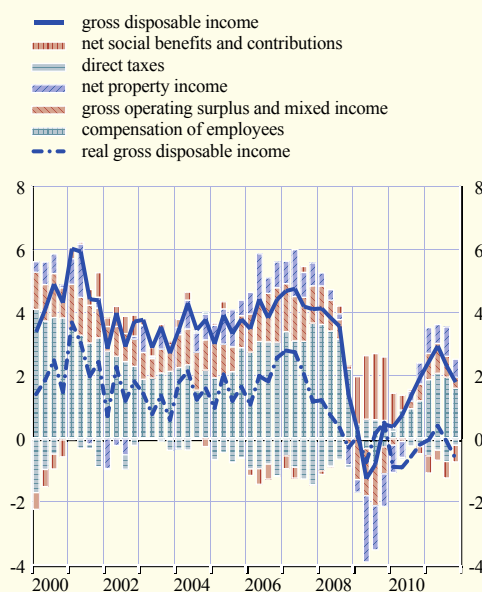


Sources: Eurostat and ECB.

² See the box entitled "Stockbuilding – theoretical considerations and recent developments" in this issue of the Monthly Bulletin.

Chart C Households' nominal gross disposable income

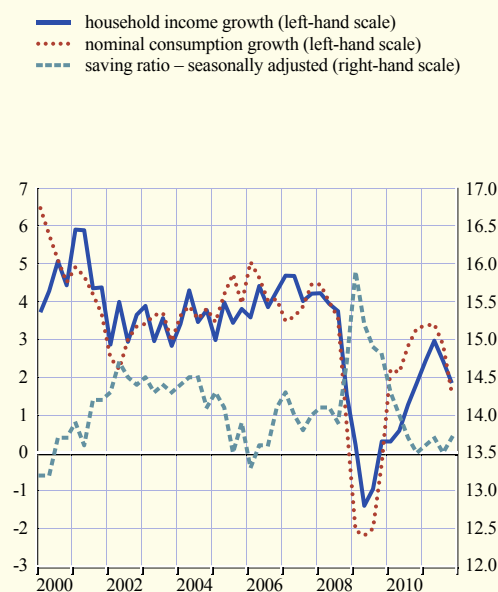
(annual percentage changes; percentage point contributions)



Sources: Eurostat and ECB.

Chart D Households' income, consumption and saving ratio

(annual percentage changes; percentage of gross disposable income, four-quarter moving sum)



Sources: Eurostat and ECB.

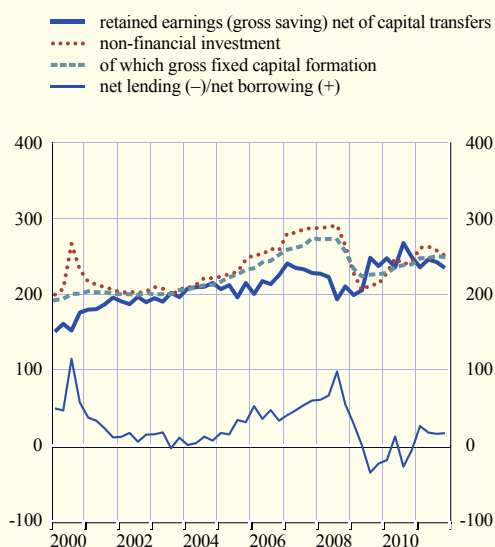
as holding losses on assets exceeded net saving, while the leverage ratio (i.e. debt-to-assets ratio) of households remained at record levels (14.5%).

The gross operating surplus of *NFCs* slowed again markedly in the fourth quarter of 2011, to a standstill on an annual basis, as value added decelerated more abruptly than wages. With *NFCs* also stepping up net dividends paid and with higher corporate taxes, their savings (i.e. retained earnings) fell markedly from high levels, by 9.7% year on year. However, *NFCs*' net borrowing remained broadly stable in recent quarters, as capital expenditure slowed markedly too, on the back of slower fixed capital formation growth and a significant switch from restocking to destocking (Chart E). Consolidated *NFC* financing remained resilient, with market funding again compensating for weakness in bank loans, particularly short-term loans, in a context of destocking. *NFCs* continued to add to their ample liquidity buffers (at €2.7 trillion). At the same time, intra-sector lending (trade credits and loans granted by other *NFCs*, together constituting 40% of *NFC* unconsolidated debt) accelerated, once again providing a buffer to re-emerging bank financing constraints (Chart F). The gradual reduction in *NFC* leverage observed since mid-2009 resumed in the fourth quarter, after a brief interruption.

In the fourth quarter of 2011, the fairly rapid reduction in *government* deficits, seasonally adjusted, observed since the first quarter of 2010, came to a standstill (although, on a four-quarter sum basis, it still fell to 4.1% of GDP in the fourth quarter, from 4.6% in the third quarter and a peak of 6.7% in the first quarter of 2010). This was mostly due to slowing government revenue (VAT, direct taxes on households and on financial corporations) reflecting the impact of automatic stabilisers in a weakening economy. Year-on-year growth in total expenditure remained subdued at close to 1% (in nominal terms, excluding capital transfers), reflecting the

Chart E Non-financial corporations' saving, capital investment and net lending/net borrowing

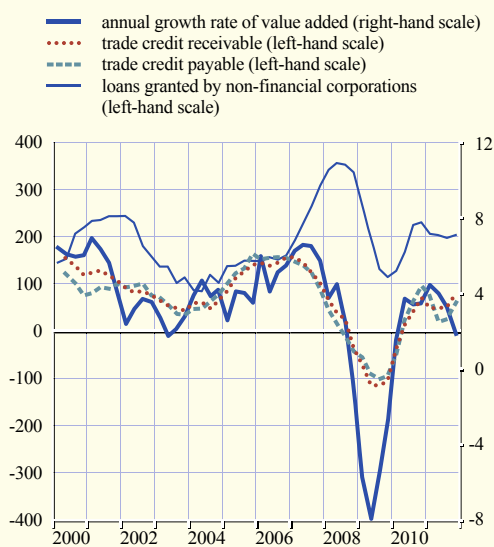
(EUR billions, seasonally adjusted)



Sources: Eurostat and ECB.
Note: Seasonal adjustment by the ECB.

Chart F Loans granted by non-financial corporations and their trade credit receivable and payable

(four-quarter moving sums in EUR billions; annual percentage changes)



Sources: Eurostat and ECB.
Note: Trade credit receivable and payable are estimated by the ECB, on the basis of partial information.

impact of sustained and sizeable consolidation measures (e.g. close to zero annual growth in the compensation of employees), despite significant increases in interest paid (more than 10% year on year). Governments continued robust debt issuance and banks and non-residents offloaded some of their holdings, in part related to the Securities Markets Programme of the Eurosystem, whereas the non-financial sectors and other financial institutions were net purchasers of government debt securities.

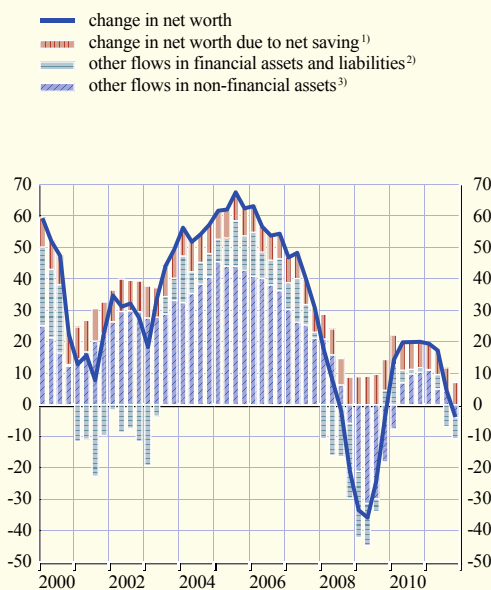
The disposable income of *financial corporations* increased as a result of strong net dividends earned and of continued growth in value added plus net interest earned. Despite sizeable net retained earnings (€35 to 40 billion per quarter), equity issuance, and a reversal of previous holding losses on equity, financial corporations' net assets at market value (a euro area accounts' measure of capital) decreased, owing to holding losses on debt securities held and on liabilities (debt securities issued and insurance technical reserves, both recorded at market value). Net assets also remained significantly above the very low market valuation of financial corporations' equity. Losses on debt securities issued by sovereigns under stress were partly compensated by gains on other debt securities held and on assets denominated in foreign currency. In a context of deleveraging pressures, additions to financial corporations' balance sheets, on a consolidated basis, remained subdued, while banks disposed of interbank deposits in the fourth quarter of 2011.

Balance sheet dynamics

In the fourth quarter of 2011, the net worth of households fell year on year, for the first time in two years, by the equivalent of 4.0% of income (after increasing by 4.7% of income in the

Chart G Change in the net worth of households

(four-quarter moving sums; percentages of gross disposable income)



Sources: Eurostat and ECB.

Notes: Data on non-financial assets are estimates by the ECB.

1) This item comprises net saving, net capital transfers received and the discrepancy between the non-financial and the financial accounts.

2) Mainly holding gains and losses on shares and other equity.

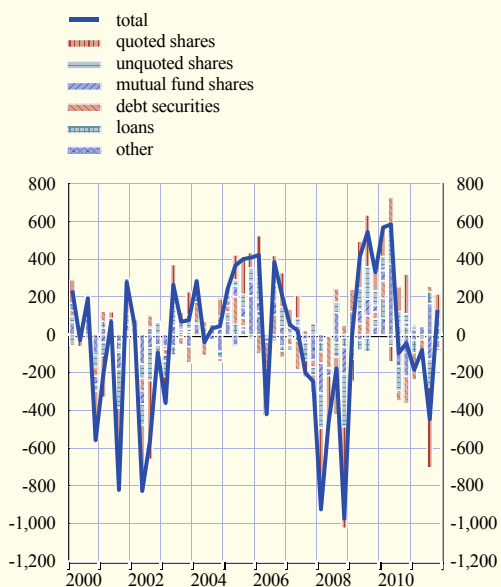
3) Mainly holding gains and losses on real estate and land.

third quarter and by 20.1% in the fourth quarter of 2010). The positive influence of net saving (7.2% of income) was more than offset by holding losses borne by households (11.2% of income), once again on their financial assets portfolio, and, in the quarter under review, on their non-financial assets (mostly housing) (see Chart E).

Financial corporations recovered a significant part of the large holding losses made on their portfolios in previous quarters, largely on equity assets held (quoted shares, unquoted shares as well as mutual funds, notably invested in equity). Holding gains (and other effects, such as reclassification) on instruments primarily stemming from the appreciation of assets denominated in foreign currency (deposits, loans and debt securities held) were broadly offset by losses on debt securities (all recorded at market value in the euro area accounts) due to a strong increase in government bond yields.

Chart H Holding gains and losses on financial corporations' assets

(quarterly flows; EUR billions)



Sources: Eurostat and ECB.

Note: Total refers to "other economic flows", which mainly relate to (realised or unrealised) holding gains and losses (including loan write-offs).

3 PRICES AND COSTS

According to Eurostat's flash estimate, euro area annual HICP inflation was 2.6% in April 2012, after 2.7% in the previous four months. Inflation is likely to stay above 2% in 2012, mainly owing to increases in energy prices, as well as to rises in indirect taxes. On the basis of current futures prices for commodities, annual inflation should fall below 2% again in early 2013. In this context, particular attention will be paid to any signs of pass-through from higher energy prices to wages, profits and general price-setting. However, looking ahead, in an environment of modest growth in the euro area and well-anchored long-term inflation expectations, underlying price pressures should remain limited. Risks to the outlook for HICP inflation rates in the coming years are still seen to be broadly balanced.

3.1 CONSUMER PRICES

According to Eurostat's flash estimate, headline HICP inflation was 2.6% in April 2012, after 2.7% in the previous four months (see Table 5). Higher oil prices and excise taxes on fuel in some countries, as well as the effects of the past depreciation of the euro, continue to push up energy prices, thereby broadly offsetting the negative base effects stemming from the energy component.

In March 2012, the last month for which an official breakdown is available, overall inflation remained unchanged, as the lower annual rates of increase in the energy and processed food components were offset by a higher rate of increase in the non-energy industrial goods component. There was no change in the rate of increase in the unprocessed food and services components.

Looking at the main components of the HICP in more detail, energy inflation fell to 8.5% in March, from 9.5% in February. This decline was the result of a strong downward base effect, which more than offset a month-on-month increase in energy prices of 1.6%. In particular, the annual rates of increase in the prices of liquid fuels and fuels and lubricants for personal transport equipment declined in March, while those in the prices of gas and electricity remained broadly unchanged.

The annual rate of change in unprocessed food prices stood at 2.2% in March, unchanged from the previous month, while that in the prices of processed food declined to 3.9%, having stood at 4.1%

Table 5 Price developments

(annual percentage changes, unless otherwise indicated)

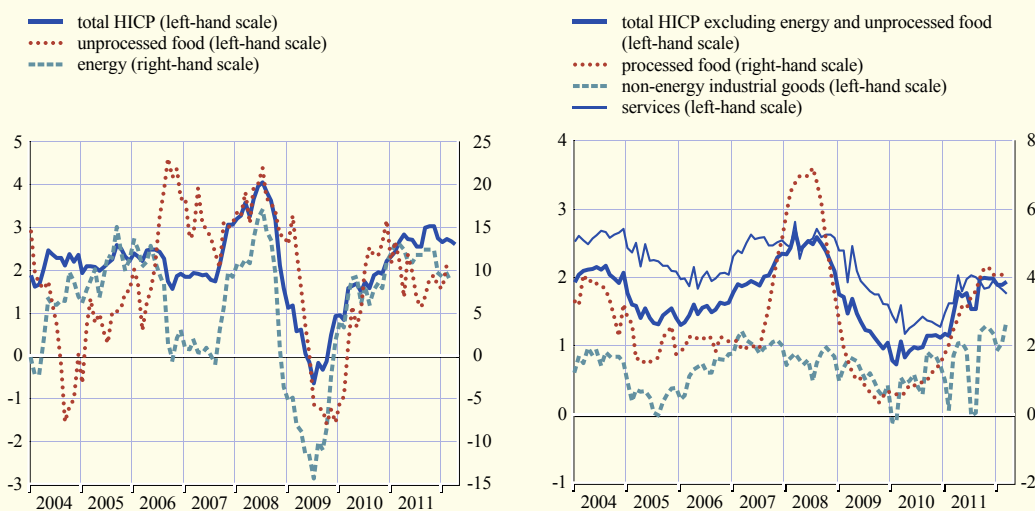
	2010	2011	2011 Nov.	2011 Dec.	2012 Jan.	2012 Feb.	2012 Mar.	2012 Apr.
HICP and its components								
Overall index ¹⁾	1.6	2.7	3.0	2.7	2.7	2.7	2.7	2.6
Energy	7.4	11.9	12.3	9.7	9.2	9.5	8.5	.
Unprocessed food	1.3	1.8	1.9	1.6	1.6	2.2	2.2	.
Processed food	0.9	3.3	4.3	4.1	4.1	4.1	3.9	.
Non-energy industrial goods	0.5	0.8	1.3	1.2	0.9	1.0	1.4	.
Services	1.4	1.8	1.9	1.9	1.9	1.8	1.8	.
Other price indicators								
Industrial producer prices	2.9	5.9	5.4	4.3	3.8	3.6	.	.
Oil prices (EUR per barrel)	60.7	79.7	81.4	81.7	86.2	89.7	94.2	91.4
Non-energy commodity prices	44.6	12.2	-1.9	-6.7	-4.6	-7.5	-5.4	-3.9

Sources: Eurostat, ECB and ECB calculations based on Thomson Reuters data.

1) HICP inflation in April 2012 refers to Eurostat's flash estimate.

Chart 22 Breakdown of HICP inflation main components

(annual percentage changes; monthly data)



Source: Eurostat.

for the previous three months. This decline reflected, in particular, lower annual rates of change in bread and cereals, and in milk, cheese and eggs, as tobacco prices increased at a higher rate.

Excluding all food and energy items, which represent around 30% of the HICP basket, annual HICP inflation increased slightly, to 1.6%, in March 2012. HICP inflation excluding food and energy, which is determined predominantly by domestic factors, such as wages, profit mark-ups and indirect taxes, consists of two main components: non-energy industrial goods and services.

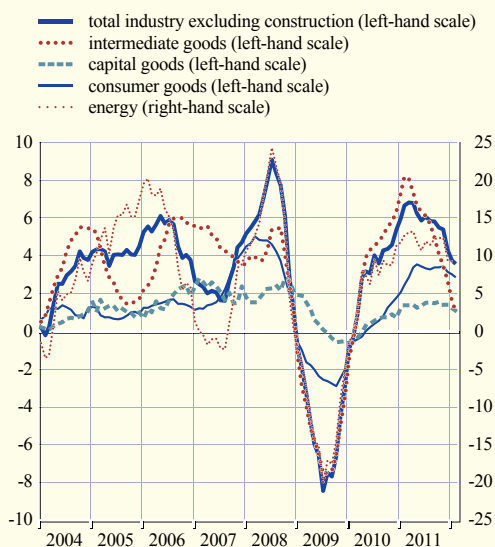
The annual rate of change in non-energy industrial goods prices rose from 1.0% in February, to 1.4% in March, owing mainly to a higher rate of increase in prices for garments, following the end of the winter sales. However, services inflation remained stable at 1.8%, as the declines in the annual rates of change in recreation and personal services, as well as miscellaneous services, were counterbalanced by higher annual rates of change in communication and transport services.

3.2 INDUSTRIAL PRODUCER PRICES

Since the publication of the April 2012 issue of the Monthly Bulletin, there have been no new data on industrial producer prices for the euro area as a whole. The available country data suggest that euro area producer prices (excluding construction) will have fallen further in March 2012. In February industrial producer price inflation declined to 3.6%, from 3.8% in January. The annual rate of change in producer prices (excluding construction and energy) declined to 1.7% in February, from 2.0% in January. At the later stages of the production chain, the annual rate of change in consumer food prices declined to 3.7% in February, from 3.9% in the previous month. The annual rate of change in the non-food component, which tends to lead the non-energy industrial goods component of the HICP, also declined in February, to 1.3%, from historically elevated levels at the end of 2011. This decline, together with easing import price inflation, signals that short-term pipeline pressures for underlying consumer price inflation are moderating.

Chart 23 Breakdown of industrial producer prices

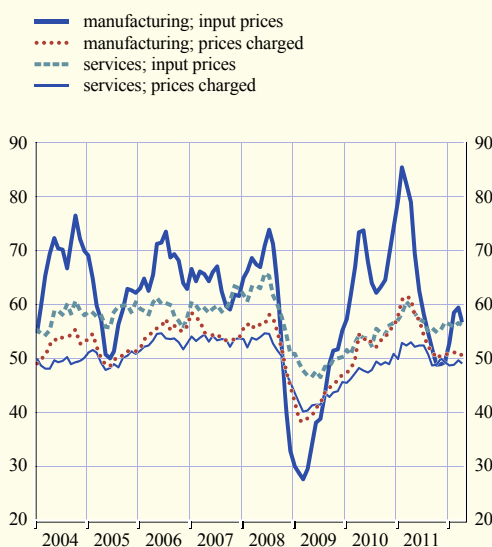
(annual percentage changes; monthly data)



Sources: Eurostat and ECB calculations.

Chart 24 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.

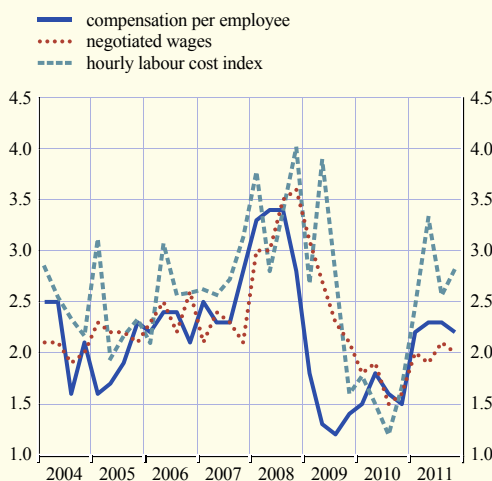
Turning to the Purchasing Managers' Index, input prices and output prices fell slightly in April as a result of weak demand. In the manufacturing sector, despite the recent rise in commodity prices, the input price index decreased from 57.5 in March to 56.2 in April, marking its first decline since October 2011. The output price index decreased further from 50.1 to 49.5 over the same period. Both input prices and output prices are currently marginally below their long-run averages. As regards selling price expectations, the overall index of the European Commission survey also declined slightly. This supports the view that, while price pressures at the end of the production chain are easing, they are re-emerging at the earlier stages of the chain, spurred in particular by the recent increases in oil prices.

3.3 LABOUR COST INDICATORS

Until the summer of 2011 labour cost indicators in the euro area increased gradually, in line with the concurrent improvements in labour market conditions (see Chart 25 and Table 6). Later in the year, wage growth developments showed some signs of stabilisation.

Chart 25 Selected labour cost indicators

(annual percentage changes; quarterly data)



Sources: Eurostat, national data and ECB calculations.

Table 6 Labour cost indicators

(annual percentage changes, unless otherwise indicated)

	2010	2011	2010 Q4	2011 Q1	2011 Q2	2011 Q3	2011 Q4
Negotiated wages	1.7	2.0	1.6	2.0	1.9	2.1	2.0
Hourly labour cost index	1.5	2.8	1.7	2.5	3.3	2.6	2.8
Compensation per employee	1.6	2.3	1.5	2.2	2.3	2.3	2.2
<i>Memo items:</i>							
Labour productivity	2.4	1.3	2.0	2.2	1.3	1.1	0.9
Unit labour costs	-0.8	0.9	-0.5	0.0	1.1	1.2	1.3

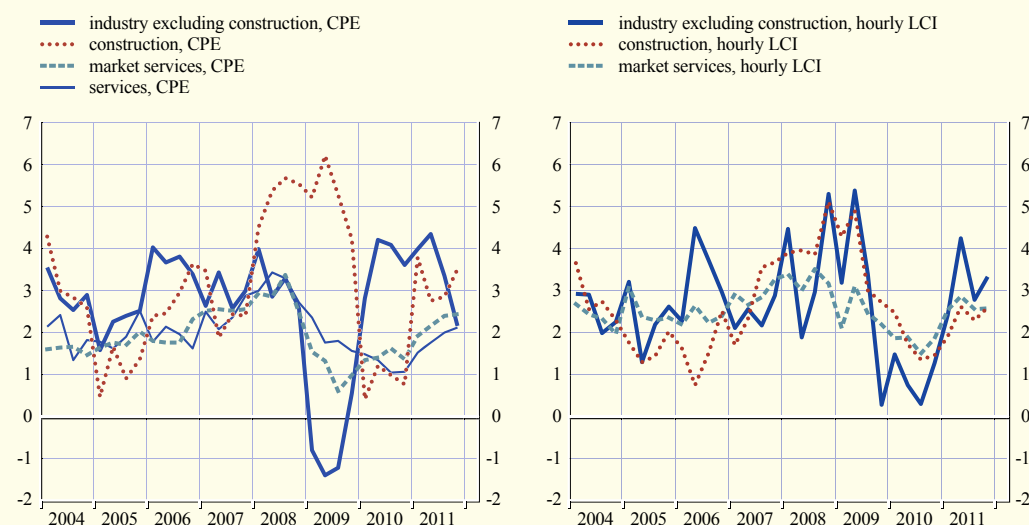
Sources: Eurostat, national data and ECB calculations.

Preliminary information on euro area negotiated wages in February confirms the view that wage developments in the euro area are likely to be more moderate in 2012 than in 2011. Hourly labour costs in the euro area increased slightly in the fourth quarter of 2011, mainly reflecting developments in the industrial sector and the construction sector. Non-wage costs continued to grow at a faster rate than the wages and salaries component of euro area hourly labour costs.

Other wage indicators, such as growth in compensation per employee, stabilised towards the end of 2011, at a somewhat higher level than in 2010. In line with these developments, growth in unit labour costs returned to positive territory in 2011, mainly as a result of labour productivity rising at a significantly slower pace than compensation per employee. Looking ahead, the latest surveys point to a further slowdown in productivity in the coming quarters, which could drive up growth in unit labour costs further. In the medium term labour cost pressures are likely to remain contained, given the rather weak outlook for growth and the continued slack in the labour market.

Chart 26 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.

3.4 EURO AREA RESIDENTIAL PROPERTY PRICES

Residential property prices in the euro area decreased by 0.2% year on year in the fourth quarter of 2011, after having increased by around 1% in the second and the third quarter. A more detailed analysis of the recent developments in house prices is presented in Box 6.

Box 6

RECENT HOUSE PRICE DEVELOPMENTS IN THE EURO AREA

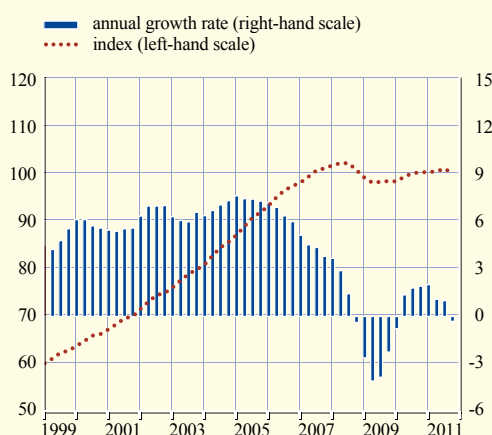
Residential property prices in the euro area decreased by 0.2% year on year in the fourth quarter of 2011, after having increased by around 1% in the second and the third quarter (see the chart).¹ The latest data confirm that growth in house prices has continued to weaken, having staged a recovery between the third quarter of 2009 and the first quarter of 2011. On average in 2011 residential property prices in the euro area rose by 1.0%, down slightly from 1.1% in 2010.

The substantial misalignment of house prices with fundamentals that built up in a number of countries before the crisis continues to weigh on house price dynamics. The renewed weakening in euro area house price growth also reflects the confluence of different factors that are impacting on housing markets more generally. Bank lending rates are at low levels but, at the same time, banks' credit standards tightened in the second half of 2011. Furthermore, unemployment, and thus the uncertainty surrounding households' income and the affordability of housing, increased again towards the end of 2011. At the same time, the tensions in some segments of financial markets in the euro area may have bolstered demand for real assets in some parts of the euro area, reflecting the uncertainty surrounding the return prospects of financial assets.

The latest developments in euro area house prices continue to mask very different patterns across countries (see the table). For example, in the course of 2011 the annual rate of growth in house prices in France fell considerably, from 7.0% in the first quarter to 3.9% in the fourth quarter. It also moderated sharply in Finland, to stand at 1.0% in the fourth quarter. In some countries, such as Ireland, Spain and the Netherlands, the annual growth rates were negative at the start of 2011 and had moved even deeper into negative territory by the end of the year. In Ireland and Spain, the negative annual growth rates reached double digits in the fourth quarter of 2011, while

Euro area residential property prices (nominal)

(index: 2007 = 100; year-on-year percentage changes)



Sources: National data and ECB calculations.

Note: See footnote 1 in the text for details on the compilation of the nominal index.

¹ Since 2010 the ECB has compiled its residential property price indicator for the euro area at a quarterly frequency. For Italy, quarterly figures are derived from biannual observations (by using, inter alia, quarterly indicators). For further details, see the box entitled "Recent housing market developments in the euro area", *Monthly Bulletin*, ECB, December 2010.

Residential property prices (nominal) in the euro area

(annual percentage changes)

	Weight (%)	2010	2011	2010		2011		2010				2011			
				H1	H2	H1	H2	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Belgium ¹⁾	3.8	5.4	3.1	4.9	5.9	3.3	-	3.8	5.9	5.9	5.9	3.1	3.5	3.9	2.1
Germany ²⁾	26.7	0.5	2.6	-0.4	1.5	2.7	2.5	-1.5	0.7	1.4	1.5	3.1	2.3	2.7	2.3
Estonia ³⁾	0.2	0.1	9.9	-4.5	5.1	6.4	13.4	-8.1	-0.6	6.2	4.0	2.2	10.7	14.4	12.4
Ireland ²⁾	1.8	-13.1	-13.2	-14.9	-11.2	-11.8	-14.7	-16.6	-13.0	-11.3	-11.0	-11.1	-12.4	-13.5	-15.8
Greece ³⁾	2.6	-4.7	-5.1	-3.2	-6.1	-5.1	-5.1	-1.8	-4.7	-5.2	-7.0	-5.4	-4.9	-4.3	-5.9
Spain ²⁾	11.7	-2.0	-7.4	-1.9	-2.0	-5.5	-9.3	-2.9	-0.9	-2.2	-1.9	-4.1	-6.8	-7.4	-11.2
France ¹⁾	21.3	5.1	6.0	3.2	7.0	7.0	5.0	1.2	5.3	6.5	7.6	7.0	7.1	6.2	3.9
Italy ²⁾	17.0	0.1	0.7	-0.2	0.4	0.9	0.5	-	-	-	-	-	-	-	-
Cyprus ²⁾	0.2	-2.5	-	-0.5	-4.3	-4.9	-	0.0	-1.1	-2.5	-6.2	-5.0	-4.8	-5.5	-
Luxembourg ³⁾	0.4	4.5	-	3.5	5.4	4.0	-	2.6	4.4	5.7	5.1	2.4	5.7	1.9	-
Malta ²⁾	0.1	1.1	1.3	2.4	-0.2	-1.3	-	4.5	0.5	1.5	-2.0	-2.6	0.0	1.8	6.2
Netherlands ¹⁾	6.4	-2.0	-2.3	-3.2	-0.8	-1.6	-3.0	-4.3	-2.0	-0.6	-1.0	-1.2	-1.9	-2.7	-3.4
Austria ²⁾	3.1	5.7	4.1	5.5	5.9	2.6	5.6	5.7	5.3	5.0	6.8	3.9	1.4	5.7	5.5
Portugal ²⁾	1.9	1.8	-0.2	1.4	2.2	0.4	-0.8	1.3	1.6	2.9	1.6	0.6	0.2	-0.8	-0.8
Slovenia ²⁾	0.4	0.1	2.7	-0.3	0.6	3.7	1.7	-1.6	1.0	1.4	-0.2	4.1	3.2	2.1	1.4
Slovakia ¹⁾	0.7	-3.9	-3.1	-6.0	-1.7	-2.7	-3.5	-8.3	-3.7	-1.3	-2.1	-2.5	-2.8	-4.3	-2.7
Finland ¹⁾	1.9	8.7	2.8	10.9	6.6	3.6	1.9	11.4	10.3	8.0	5.2	4.1	3.2	2.7	1.0
Euro area	100	1.1	1.0	0.3	1.9	1.6	0.4	-0.8	1.4	1.8	1.9	2.0	1.1	1.0	-0.2

Sources: National data and ECB calculations.

Notes: Weights are based on 2009 nominal GDP. The quarterly data for the euro area aggregate include estimated quarterly data for Italy obtained using supplementary quarterly information.

1) Existing dwellings (i.e. houses and flats); whole country.

2) All dwellings (i.e. new and existing houses and flats); whole country.

3) All flats; whole country.

the Netherlands witnessed a negative annual growth rate of 3.4%. In other countries, house price growth over 2011 was more volatile, as in the case of Estonia, where it gained momentum before moderating slightly at the end of the year. In Germany, the annual rate of growth in house prices hovered between 3.1% at the start of the year and 2.3% at the end of the year. However, overall it was clearly higher than in 2010.

All in all, in view of the still prevailing adjustment needs in some countries, developments in house prices in the euro area as a whole are likely to remain subdued for some time to come.

3.5 THE OUTLOOK FOR INFLATION

Inflation is likely to stay above 2% in 2012, mainly owing to increases in energy prices, as well as to rises in indirect taxes. On the basis of current futures prices for commodities, annual inflation rates should fall below 2% again in early 2013. In an environment of modest growth in the euro area and well-anchored long-term inflation expectations, underlying price pressures should remain limited.

The latest ECB Survey of Professional Forecasters (see Box 7) shows that, compared with the previous survey round, respondents' outlook for inflation in 2012 and 2013 has been revised upwards, with average inflation expectations standing at 2.3% for 2012 and 1.8% for 2013. These forecasts are well within the ranges reported in the March 2012 ECB staff macroeconomic projections for the euro area. Longer-term inflation expectations (for 2016) remain unchanged at 2.0%.

Risks to the outlook for HICP inflation rates in the coming years are still seen to be broadly balanced. Upside risks pertain to higher than expected commodity prices and indirect tax increases, while downside risks relate to weaker than expected developments in economic activity.

Box 7

RESULTS OF THE ECB SURVEY OF PROFESSIONAL FORECASTERS FOR THE SECOND QUARTER OF 2012

This box reports the results of the ECB Survey of Professional Forecasters (SPF) for the second quarter of 2012. The survey was conducted between 17 and 19 April 2012 and received 56 responses.¹ The results imply an upward revision to inflation expectations for 2012 and 2013 compared with the previous survey round, while real GDP growth expectations have been revised down slightly for both years. As regards longer-term inflation expectations (for 2016), the average point forecast remained unchanged at 2.0%.

Shorter-term inflation expectations revised upwards for 2012 and 2013

The SPF inflation expectations for 2012 and 2013 stand at 2.3% and 1.8% respectively (see the table). This implies an upward revision of 0.4 percentage point for 2012 and 0.1 percentage point for 2013. Respondents attributed this revision mainly to upward movements in energy prices since the previous survey round, but also to higher than expected indirect taxes and administered prices in some countries.

1 The survey collects information on expectations for euro area inflation, real GDP growth and unemployment from experts affiliated with financial or non-financial institutions that are based in the EU. Data are available on the ECB's website at www.ecb.europa.eu/stats/prices/indic/forecast/html/index.en.html

Results of the SPF, ECB staff macroeconomic projections, Consensus Economics and the Euro Zone Barometer

(annual percentage changes, unless otherwise indicated)

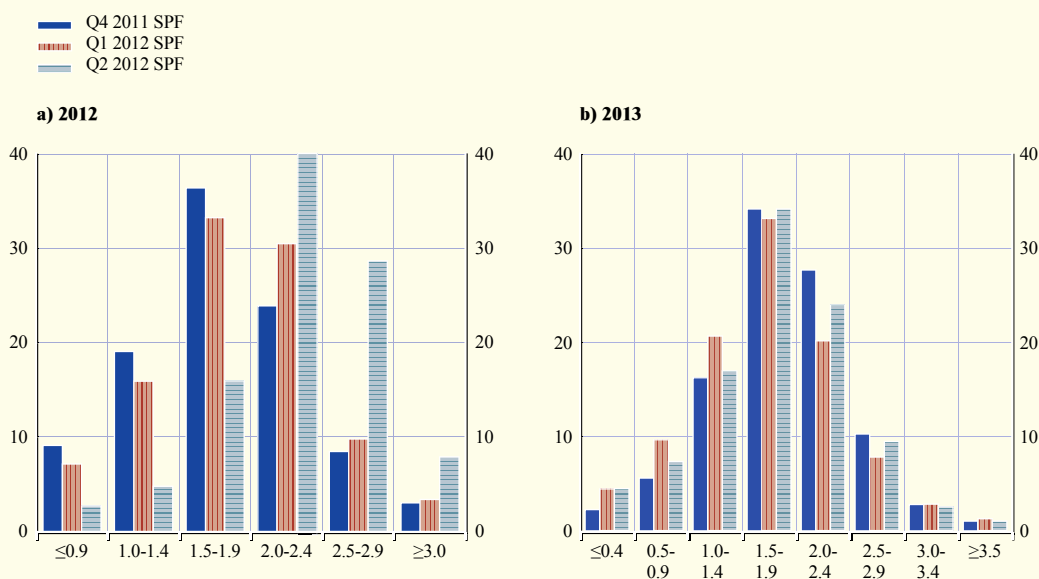
	Survey horizon		
HICP inflation	2012	2013	Longer-term ²⁾
SPF Q2 2012	2.3	1.8	2.0
Previous SPF (Q1 2012)	1.9	1.7	2.0
ECB staff macroeconomic projections (March 2012)	2.1-2.7	0.9-2.3	-
Consensus Economics (April 2012)	2.3	1.7	2.0
Euro Zone Barometer (April 2012)	2.3	1.8	2.1
Real GDP growth	2012	2013	Longer-term ²⁾
SPF Q2 2012	-0.2	1.0	1.8
Previous SPF (Q1 2012)	-0.1	1.1	1.8
ECB staff macroeconomic projections (March 2012)	-0.5-0.3	0.0-2.2	-
Consensus Economics (April 2012)	-0.4	0.9	1.7
Euro Zone Barometer (April 2012)	-0.3	0.9	1.8
Unemployment rate ¹⁾	2012	2013	Longer-term ²⁾
SPF Q2 2012	11.0	10.9	8.9
Previous SPF (Q1 2012)	10.6	10.6	8.8
Consensus Economics (April 2012)	10.9	11.0	-
Euro Zone Barometer (April 2012)	10.9	11.0	9.9

1) As a percentage of the labour force.

2) Longer-term expectations refer to 2016 in the SPF, Consensus Economics and the Euro Zone Barometer.

Chart A Aggregated probability distribution of average annual inflation expectations for 2012 and 2013 in the latest SPF rounds

(probability in percentages)



Source: ECB.

Note: The aggregated probability distribution corresponds to the average of individual probability distributions provided by SPF forecasters.

The SPF inflation expectations for 2012 and 2013 are well within the ranges reported in the March 2012 ECB staff macroeconomic projections and mirror those published in the Euro Zone Barometer and Consensus Economics surveys in April. The aggregate probability distribution has shifted towards higher outcomes compared with the previous survey round (see Chart A). At 40%, the highest probability is now attached to an inflation outcome in 2012 of between 2.0% and 2.4%, while the probability assigned to inflation being between 2.5% and 2.9% is 29%. For 2013, the highest probability (34%) is still allocated to the interval between 1.5% and 1.9%, but the second highest probability (24%) is now assigned to the interval between 2.0% and 2.4%. Taken together, the probability assigned to inflation being at 2% or above increased from 44% to 77% for 2012 and from 32% to 37% for 2013.

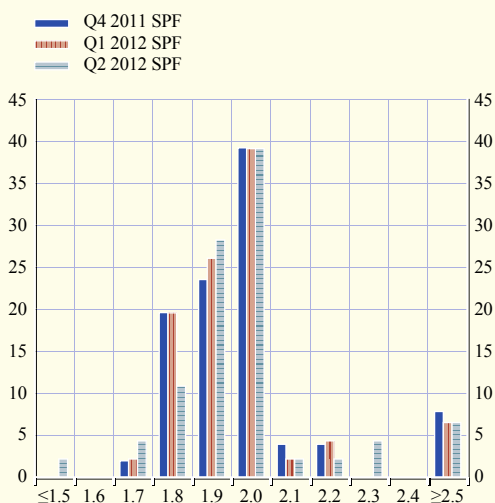
Some respondents mentioned higher energy and commodity prices, as well as further increases in indirect taxes and administered prices, as upward risks to their baseline inflation forecasts. According to the respondents' qualitative comments, the main downside risks to their inflation forecasts derive from a weaker than expected economic outlook.

Longer-term inflation expectations unchanged at 2.0%

The average point forecast for longer-term inflation remains at 2.0% for 2016. At two decimal places, expectations stand on average at 1.99%, up from 1.98% in the previous survey round. The median and the mode of the point forecasts are also unchanged at 2.0%, and the share of respondents providing a point forecast of 2.0% is stable at 39% (see Chart B). The SPF longer-term inflation expectations are broadly in line with the longer-term forecasts published in the April 2012 issues of Consensus Economics and the Euro Zone Barometer (both for 2016).

Chart B Cross-sectional distribution of longer-term (five years ahead) inflation point forecasts

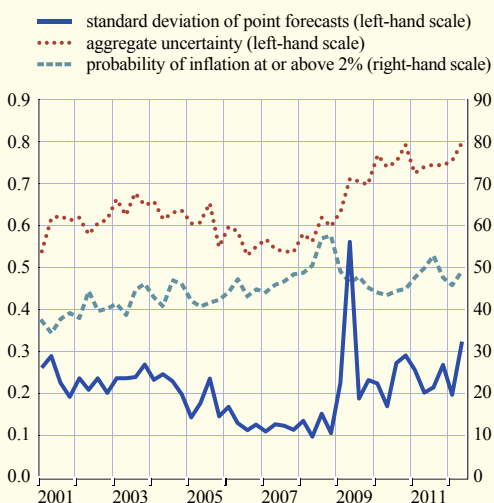
(percentage of respondents)



Source: ECB.

Chart C Disagreement and uncertainty about longer-term inflation expectations

(percentage points; percentages)



Source: ECB.

Note: Aggregate uncertainty is defined as the standard deviation of the aggregate probability distribution (assuming discrete probability density function with probability mass concentrated in the middle of the interval).

The aggregate probability distribution has shifted somewhat to higher outcomes compared with the previous survey round, with the probability of inflation being at or above 2.0% increasing from 46% to 49%.

Disagreement about longer-term inflation expectations, as measured by the standard deviation of the point forecasts, increased to 0.3 percentage point (from 0.2 percentage point in the previous survey round). Aggregate uncertainty surrounding longer-term inflation expectations, as measured by the standard deviation of the aggregate probability distribution, has risen slightly further, reaching its highest level on record (see Chart C).²

Real GDP growth expectations revised down marginally for 2012 and 2013

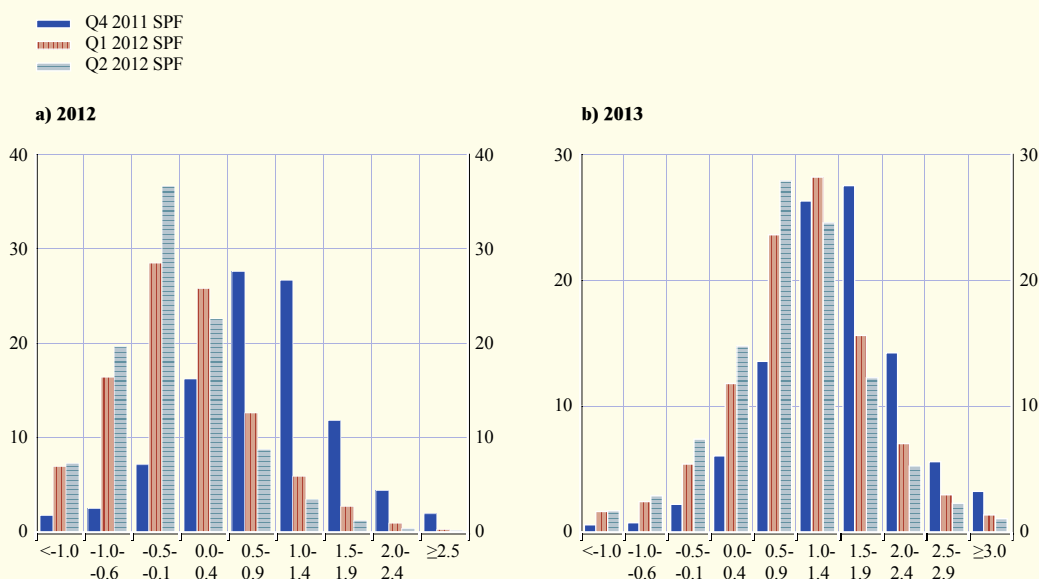
Real GDP growth expectations have been revised down marginally (by 0.1 percentage point for both horizons) and now stand at -0.2% for 2012 and 1.0% for 2013. These expectations are within the ranges reported in the March 2012 ECB staff macroeconomic projections and are slightly higher than the forecasts published in the April 2012 issues of Consensus Economics and the Euro Zone Barometer.

According to the SPF respondents, one of the main reasons for the small further downward revision is the implementation of additional fiscal consolidation measures in some euro area countries. Some respondents also mentioned the deleveraging of the private sector and a higher than expected unemployment rate. However, these factors were partially offset by an improved outlook for the global economy that should have a positive effect on euro area exports.

² For a discussion regarding measures of uncertainty, see the box entitled "Measuring perceptions of macroeconomic uncertainty", *Monthly Bulletin*, ECB, January 2010.

Chart D Aggregated probability distribution of GDP growth expectations for 2012 and 2013 in the latest SPF rounds

(probability in percentages)



Source: ECB.

Note: The aggregated probability distribution corresponds to the average of individual probability distributions provided by SPF forecasters.

The aggregate probability distributions for 2012 and 2013 have shifted towards lower outcomes, in particular for 2012, with respondents now assigning the highest probability (37%) to the interval between -0.5% and -0.1%, compared with 29% in the previous survey round.

The risks to the growth outlook for 2012 and 2013 are still assessed to be tilted to the downside. An escalation of the sovereign debt crisis and a potential negative feedback loop between fiscal consolidation and growth, together with further oil price increases and weaker growth in emerging market economies, are considered to be the main downside risks.

Longer-term growth expectations (for 2016) stand at 1.8%, unchanged from the previous survey round. The aggregate probability distribution has shifted somewhat to the upside compared with the previous round, with the highest probability (27%) still assigned to outcomes in the interval between 1.5% and 1.9%.

Expectations for the unemployment rate revised upwards for 2012 and 2013

Unemployment rate expectations stand at 11.0% for 2012 and at 10.9% for 2013, revised upwards by 0.4 percentage point for 2012 and by 0.3 percentage point for 2013. Part of this upward revision is likely to reflect the fact that the latest unemployment data available at the time of the previous survey round (November 2011) have meanwhile been revised upwards by 0.2 percentage point. Respondents attributed the upward revision to unemployment rate expectations mostly to the slowdown in economic activity. The expectations for 2012 and 2013 are broadly in line with the latest Consensus Economics and Euro Zone Barometer forecasts.

With regard to the risk assessment surrounding the expectations, the persistence of the crisis, especially in southern Europe, is deemed by respondents to be the main upside risk to this outlook, while the downside risks appear to be mostly associated with the further implementation and success of already implemented structural reforms in a number of countries. Longer-term unemployment rate expectations (for 2016) have increased to 8.9%.

Other variables and conditioning assumptions

According to other information provided by respondents, the assumptions for oil prices, the EUR/USD exchange rate and the ECB's main refinancing rate have been revised upwards. Oil prices are now expected to stand at around USD 119 per barrel during 2012 and to decrease slightly in 2013. The EUR/USD exchange rate is expected to stand at around 1.30 in 2012, appreciating slightly at the end of the year. The ECB's main refinancing rate is expected to average 0.9% in 2012 and stand at 1.0% in 2013. Finally, the assumptions for average annual growth in compensation per employee remained unchanged at around 2.1% for 2012 and 2013.

4 OUTPUT, DEMAND AND THE LABOUR MARKET

Real GDP contracted, quarter on quarter, by 0.3% in the euro area in the fourth quarter of 2011. Available indicators for the first quarter of 2012 remain consistent with a stabilisation in economic activity at a low level. Latest signals from euro area survey data highlight prevailing uncertainty. At the same time, there are indications that the global recovery is proceeding. Looking beyond the short term, the euro area economy is still expected to recover gradually in the course of the year, supported by foreign demand, the very low short-term interest rates in the euro area, and all the measures taken to foster the proper functioning of the euro area economy. However, remaining tensions in some euro area sovereign debt markets and their impact on credit conditions, as well as the process of balance sheet adjustment in the financial and non-financial sectors and high unemployment, are expected to continue to dampen the underlying growth momentum. This economic outlook continues to be subject to downside risks.

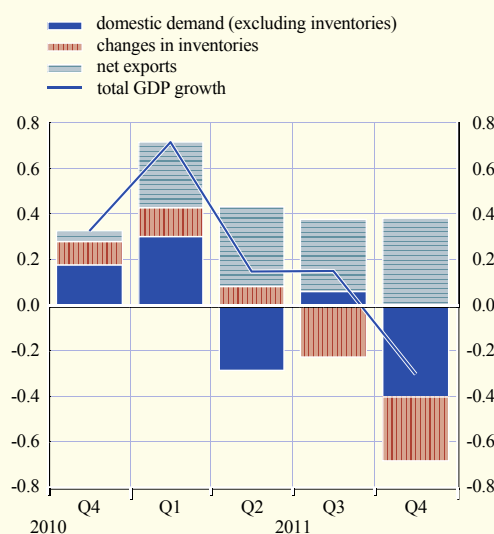
4.1 REAL GDP AND DEMAND COMPONENTS

Real GDP growth in the euro area contracted, quarter on quarter, by 0.3% in the fourth quarter of 2011, following growth of 0.1% in the two previous quarters (see Chart 27). Negative contributions from domestic demand and changes in inventories more than offset developments in net trade, which continued to provide a positive impetus to euro area output growth. Box 8 reviews the most recent developments in inventories and their influence in shaping the business cycle.

Following an increase of 0.2% in the third quarter, private consumption growth turned negative again in the fourth quarter, contracting by 0.5%. This decline seems to be explained by the consumption of retail goods and services. By contrast, car registrations increased between the third and fourth quarters, thereby indicating a positive contribution to consumer spending from car purchases.

Chart 27 Real GDP growth and contributions

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



Sources: Eurostat and ECB calculations.

Box 8

STOCKBUILDING – THEORETICAL CONSIDERATIONS AND RECENT DEVELOPMENTS

Inventories are an important factor in business cycle fluctuations and played a major role during the financial crisis following the collapse of Lehman Brothers in 2008.¹ This box reviews the mechanisms by which inventories have an impact on economic activity, outlines recent developments in inventories and considers the implications for the current economic situation.

¹ See the box entitled “Recent developments in stock building”, *Monthly Bulletin*, ECB, May 2009.

Inventories and the business cycle

Inventory adjustments are a means to smooth production in the face of volatile demand. Therefore, they would be expected to rise when demand is weak – and vice versa. However, the empirical macroeconomic evidence suggests that inventory adjustments appear to accentuate both economic downturns and the subsequent recoveries. At the beginning of a downturn, involuntary stockbuilding occurs, as expected, as demand falls faster than production can be adjusted. However, this is followed by a process of destocking, as companies seek to reduce inventory levels through production cuts, which depresses the economy further during the downturn. Once the pace of destocking slows, inventories make a positive contribution to GDP growth, thereby supporting the overall economic recovery.

It is important to note that it is not the quarterly change in inventories that impacts on quarterly GDP growth, but the change in the pace of the change (whether there is an acceleration or deceleration). This is because it is the change in the stock of inventories that enters the GDP level “identity”, i.e. production that is not sold in the same accounting period increases inventories in that period. A positive contribution of inventories to growth therefore does not require actual stockbuilding to take place, but can occur if the pace of destocking merely slows down. This is often the case during a recovery just after the trough, when the pace of destocking is often at its highest.

Data issues

Inventories are difficult to track and measure, and hard data on them are prone to revisions. They are particularly difficult to track in the EU, because there is no equivalent to the important monthly sales and inventory indicators released by the US Department of Commerce, which are widely commented on and are central to analyses of inventory developments in the US. By contrast, in the EU, national accounts data are used for analysing inventories. They have the advantage of having full coverage, in principle, but caution is needed when interpreting changes in inventories on that basis, because they are the least reliable component of the expenditure breakdown of GDP. Owing to the frequent lack of actual or reliable source data on inventories at quarterly frequency, changes in inventories often play a prominent role in the balancing process of national accounts and thus contain a large residual component. Moreover, data on inventory developments are often substantially revised.² A further difficulty is that Eurostat does not release data on changes in inventories in volume terms (chain-linked), but only contributions of inventories to growth (or changes in inventories in value terms).³ For these reasons, the short-term assessment of inventory developments relies extensively on survey evidence.

Short-term indicators for inventory developments

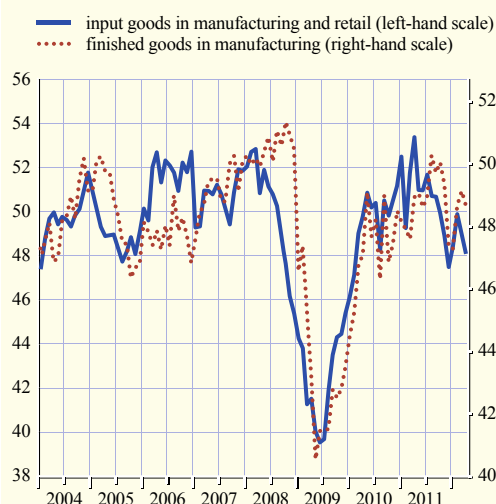
Survey data may be used for analysing cyclical movements in inventories. For instance, Chart A shows the change in inventories from the Purchasing Managers’ Index (PMI). The indices are

² See the box entitled “The reliability of estimates of euro area GDP growth and its components”, *Monthly Bulletin*, ECB, June 2006.

³ It is important to note that the change in inventories in value terms excludes holding gains and losses on inventories. It thus differs from the change in the value of inventories, which includes them. Whereas the accounting identity that links GDP and its demand components holds in value terms as well as in constant price volume terms, it does not hold in chain-linked volume terms (but does hold for chain-linked contributions to growth). Thus, unless the statistical office releases an estimate (as in the US, Japan and the UK), chain-linked changes in inventories are difficult, if not impossible, to compile.

Chart A Changes in inventories according to the euro area PMI

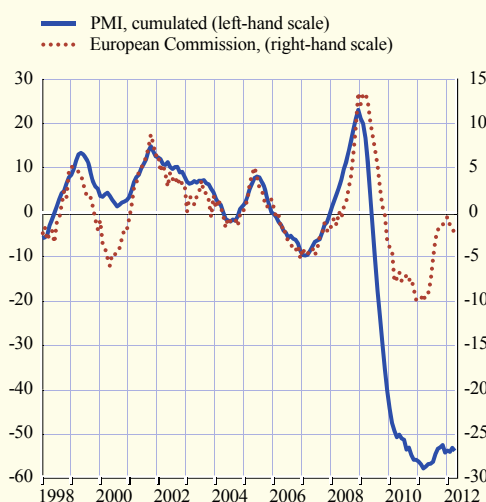
(diffusion indices; monthly data)



Sources: Markit and ECB calculations.
Note: Simple average of input inventories in manufacturing and retail inventories.

Chart B Level of inventories of finished goods in the manufacturing sector in the euro area

(survey net balances; monthly data)



Sources: Markit, European Commission and ECB calculations.
Notes: Based on the European Commission's de-meaned series over the period 1997-2008 and the cumulated de-meaned euro area PMI indices, further detrended and matched with the aforementioned European Commission's series.

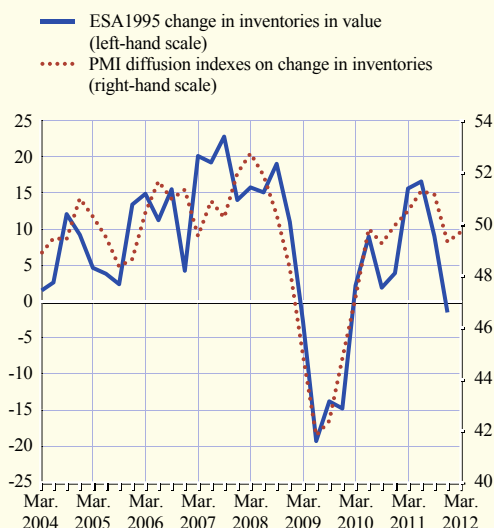
constructed such that, in principle, a value above 50 indicates a build-up of stocks and a value below 50 is consistent with destocking.

As can be seen in Chart A, the PMI indices point to significant differences in the evolution of inventories of finished goods in the manufacturing sector (which adjust later) and of inventories of inputs and of retail inventories (which adjust earlier). Firms can more easily adjust inventories of inputs, e.g. by delaying or cancelling orders/deliveries, whereas adjusting the inventories of finished goods requires adjustments to production, which are much more costly and take more time. At the time of the collapse of Lehman Brothers, for example, destocking of manufacturing inputs and retail inventories started as early as September 2008 and subsequently gathered pace. By contrast, the build-up of stocks of finished goods appears to have continued (and even slightly accelerated) until mid-December 2008. This suggests that the voluntary destocking of manufacturing inputs and retail inventories contributed to an involuntary increase in finished goods inventories, with producers appearing unable to cut production fast enough to prevent the ratio of finished goods inventories in the manufacturing sector to sales from rising above desired levels. An "inventory shock" thus leads first to a change in the composition of inventories, before having an impact on the overall level of inventories.

Other surveys provide information on the level of inventories rather than the change. This is the case for the European Commission's business surveys. Chart B shows that according to these surveys, levels of inventories of finished goods in manufacturing were assessed as having risen sharply relative to "normal" in the course of 2008, which is consistent with the PMI evidence of an accumulation of such stocks in 2008. It also points to the

**Chart C Changes in euro area inventories,
as derived from the national accounts
and the PMI**

(diffusion indices; EUR billion)

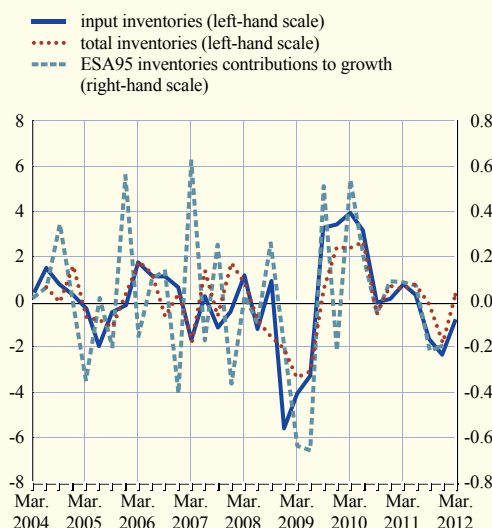


Sources: Markit, Eurostat and ECB calculations.

Note: National accounts: changes of inventories, in value. PMI: average of input and finished goods inventories in manufacturing and retail inventories.

**Chart D Contributions of inventories to
euro area GDP growth as derived from the
national accounts and the PMI**

(point changes in diffusion indices; percentage points of GDP)



Sources: Markit, Eurostat and ECB calculations.

Note: National accounts: contributions in chain-linked volumes. PMI: changes in indices (in points). See Chart C.

involuntary character of this inventory build-up, as the level assessment was above its average. By contrast, stocks continued to be assessed as persistently higher than “normal” in early 2009, which may appear to contradict the evidence of pronounced destocking from the PMI. However, the apparent difference between the two series may in fact indicate that the voluntary destocking in finished goods shown by the PMI was simply deemed insufficient, with firms reducing their inventory targets in parallel to the reduction in their inventory levels.

The leading properties of some of these short-term indicators for developments in quarterly national accounts data on inventories are illustrated in Charts C and D. Chart C plots quarterly changes, seasonally adjusted, in euro area inventories according to national accounts data (in value terms) against the headline PMI. Chart D shows the contribution of inventories to GDP growth, in chain-linked volume terms, against the change in the PMI. The charts suggest that movements in inventories measured according to national accounts data and PMI survey data are broadly consistent.

Surveys relating to inventories are thus helpful when analysing economic developments, particularly because of their timeliness and reliability compared with the national accounts data. The expenditure breakdown of GDP is only available after 60 days and, unlike survey data, the data on contributions of inventories to GDP growth are subject to significant revisions.

Tentative analysis of inventory developments in 2011-12

According to recent evidence on movements in inventories, after a phase of restocking, the deteriorating outlook and tightening in financing conditions triggered, in mid-2011, a reversal

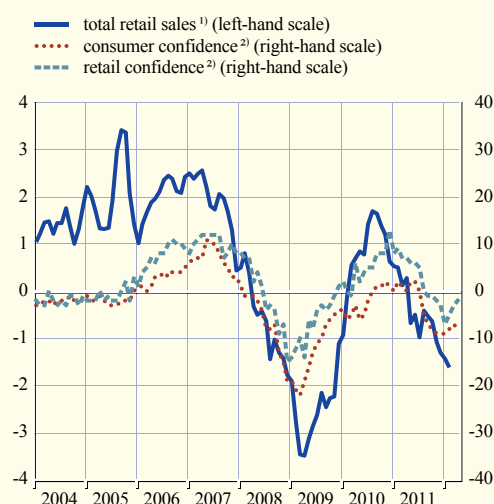
in the inventory cycle, with changes in inventories making negative contributions to real GDP growth in the third and fourth quarters. This was similar to developments in late 2008. However, against a background of fairly low levels of inventories (see Chart B) and of moderate destocking reported in national accounts in the last quarter of 2011 (see Chart C), the likelihood of a pronounced destocking weighing on GDP growth in early 2012, as was seen in early 2009, appears very limited. Furthermore, since January 2012, PMI surveys have pointed to a less rapid destocking, and thus to potentially less negative or more positive contributions of inventories to growth than previously expected (see Chart D).

As regards the first quarter of 2012, information on private consumption reveals persistently weak developments in household spending. The volume of retail sales displayed flat growth in February and stood in the first two months of the first quarter some 0.2% above its average level in the last quarter of 2011. This would represent an improvement compared with the previous quarter, when retail sales declined by 1.1%. At the same time, although new passenger car registrations rose in both February and March of this year, they still declined sharply, quarter on quarter, by 7.9% in the first quarter. This contrasts with the last quarter of 2011 when registrations were up by 1.3%. Retail sector survey data also point to a protracted weakness in consumption of retail goods in the first quarter as well as in April 2012 (see Chart 28). On average, the Purchasing Managers' Index (PMI) for retail trade remained unchanged at 46.7 in the first quarter of 2012, thus remaining below the theoretical expansion/contraction threshold of 50, thereby pointing to continued sluggish sales. The index dropped to 41.3 in April, which is the lowest reading since the end of 2008. Moreover, following three months of improvement, euro area consumer confidence declined in April. The index, which appears to have broadly stabilised following the sharp decline during the latter half of 2011, is still recorded below its long-term average, thus signalling further slow dynamics in consumer spending. Similarly, the indicator for major purchases also remains at a level well below its long-term average.

Gross fixed capital formation declined by 0.5%, quarter on quarter, in the fourth quarter of 2011, following declines of 0.2% in the previous two quarters. With regard to the breakdown of investment in the fourth quarter, construction investment declined by 0.4%, quarter on quarter, while non-construction investment contracted by 0.5%. Looking ahead, industrial production of capital goods (an indicator of future non-construction investment) rose by 0.7% in February, following a decline of 0.4% in January. Nonetheless, the average level of capital goods production in these two months stood 0.7% below that of the fourth quarter, when production declined, quarter on quarter, by 1.5%. Survey results for the non-construction industrial sector, from both the

Chart 28 Retail sales and confidence in the retail trade and household sectors

(monthly data)



Sources: European Commission Business and Consumer Surveys and Eurostat.

1) Annual percentage changes; three-month moving averages; working day-adjusted; including fuel.
2) Percentage balances; seasonally and mean-adjusted.

PMI and the European Commission, show, on balance, some limited improvement in investment activity in the first quarter of 2012 compared with the last quarter of 2011. At the same time, the Commission surveys indicate that capacity utilisation remained broadly stable in the three-month period up to April 2012, at a level below its long-term average.

Construction investment is also likely to have remained weak in the first quarter. Euro area construction production declined by 7.0% month on month in February 2012, a development which was heavily influenced by adverse weather conditions in parts of the euro area. This contraction was consistent with the PMI for construction, which had already signalled a sharp fall. There are no signs yet of a recovery, as financing constraints and ongoing housing market adjustments in a number of euro area countries still weigh on construction investment. Surveys confirm the picture of such investment still being weak. For instance, the indicator on construction confidence published by the European Commission remains at levels below its historical average (data are available up to April 2012). At the same time, although the PMI for construction in the euro area recovered in March, it nonetheless remained at a level well below 50, pointing to further negative developments in the first quarter of 2012.

Turning to trade flows, imports and exports declined by 1.4% and 0.4% respectively in the fourth quarter of 2011, mainly owing to the decline of economic growth in the euro area and the global economy at the time. In the first two months of 2012, however, exports of goods gained momentum against the backdrop of strengthening foreign demand. Imports of goods also improved over this period in value terms, although available evidence suggests that this partly reflected increases in import prices. Survey data relating to euro area exports were also somewhat more upbeat at the start of the year, amid increasing signs of stabilisation in foreign demand. In the first quarter of 2012 the average level of the PMI for new export orders in the euro area manufacturing sector was clearly above the average of the previous quarter, although it was still below the theoretical expansion/contraction threshold of 50. More recently, however, the PMI for new export orders declined on a monthly basis in April, indicating downside risks to export growth in the short term. Broadly consistent with the prospects for economic activity in the euro area, the short-term outlook for imports is rather subdued.

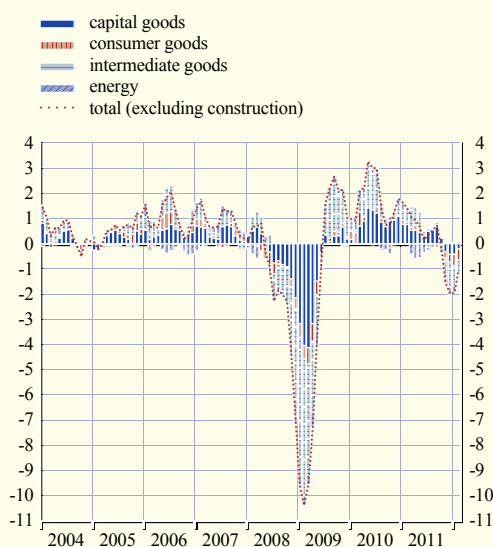
4.2 SECTORAL OUTPUT

Real value added declined by 0.2%, quarter on quarter, in the fourth quarter of 2011. Activity in industry (excluding construction) contracted by 1.7%, while value added in services and construction rose by 0.1% and 0.3% respectively.

With regard to developments in the first quarter of 2012, growth in industrial production (excluding construction) increased by 0.4% in February, following flat growth in the previous month. In January and February, production stood on average 0.6% below its level in the fourth quarter. This represents an improvement compared with developments in the fourth quarter, when production contracted, quarter on quarter, by 2.0% (see Chart 29). Meanwhile, euro area industrial new orders (excluding heavy transport equipment) declined further by 0.8%, month on month, in February, following a decline of 2.5% in January. Although more timely survey data confirm the picture of a continued weakness, they also point to some stabilisation in the first quarter of 2012 vis-à-vis the last quarter of 2011. For example, although the PMI manufacturing output index declined in the three-month period up to April, its average in the first quarter of 2012 was still higher than in the last quarter of 2011 (see Chart 30). At the same time, European Commission survey data indicate

Chart 29 Industrial production growth and contributions

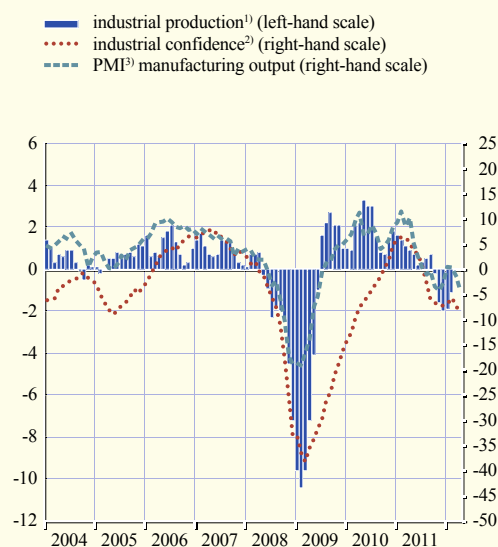
(growth rate and percentage point contributions; monthly data; seasonally adjusted)



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

Chart 30 Industrial production, industrial confidence and PMI manufacturing output

(monthly data; seasonally adjusted)



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

that weaker demand and a worsening of financial conditions had a negative impact on production in the three months to April 2012. The PMI services business activity index also improved in the first quarter of 2012 before declining in April. Other business surveys, such as those of the European Commission, are broadly in line with developments in the PMI. Box 9 presents an approach that aims at identifying cyclical signals from economic indicators. The main conclusion is that the increases in economic indicators in the euro area in the first quarter reflect a genuine cyclical improvement. However, the evidence for the second quarter is too limited to draw a conclusion. While most survey evidence for the euro area point to a deterioration in April, some national survey results offer a somewhat contrasting picture.

Box 9

IDENTIFYING CYCLICAL SIGNALS FROM EURO AREA ECONOMIC INDICATORS

For cyclical analysis in general and the assessment of the current economic situation in the euro area in particular, it can be very useful to try to distinguish whether a turnaround in one of the regularly monitored monthly economic indicators represents a genuine cyclical turning point or is simply “noise”. Filter techniques can be used to distinguish between cyclical and irregular movements of time series. The filtered results are, however, generally less reliable at

the end of the sample, i.e. for the part of the time series most relevant for an assessment of the current economic situation. An alternative way to tackle this issue, which avoids the end-point problem, is to base the distinction between a genuine cyclical movement and data volatility on past experience with the series. This can be done by applying the “Months for Cyclical Dominance” measure, which is based on a comparison of the average sizes of changes in the irregular and cyclical components of a series over different time spans in the past.¹ On the basis of this statistic it is possible to derive an indication of the length of time over which a change in a series needs to be observed in order to be relatively confident that it reflects a cyclical development and is not just noise. This box presents the Months for Cyclical Dominance measure and applies it to a range of indicators regularly used in the monitoring of economic activity in the euro area.

The Months for Cyclical Dominance approach

To derive the Months for Cyclical Dominance for an economic indicator, the seasonally adjusted series first has to be decomposed into estimates of its irregular, cyclical and, where applicable, trend components. This can be done using standard filter techniques. If changes in the trend component are approximately zero over shorter horizons, short-term changes in the time series can be attributed largely to changes in the irregular and cyclical components. In a second step, noise-to-signal ratios are calculated. These compare the average size of the short-term change in each of these two components for different time spans. As the size of the change in the cyclical component tends to increase with the time span, while the change in the irregular component remains about the same regardless of the time span, the noise-to-signal ratio declines when the time span increases. Once the change in the cyclical component exceeds that in the irregular component, the ratio falls below 1. The length of the time span at that point is the number of months required on average for the cyclical component to become dominant over the irregular component for that series, i.e. the Months for Cyclical Dominance. The Months for Cyclical Dominance hence indicates the minimum time span over which a change in a given series needs to be observed to be considered as cyclical. Generally, the noisier a series, the longer that time span.

However, while a value for the ratio below 1 indicates that an observed change in the series over this time span is more likely to reflect a cyclical development than noise, to be relatively confident that this is in fact the case, one might also consider choosing a time span corresponding to a noise-to-signal ratio somewhat further below 1. At a value of 0.95, for instance, changes in the irregular component over that horizon have been on average only 5% smaller than those in the cyclical component. The value for the noise-to-signal ratio should not be too low, however, as this delays the detection of cyclical changes.

Empirical results for economic indicators for the euro area

The Months for Cyclical Dominance approach was applied to a range of short-term economic activity indicators for the euro area. The indicators considered included “hard” data on production in the industrial and construction sectors and sub-sectors of the former. Survey data from the

¹ The Months for Cyclical Dominance measure goes back to Shiskin, J., “Electronic Computers and Business Indicators”, *Occasional Paper Series*, No 57, National Bureau of Economic Research, 1957. See e.g. also Shiskin, J., “How accurate?”, *The American Statistician*, Vol. 14, No 4, October 1960, pp. 15-17.

European Commission and Purchasing Managers' Index surveys on activity developments in the industrial, construction and services sectors as well as in the economy as a whole were also taken into account. The table shows the noise-to-signal ratios for the indicators for time spans of one to six months.² It also gives an indication of the minimum period over which a change must be observed in the different indicators to be relatively confidently classified as cyclical. To allow some safety margin when selecting the horizon empirically and reduce the likelihood of a false signal of a cyclical change being given, the threshold for the noise-to-signal ratio was set at below 0.8.

The table highlights the fact that there are large differences in the noise-to-signal ratios of the indicators considered and, hence, the number of months over which a change needs to be observed to be relatively confidently considered as cyclical. For the vast majority of the hard production data series the irregular component dominates over developments in the cyclical component even when changes over three months or more are taken into account. Even for the headline series on industrial production (excluding construction), developments need to be observed taking the above safety margin for the noise-to-signal ratio over at least five months before they can be relatively confidently assessed to represent cyclical movements. Developments in series such as construction and energy production need to be observed over an even longer time span. The best-performing indicator among the production data appears to be intermediate goods production, but even here a change must be observed over four months for a conclusion to be drawn. Moreover, taking the publication delays for production data into account (about one and a half months after the reference month), even for the series on intermediate

2 The empirical results were derived by applying the Baxter-King band pass filter.

Noise-to-signal ratios and selected number of months for economic activity indicators

Monthly indicator	Noise-to-signal ratios (number of months)						Selected number of months
	1	2	3	4	5	6	
Industrial production (excluding construction)	3.0	1.6	1.0	0.9	0.7	0.5	5
Intermediate goods production	2.0	1.2	0.8	0.6	0.5	0.4	4
Capital goods production	2.8	1.5	1.0	0.8	0.7	0.5	5
Durable consumer goods production	3.6	1.8	1.3	1.0	0.8	0.6	6
Non-durable consumer goods production	4.8	2.5	1.8	1.5	1.2	0.9	>6
Consumer goods production	3.0	1.8	1.4	1.1	0.9	0.7	6
Energy production	6.0	3.6	2.4	1.9	1.6	1.3	>6
Manufacturing production	2.2	1.2	0.8	0.7	0.5	0.4	4
Construction production	4.4	2.5	1.7	1.4	1.2	1.0	>6
EC industrial confidence	0.8	0.5	0.4	0.3	0.3	0.2	2
EC services confidence	1.9	1.1	0.8	0.7	0.5	0.4	4
EC construction confidence	2.6	1.6	1.0	0.7	0.6	0.4	4
EC economic sentiment indicator	0.9	0.6	0.4	0.3	0.3	0.2	2
PMI manufacturing total	1.0	0.8	0.6	0.5	0.4	0.3	3
PMI manufacturing output	1.3	0.9	0.7	0.5	0.4	0.4	3
PMI manufacturing new orders	1.3	1.0	0.7	0.6	0.4	0.4	3
PMI services business activity	1.6	1.1	0.9	0.6	0.5	0.4	4
PMI services new business	1.7	1.3	1.0	0.7	0.6	0.5	4
PMI construction output	2.1	1.4	1.1	0.8	0.7	0.5	5
PMI construction new orders	1.9	1.2	1.0	0.7	0.6	0.5	4
PMI composite output	1.3	1.0	0.8	0.6	0.5	0.4	4
PMI composite new business	1.4	1.1	0.8	0.7	0.5	0.4	4

Sources: Eurostat, European Commission, Markit and ECB calculations.

Note: EC stands for European Commission; PMI stands for Purchasing Managers' Index.

goods production a cyclical signal can be relatively confidently identified only almost half a year after the reference month, which is too late to be useful for analysis of the current economic situation.

Survey indicators show a better performance than hard data, but here, too, notable differences are visible between indicators. The best results are obtained for the European Commission's industrial confidence indicator, closely followed by its economic sentiment indicator. For these indicators, even changes observed over two months have a relatively high likelihood of being driven by the cycle. For industrial confidence, the irregular fluctuations over two months are already on average about 50% smaller than cyclical changes. Among the Purchasing Managers' Index surveys, the Purchasing Managers' Indices for manufacturing show the best results, with noise-to-signal ratios of 0.6 to 0.7 for three-month changes. The better performance of the surveys in terms of the Months for Cyclical Dominance together with their better timeliness (as they are released towards the end of the month in question or at the beginning of the following month) make these data the most useful in terms of timely information on cyclical developments (to the extent these are captured by the survey data).

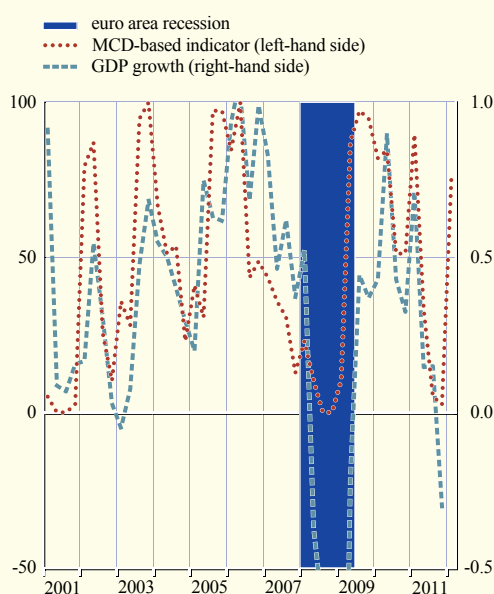
Signals for the cyclical situation in the euro area

A convenient way to summarise the cyclical signals from short-term indicators on the basis of their Months for Cyclical Dominance is to compute the fraction of those indicators that signal a cyclical improvement, i.e. the fraction of them that have improved over at least the time span considered reliable on the basis of the Months for Cyclical Dominance. This approach is illustrated in the chart using the signals given by the set of surveys discussed above. Hard data are not considered in this summary indicator given their delayed signals for cyclical changes.

The chart shows that the indicator seems to quite reliably detect changes in the underlying strength of GDP growth. It should be stressed, however, that the summary indicator should not be interpreted as providing quantitative estimates of the strength of growth. The changes in the indicator appear on average to slightly lead changes in the underlying strength of GDP growth. In addition, the information underlying the indicator is available earlier than the national accounts data for the same reference period. As regards the current situation, the indicator suggests a cyclical improvement for the first quarter of 2012. About 75% of the underlying series increased in the first quarter over at least the horizon considered as reliable on the basis of the Months for Cyclical Dominance.

Fraction of selected survey indicators pointing to a cyclical improvement

(percentages; quarterly rates of growth)



Sources: Eurostat, European Commission, Markit and ECB calculations.

Note: To improve the readability of the chart, the sharply negative quarterly growth rates of GDP during the recession are cut off. MCD stands for Months for Cyclical Dominance.

Overall, the Months for Cyclical Dominance approach appears to be a useful tool to distinguish cyclical from irregular developments in economic indicators and to help identify indicators that may provide early signals of a change in the cycle. While it puts a focus on indicators that have low noise-to-signal ratios and provide timely information on a turning point, the approach however does not take into account the strength of their relationship with GDP growth. In addition, the set of series included in the summary indicator used to illustrate the results and the applied weighting scheme are not directed towards deriving quantitative indications of the strength of growth. This notwithstanding, the summary indicator seems to track changes in the underlying growth momentum in the euro area quite well and at an early stage. As regards the current cyclical situation in the euro area, the results suggest that the increases in economic indicators in the first quarter are not just due to noise but are likely to reflect a genuine cyclical improvement, while the evidence for the second quarter is still too limited to draw a conclusion.

4.3 LABOUR MARKET

Euro area labour markets continue to weaken. Employment declined in the latter half of 2011 and the unemployment rate has been drifting upwards. Survey data anticipate further negative developments in the period ahead.

Employment declined by 0.2%, quarter on quarter, in both the third and fourth quarters of 2011, following positive growth in the first two quarters of the year (see Table 7). At the same time, hours worked declined by 0.4%, quarter on quarter, in the fourth quarter. At the sectoral level, on a quarter-on-quarter basis, the latest figures show that employment in construction declined sharply, while the declines in industry (excluding construction) and services were less pronounced.

Table 7 Employment growth

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

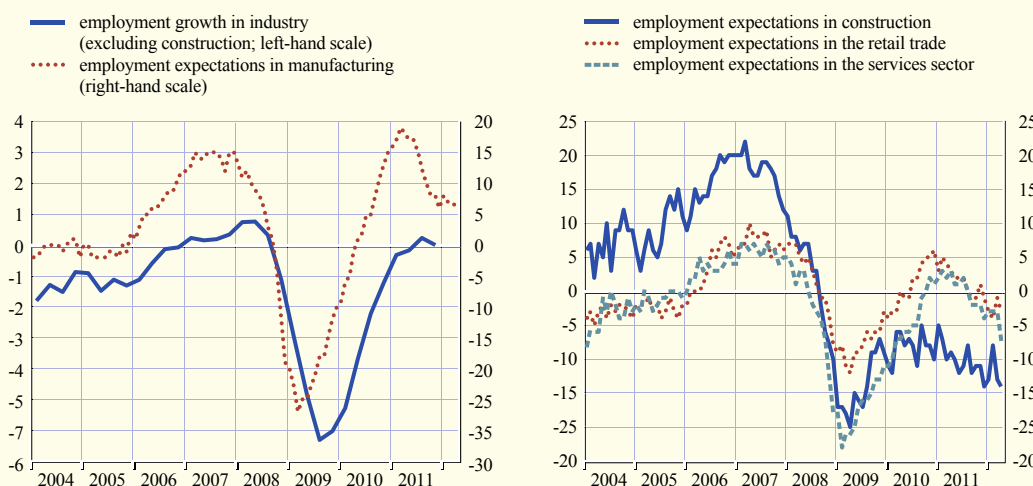
	Persons					Hours				
	Annual rates		Quarterly rates			Annual rates		Quarterly rates		
	2010	2011	2011 Q2	2011 Q3	2011 Q4	2010	2011	2011 Q2	2011 Q3	2011 Q4
Whole economy	-0.5	0.1	0.2	-0.2	-0.2	0.0	0.2	-0.3	0.2	-0.4
<i>of which:</i>										
Agriculture and fishing	-0.9	-2.6	0.4	-1.0	-0.8	-0.9	-1.9	-0.9	-1.2	-0.3
Industry	-3.3	-1.2	-0.2	-0.5	-0.7	-1.9	-0.8	-0.7	-0.1	-1.0
Excluding construction	-3.1	-0.1	0.0	0.1	-0.3	-0.8	0.6	-0.4	0.4	-0.2
Construction	-3.8	-3.8	-0.5	-1.6	-1.6	-3.9	-3.6	-1.3	-1.1	-2.6
Services	0.4	0.7	0.3	-0.1	-0.1	0.7	0.7	-0.1	0.3	-0.2
Trade and transport	-0.7	0.6	0.6	-0.1	-0.4	-0.3	0.4	0.2	0.5	-0.8
Information and communication	-1.1	1.6	0.5	-0.3	0.0	-0.8	1.4	-0.1	0.4	-0.7
Finance and insurance	-1.0	-0.2	-0.3	0.1	0.0	-0.6	0.2	-0.5	0.2	-0.3
Real estate activities	-0.4	2.6	-0.5	-0.5	2.2	0.6	2.1	-0.7	0.8	1.2
Professional services	2.0	2.6	0.9	-0.2	0.4	2.8	3.0	0.5	0.1	0.5
Public administration	1.0	0.1	-0.1	0.1	-0.1	1.1	0.1	-0.3	0.1	0.1
Other services ¹⁾	0.8	-0.2	-0.5	0.0	-0.1	0.6	-0.5	-1.3	1.0	-0.3

Sources: Eurostat and ECB calculations.

1) Also includes household services, the arts and activities of extraterritorial organisations.

Chart 31 Employment growth and employment expectations

(annual percentage changes; percentage balances; seasonally adjusted)

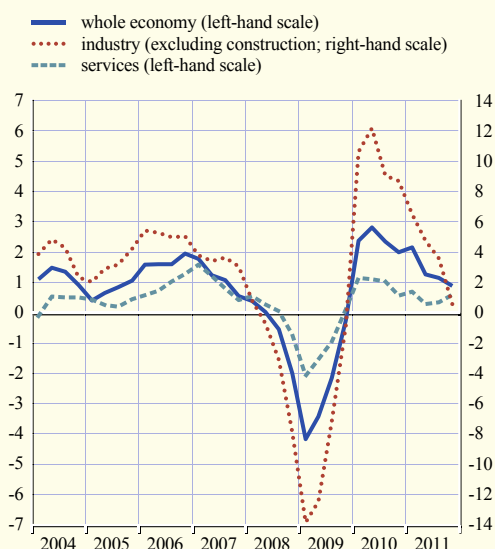


Sources: Eurostat and European Commission Business and Consumer Surveys.
Note: Percentage balances are mean-adjusted.

As annual growth in GDP dropped more in 2011 than employment growth, annual growth in labour productivity per person employed slowed to 0.9% in the fourth quarter, down from 2.2% in the first quarter of the year (see Chart 32). During the same period, annual growth in hourly labour productivity declined from 1.8% to 0.7%. As regards the first quarter of 2012, the latest developments in the PMI productivity index suggest broadly stable productivity growth.

Chart 32 Labour productivity per person employed

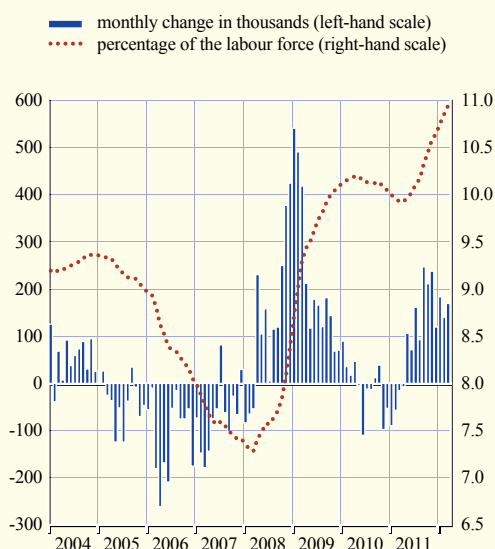
(annual percentage changes)



Sources: Eurostat and ECB calculations.

Chart 33 Unemployment

(monthly data; seasonally adjusted)



Source: Eurostat.

The unemployment rate is drifting upwards and stood at 10.9% in March (see Chart 33). This is an increase of 1.0 percentage point compared with April 2011, which is when the unemployment rate started to edge up again. Survey indicators point towards continued negative employment developments in both industry and services at the beginning of the second quarter of 2012 (see Chart 31). Moreover, the unemployment rate expected for 2012 and 2013 has been revised upwards in the latest Survey of Professional Forecasters (see Box 6 in Section 3). However, some of this revision is likely to reflect the fact that there have been upward revisions to the historical data.

4.4 THE OUTLOOK FOR ECONOMIC ACTIVITY

Available indicators for the first quarter of 2012 remain consistent with a stabilisation in economic activity at a low level. Latest signals from euro area survey data highlight prevailing uncertainty. At the same time, there are indications that the global recovery is proceeding. Looking beyond the short term, the euro area economy is still expected to recover gradually in the course of the year, supported by foreign demand, the very low short-term interest rates in the euro area, and all the measures taken to foster the proper functioning of the euro area economy. However, remaining tensions in some euro area sovereign debt markets and their impact on credit conditions, as well as the process of balance sheet adjustment in the financial and non-financial sectors and high unemployment, are expected to continue to dampen the underlying growth momentum.

This economic outlook continues to be subject to downside risks, relating in particular to an intensification of tensions in euro area debt markets and their potential spillover to the euro area real economy, as well as to further increases in commodity prices.

ARTICLES

A FISCAL COMPACT FOR A STRONGER ECONOMIC AND MONETARY UNION



This article reviews and assesses the key elements of the fiscal compact, which – as part of the new Treaty on Stability, Coordination and Governance in the Economic and Monetary Union – was signed by most EU Heads of State or Government on 2 March 2012. The United Kingdom and the Czech Republic abstained. The fiscal compact envisages the mandatory introduction of a balanced budget rule and an automatically triggered correction mechanism at the national level as well as a strengthening of the automaticity of the excessive deficit procedure within the Stability and Growth Pact in case a euro area country breaches the deficit criterion. Overall, the fiscal compact is a welcome step, since it addresses some of the remaining shortcomings of the reinforced EU fiscal governance framework which entered into force in December 2011. Nevertheless, national ownership, strict implementation and rigorous enforcement of the fiscal compact will be crucial. Looking ahead, ambitious further steps towards improving the EU fiscal framework will be necessary.

I INTRODUCTION

The build-up of severe macroeconomic, financial and fiscal imbalances within the euro area, and the following sovereign debt crisis in several euro area countries called for a decisive reinforcement of the EU economic governance framework, in particular for the euro area, to ensure the stability and smooth functioning of EMU. EU and euro area leaders reacted in several incremental stages, inter alia, by introducing the European Semester¹, undertaking additional policy commitments in the Euro Plus Pact², and implementing six legislative changes to strengthen the EU economic governance framework (commonly referred to as the “six-pack”, which entered into force in December 2011). The latter include the reform of both the preventive and corrective arms of the Stability and Growth Pact (SGP), the new minimum requirements for national budgetary frameworks, the new Macroeconomic Imbalance Procedure (MIP), and a stronger enforcement mechanism through new financial sanctions, under both the SGP and the MIP.³ Moreover, the European Commission proposed in November 2011 two additional regulations to further strengthen surveillance of euro area countries (the “two-pack”), which will soon enter the dialogue negotiations between the EU Council, the European Commission and the European Parliament and which are expected to be finalised in the course of 2012. The first

regulation is aimed in particular at giving new powers to the Commission to assess and, when necessary, request a revision of draft national budgetary plans as well as to ensure the correction of excessive deficits. The second regulation proposes new provisions allowing the Commission and the Council to step up the surveillance of the macroeconomic, financial and fiscal situation of euro area Member States experiencing or threatened with serious difficulties in terms of financial stability. The need for a reform of the governance framework has become more compelling in view of the mutating nature of the crisis – from a financial to a sovereign debt crisis.

Taken together, these legislative changes and policy decisions represent the most comprehensive set of governance reforms at the European level since the introduction of the single currency, leading to a substantial reinforcement of

1 The European Council agreed on 17 June 2010 to implement the European Semester as an instrument for the ex ante economic policy coordination from 1 January 2011. The European Semester comprises a timetable that applies to all elements of surveillance, including fiscal, macroeconomic and structural policies. The timing of the various surveillance processes is aligned to ensure consistency, while they remain legally and procedurally separate.

2 The Euro Plus Pact was agreed in March 2011 by the euro area Heads of State or Government and joined by Bulgaria, Denmark, Latvia, Lithuania, Poland, Romania to strengthen the economic pillar of EMU and to achieve a new quality of economic policy coordination, with the objective of improving competitiveness thereby leading to a higher degree of convergence.

3 See the article entitled “The reform of economic governance in the euro area – essential elements”, *Monthly Bulletin*, ECB, March 2011.

Table 1 Treaty on Stability, Coordination and Governance: overview of main provisions

TSCG	Key elements
Title III: Fiscal compact	<ul style="list-style-type: none"> • Balanced budget rule including an automatic correction mechanism to be implemented in national law • Strengthening of the excessive deficit procedure • Enshrines the numerical benchmark for debt reduction for Member States with government debt exceeding 60% of GDP • Ex ante reporting on public debt issuance plans
Title IV: Economic policy coordination and convergence (see Box 1)	<ul style="list-style-type: none"> • Commitment to take additional policy actions fostering a smooth functioning of EMU and economic growth through enhanced convergence and competitiveness • Ex ante discussion and, where appropriate, coordination of major economic policy reforms to benchmark best practices
Title V: Governance of the euro area (see Box 2)	<ul style="list-style-type: none"> • Organisation of Euro Summit meetings at least twice per year • Conference of representatives of relevant committees of both the national parliaments and the European Parliament on the issues covered by the TSCG
Source: ECB.	

the mutual surveillance framework. Nevertheless, concerns about the credibility of fiscal policies, the stability of the financial sector and the longer-term economic growth conditions in the euro area countries have remained, and market tensions in a number of countries continued against the background of high short-term refinancing needs. The fear of a spreading sovereign debt crisis, which could undermine the stability of the whole euro area, created the political willingness to support steps towards further strengthening the economic union to make it commensurate with monetary union.

To rise to this challenge, the euro area Heads of State or Government agreed on 26 October 2011 on a broad approach to address the sovereign debt crisis and to break the negative interaction with the stability of the financial sector.⁴ In addition, on 9 December 2011 they laid down the contours of a new fiscal compact and a stronger coordination of economic policies, inviting the other EU Member States to join them, while also strengthening the stabilisation tools of the euro area.⁵ On 2 March 2012, the Heads of State or Government of all EU Member States with the exception of the United Kingdom and the Czech Republic signed the Treaty on Stability, Coordination and Governance in the Economic and Monetary Union (TSCG), which includes the fiscal compact, a fostering of economic policy coordination and convergence as well as measures related to euro area

governance (for a summary of the main elements see Table 1). As two Member States were not willing to commit to the TSCG, it takes the form of an intergovernmental agreement among contracting parties, which will enter into force after twelve euro area countries have ratified it.⁶ However, the intention is to incorporate the substance of the TSCG into the EU Treaties within at most five years following its entry into force.⁷

This article offers a review of the TSCG, with the aim of assessing whether and how the fiscal compact can be expected to strengthen EU fiscal governance and national fiscal discipline. Moreover, the remaining key elements of the TSCG are presented in Boxes 1 and 2. Section 2 discusses why a stronger and stricter

4 See for details the Euro Summit statement of 26 October 2011, available on the European Council's website (<http://www.consilium.europa.eu>).

5 The statement by the euro area Heads of State or Government on 9 December 2011 also calls for a rapid examination and swift implementation of the two Commission proposals of November 2011 for further strengthening surveillance of euro area countries (the "two-pack"); see the European Council's website (<http://www.consilium.europa.eu>).

6 The TSCG also plays an important role for the European Stability Mechanism (ESM). As of 1 March 2013, the granting of financial assistance in the framework of new programmes under the ESM will be conditional on the ratification of the TSCG by the contracting party concerned and, as soon as the transposition period of at most one year has expired, on an adequate introduction of a number of key elements of the fiscal compact into national legislation.

7 The TSCG needs to respect the EU Treaties and must be applied and interpreted in conformity with EU law. For a discussion, see also the box entitled "Legal transposition of the TSCG" in this article.

fiscal framework is required to ensure a stable and smooth functioning EMU. Section 3 then describes the main elements of the fiscal compact, which are assessed against the background of the current EU fiscal framework in Section 4. Finally, Section 5 concludes.

2 WHY A STRONGER AND STRICTER FISCAL FRAMEWORK IS REQUIRED

Under the Treaty on the Functioning of the European Union (the Treaty), monetary policy is conducted at the supranational EU level, while fiscal, financial and structural policies have largely remained in the hands of the national governments. A price stability-oriented monetary policy alone is not sufficient for a proper functioning of EMU and needs to be accompanied by sound policies in other domains.⁸

For this reason, the Treaty and the SGP stipulate that euro area Member States have the obligation to avoid excessive government deficits (based on a deficit criterion and a debt criterion, which are assessed against the reference values of 3% and 60% of GDP respectively) and to “maintain sound and sustainable public finances”. Moreover, the preventive arm of the SGP obliges Member States to maintain or to adjust towards their respective medium-term budgetary objective (MTO),⁹ while the corrective arm of the SGP should ensure the correction of excessive deficits in case they still occur. The latter provides ultimately for financial sanctions for euro area countries in case of non-compliance with Council recommendations.¹⁰

However, the SGP did not succeed in securing fiscal discipline. Good economic times before the crisis were not used to achieve sustainable budgetary positions. Revenue windfalls were spent instead of being used to foster fiscal consolidation, violations of the deficit criterion were only slowly corrected and the debt criterion was largely ignored. The most important reason was that the SGP was only implemented half-heartedly as enforcement of the fiscal rules through peer pressure was weak.

The procedures for addressing non-compliance lacked automaticity and thus left too much room for discretion. Financial sanctions have, in fact, never been imposed.

The lacking enforcement of the SGP was accompanied by only minimal differentiation in financial markets with respect to the interest rates on sovereign debt of euro area countries, resulting in only weak market discipline on fiscal policies in EMU. As a consequence, public finances of many euro area Member States were ill-prepared when the financial crisis erupted in the summer of 2007.¹¹ The following deep economic downturn, the working of automatic stabilisers, fiscal stimuli programmes and support for the financial sector led to a strong deterioration of public finances in many euro area Member States and ultimately to a sovereign debt crisis in some of them.

The sovereign debt crisis has demonstrated that unsustainable macroeconomic, financial and fiscal policies of any EMU member amplify each other and affect other euro area countries via negative spillover effects. This, in turn, endangers the financial stability of the euro area as a whole. As a consequence, the ECB repeatedly demanded a “quantum leap” in the EU economic governance framework to ensure the stability and smooth functioning of EMU.¹² Countries must recognise their joint

8 See the article entitled “One monetary policy and many fiscal policies: ensuring a smooth functioning of EMU”, *Monthly Bulletin*, ECB, July 2008.

9 The aim of the MTO is threefold: (i) to preserve a safety margin with respect to the 3% of GDP reference value for the government deficit; (ii) to ensure rapid progress towards sustainable public finances and prudent debt levels; and thus (iii) to allow room for budgetary manoeuvre, in particular so as to accommodate public investment needs.

10 In 2005, a reform of the SGP introduced more discretion and flexibility into the surveillance procedures. This was strongly criticised by the ECB. See the article entitled “The reform of the Stability and Growth Pact”, *Monthly Bulletin*, ECB, August 2005. For an in-depth discussion of the experience with the SGP, see the article entitled “Ten years of the Stability and Growth Pact” *Monthly Bulletin*, ECB, October 2008, and the references therein.

11 For details, see van Riet, A. (ed.) “Euro area fiscal policies and the crisis”, *Occasional Paper Series*, No 109, ECB, Frankfurt am Main, April 2010.

12 See, for example, the article entitled “The reform of economic governance in the euro area – essential elements”, *op. cit.*

responsibility for stability and prosperity in the euro area, which requires the setting-up of effective institutions.

In reaction to the sovereign debt crisis, EU and euro area leaders have strengthened the EU economic governance framework, in particular for the euro area Member States, *inter alia* through a reinforcement of the SGP within the so-called “six-pack”. The entry into force of the new framework in December 2011 should improve economic and budgetary surveillance and enforcement. However, notably the following five key shortcomings in the EU fiscal framework remained.¹³

First, the large number of exceptional situations that can be taken into account weakens the application of the rules within the reinforced SGP. In particular, there is a long list of relevant – in most cases mitigating – factors to be considered when deciding whether a deficit or debt-to-GDP ratio is excessive. Consequently, non-compliance with the deficit or debt criterion will not necessarily result in an excessive deficit procedure being launched. Moreover, since the 2011 reform of the SGP, such relevant factors are even taken into account if the deficit substantially exceeds the 3% of GDP ceiling while the country’s debt ratio is below the 60% of GDP reference value.

Second, the enhanced fiscal framework still lacks sufficient automaticity in case of non-compliance with the rules. In particular, the Council continues to have substantial room for discretion under the reinforced SGP. For example, the Council – on the basis of an overall assessment – has to decide by qualified majority that an excessive deficit exists.

Third, the effectiveness of the reinforced fiscal framework still depends heavily on a strict and rigorous application of the rules by the Commission. For example, the Commission plays a decisive role in the assessment of the existence of an excessive deficit or of whether Member States have taken effective action to correct an excessive deficit. Another example is that the

Commission can give a recommendation to the Council to reduce or cancel the new financial sanctions, either on grounds of exceptional economic circumstances or following a request by the euro area Member State concerned.

Fourth, the reinforced fiscal governance framework is more complex, which might reduce its transparency as well as enforceability and, in turn, complicate accountability. In particular, the assessment of Member States’ progress towards their respective MTOs requires a more complex analysis of both the structural budget balance and of expenditure net of discretionary revenue measures. In this context, it might be difficult to verify all the necessary data on time (e.g. with respect to detailed expenditure categories or the effects of discretionary revenue measures).

Finally, the agreed benchmarks for national budgetary frameworks are insufficient. Most notably, the strengthening of the national fiscal frameworks will largely depend on the countries’ political will to implement sound fiscal rules.

3 KEY ELEMENTS OF THE FISCAL COMPACT

This section presents the key elements of the fiscal compact. The further provisions of the TSCG, covering economic policy coordination and convergence, as well as euro area governance, are presented in Boxes 1 and 2 at the end of the section. Some details of the legal implementation of the TSCG are addressed in Box 3.

The main goal of the fiscal compact is to foster fiscal discipline, notably in the euro area, building on and enhancing the reinforced SGP. It consists of two main modules: a balanced budget rule including an automatic correction mechanism, and a strengthening of the excessive deficit procedure. Under the first module, the contracting parties commit to implementing in their national legislation a fiscal rule which requires that general

¹³ See the box entitled “Stronger EU economic governance framework comes into force”, *Monthly Bulletin*, ECB, December 2011.

government budgets are in balance or in surplus. This fiscal rule is deemed to be respected if the annual structural balance¹⁴ is in line with the country-specific MTO – i.e. the MTO as defined in the preventive arm of the SGP – with a lower limit of a structural deficit of 0.5% of GDP. A higher structural deficit of at most 1% is only allowed if the government debt-to-GDP ratio is significantly below 60% and risks to long-term fiscal sustainability are low.

In line with the preventive arm of the reinforced SGP, progress towards and respect of the MTO must be evaluated on the basis of an overall assessment with the structural balance as a reference, including an analysis of expenditure net of discretionary revenue measures. The fiscal compact demands a “rapid convergence” to the MTO, while the time frame will be further specified in a proposal by the Commission, which should take country-specific sustainability risks into consideration.

Only when faced with exceptional circumstances may the contracting parties temporarily deviate from their MTO or the adjustment path towards it, provided that this does not endanger fiscal sustainability in the medium term. These exceptional circumstances refer to unusual events outside the control of the country concerned and with a major financial impact on the government budget, or to periods of severe economic downturn for the euro area or EU as a whole, as defined in the preventive arm of the reinforced SGP.

The balanced budget rule must include a correction mechanism, which is automatically triggered in the event of significant observed deviations from the MTO or the adjustment path towards it. This mechanism should aim at correcting such deviations, including their cumulated impact on government debt dynamics, and should also apply to temporary deviations justified by exceptional circumstances. The Commission has been given the task of proposing common principles for this correction mechanism.

The above-mentioned elements of the balanced budget rule must be introduced in the national

law of the contracting parties within one year after the TSCG enters into force (see also Box 3). This must be done in a binding and permanent way, preferably at the constitutional level, or the rule must be otherwise guaranteed to be fully respected and adhered to in the national budgetary process.

The Commission has been invited to prepare a report on compliance with this transposition requirement. If the Commission concludes in its report that a contracting party has failed to comply, one or more of the other contracting parties will bring the matter before the European Court of Justice (the Court). Independently of such a Commission report, any contracting party can also call upon the Court to verify the transposition of the balanced budget rule and the correction mechanism into the national law. The Court’s ruling is binding and the affected country must take the necessary measures to comply with the judgement within a specified period; otherwise, any other contracting party may bring the case again before the Court, which may then impose a lump sum or penalty payment of up to 0.1% of GDP. For euro area countries, the proceeds of such a fine will be transferred to the European Stability Mechanism (ESM) and for all other contracting parties to the EU budget.

As a further key element, the Commission is invited to publish common principles on the role and independence of the institutions responsible at the national level for monitoring compliance with all the provisions of the balanced budget rule.

The second module of the fiscal compact strengthens the excessive deficit procedure under the SGP, in particular by increasing its automaticity if a euro area country is in breach of the deficit criterion (see Section 4 for details). Another new element in this context is the requirement for countries that are subject to the excessive deficit procedure to submit budgetary

¹⁴ As in the SGP, the structural balance is defined in terms of the annual cyclically adjusted balance net of one-off and temporary measures.

and economic partnership programmes, including a detailed description of structural reforms, the aim being to ensure an effective and durable correction of the excessive deficit.

In addition, the fiscal compact covers the legal obligations of countries with high government debt and the risks associated with debt financing. In particular, the numerical benchmark for the reduction of government debt in excess of the reference value of 60% of GDP¹⁵, as included in the corrective arm of the reinforced SGP, is now also enshrined in the fiscal compact. Furthermore, it requires ex ante reporting of public debt issuance plans to the Commission and the Council, which should allow for a better coordination of debt

financing among contracting parties and in any case help to increase the transparency of governments' debt management strategies.¹⁶

Finally, the TSCG also includes provisions to strengthen economic policy coordination and to improve the transparency and accountability of euro area governance. These provisions are presented and assessed in Box 1 and Box 2.

¹⁵ Member States with debt-to-GDP ratios exceeding 60% must reduce the excess of their debt ratio over the reference value of 60% of GDP at an average rate of one-twentieth per year as a benchmark. However, this provision of the corrective arm of the reinforced SGP will only enter into force after a three-year transition period following the termination of the current country-specific excessive deficit procedure.

¹⁶ The content and modalities of this ex ante reporting must be specified by the Commission in cooperation with the Member States.

Box 1

ECONOMIC POLICY COORDINATION AND CONVERGENCE

In the institutional setting of Economic and Monetary Union economic policies have remained largely the competence of Member States. At the same time, national economic policies are regarded as a matter of common concern for the European Union and for the euro area in particular (Articles 120, 121 and 136 of the Treaty on the Functioning of the European Union (the Treaty)). This reflects the potential of national economic policies to affect other countries, especially in an economically closely integrated union of countries. In Title IV, the TSCG provides for some additional elements on economic policy coordination and convergence, which will be discussed below.

While the degree of economic policy coordination and its success in promoting growth and competitiveness has been rather limited so far¹, a number of important changes in the governance structure have been adopted in the context of the economic and financial crisis which should result in a significant strengthening of policy coordination. The crisis revealed that large macroeconomic imbalances could potentially endanger the economic and financial stability of the EMU, and the EU more generally. In response, a new EU macroeconomic surveillance framework, the Macroeconomic Imbalance Procedure, was set up and came into force in December 2011. This added a completely new element to the overall policy coordination framework, thereby filling an important gap. The Macroeconomic Imbalance Procedure aims at ensuring that Member States conduct their economic policies with a view to avoiding (under the preventive arm) or correcting (the corrective arm) excessive macroeconomic imbalances.

¹ The main instruments of economic policy coordination that existed before the crisis were the integrated guidelines specified in the Lisbon Strategy, covering the broad economic policy guidelines (Article 121 of the Treaty) and the employment guidelines (Article 148 of the Treaty). Every year Member States submit their Stability or Convergence Programme (SCP) and their National Reform Programme (NRP), outlining the envisaged policy measures. In June 2010, the Europe 2020 Strategy replaced the Lisbon Strategy defining five headline targets for specific areas of economic policy (such as employment growth or investment in research and development). For more details on the available instruments for macroeconomic policy coordination, see also the article entitled "The reform of economic governance in the euro area – essential elements", *Monthly Bulletin*, ECB, March 2011.

The new procedure also uses a number of features that should support its effectiveness, such as reverse qualified majority voting and the possibility of imposing financial sanctions on euro area countries in the case of non-compliance. In a further effort to strengthen economic governance, Heads of State or Government of euro area countries and a number of other EU countries agreed in March 2011 on the Euro Plus Pact, a non-binding policy coordination framework setting targets for, inter alia, improving competitiveness and fostering employment.

The TSCG provides some additional elements to the policy coordination framework. First, the contracting parties underline their commitment to work towards an economic policy that fosters the smooth functioning of EMU and to achieve economic growth through enhanced convergence and competitiveness. Second, they commit to closer economic policy coordination “where appropriate and necessary” through (i) stronger coordination and surveillance of budgetary discipline among euro area countries and the adoption of specific euro area economic policy guidelines, as well as (ii) the use of enhanced cooperation, which allows a sub-set of EU countries to cooperate more closely when not all EU Member States are willing to do so. Third, the TSCG stipulates that all major economic policy reforms planned by contracting parties will be discussed ex ante and, where appropriate, coordinated with a view to benchmarking best practices.

Overall, the TSCG reconfirms that economic policies remain largely the competence of Member States, while adding only broadly formulated commitments for greater policy coordination, focused on promoting convergence and competitiveness. Although these commitments are welcome, they lack specificity, setting no concrete targets, structural measures to be taken, or timelines. Notably, apart from a reference in a recital, the TSCG fails to mention the Euro Plus Pact explicitly and does not make it a binding instrument. Rather, it only mentions, in general terms, the four objectives of the pact², without providing for their legal enforceability.

Furthermore, the TSCG does not specify any new instruments, or a further strengthening of existing instruments enabling the EU to instruct countries to implement specific reforms should they endanger the smooth functioning of EMU. Consequently, contracting parties must make full use of and build on the existing instruments as already defined in the EU Treaties to implement the necessary reforms.

In order to improve the structural characteristics of the economies of euro area Member States, economic policy coordination must be geared towards benchmarking national policies against international best practices. In particular, ex ante discussion and, where appropriate, coordination of economic reforms should allow euro area member countries to move ahead with ambitious reform projects, while providing sufficient peer support to those who are lagging behind. However, for cases where failure to implement urgent reforms has the potential to affect other countries, it should be made possible to instruct the country concerned to undertake the necessary steps. Further steps in this direction would be most welcome.

Among the most urgent reform projects for most Member States are the removal of rigidities in product and labour markets. As the ECB has pointed out on several occasions³, these rigidities

2 These four objectives are to 1) foster competitiveness, 2) promote employment, 3) make public finances sustainable and 4) reinforce financial stability.

3 See, for example, the box entitled “The 2008 update of the integrated policy guidelines of the Lisbon Strategy”, *Monthly Bulletin*, ECB, April 2008 (and previous assessments published in the *Monthly Bulletin* in April 2007 and January 2006), the box entitled “Structural policy priorities for the euro area”, *Monthly Bulletin*, ECB, April 2009, or the article entitled “Labour market adjustments to the recession in the euro area”, *Monthly Bulletin*, ECB, July 2010.

create significant risks to the smooth functioning of EMU. To remedy this, barriers to competition in product markets have to be removed by opening closed professions, easing the entry for new firms (removing red tape) and strengthening competition authorities. Notably liberalisation in service sectors is necessary to increase competition and facilitate the necessary adjustments in relative prices in countries that have lost competitiveness. In this respect, the full implementation of the Services Directive will further support the integration of services markets and, in turn, improve competition.

In addition, the flexibility of labour markets needs to be enhanced, given the high level of unemployment in many Member States. Wage flexibility will particularly allow the appropriate degree of wage differentiation across different types of workers and stimulate the hiring of young, female and older workers. Rigidities in labour markets need to be addressed by reducing the degree of employment protection for permanent jobs. Other labour market reforms that should be pursued in order to alleviate bottlenecks and foster flexibility include the reduction of minimum wages, the elimination of wage indexation mechanisms and the strengthening of firm level agreements so that wages and working conditions can be tailored to firms' specific needs.

Governments urgently need to strengthen efforts to implement structural reforms to regain competitiveness, and most importantly, correct existing macroeconomic imbalances. The latter is essential to reduce the vulnerability of these economies and of the euro area as a whole. Enhancing competitiveness fosters higher productivity and potential growth, which in turn will facilitate fiscal sustainability. At the same time, reforms aimed at improving competition will also contribute to lowering price pressure.⁴

4 Recent empirical evidence confirms that rigidities in labour and product markets tend to increase the persistence of inflation. In addition, commodity price shocks are more likely to result in higher wages when the wage setting is not at firm level (see, for instance, Jaumotte, F. and Morsy, H., "Determinants of Inflation in the Euro Area: the Role of Labour and Product Market Institutions", *IMF Working Paper*, WP/12/37, IMF, January 2012).

Box 2

GOVERNANCE OF THE EURO AREA

The improvement of governance in the euro area is an important element of the Treaty on Stability, Coordination and Governance (TSCG), reflected in particular in Title V (Governance of the euro area). The TSCG mainly provides for a strengthening of Euro Summits as a forum for regular coordination as well as a strengthening of the role for the European and national parliaments. This box discusses these aspects in more detail.

The TSCG foresees, as a minimum, two meetings per year of the Heads of State or Government of euro area Member States in Euro Summits to discuss specific questions related to euro area membership. The TSCG contains a range of detailed provisions regarding the organisation of and participation in the meetings. In particular, Euro Summits will be prepared by the President of the Euro Summit (to be appointed by the euro area Heads of State or Government), in close cooperation with the President of the Commission and the Eurogroup. The President of the ECB will also be invited to the meetings. The President of the Euro Summit will keep the non-euro area Member States closely informed of the preparations for and the outcome of the Euro Summits.

The formal recognition of Euro Summits is helpful for three reasons. First, it helps to support ownership and responsibility for the smooth functioning of the euro area at the highest political level. Discussing explicitly the specific responsibilities attached to euro area membership supports the internalisation of possible spillover effects on the rest of the euro area and the EU when formulating domestic policies. Second, given the broad remit of the Heads of State or Government, the political orientations agreed upon at Euro Summits can include policy areas beyond the scope of finance ministers, which facilitates coordination of all relevant policy areas and instruments (e.g. in the field of competitiveness) that are necessary for the smooth functioning of EMU. In this way, the Euro Summits can provide strong guidance in various areas, thus compensating partly for the lack of hard constraints on economic policies (in the field of labour market reforms, for example). Finally, Euro Summits will ensure that any risks to the smooth functioning of EMU as well as economic policy and governance issues will figure regularly on the agenda of the euro area decision-makers at the highest political level. However, this new coordination mechanism through Euro Summits remains in essence a voluntary exercise. Moreover, the success of Euro Summits will also depend on their sound preparation by the subordinate political and technical bodies.

To ensure a proper degree of transparency and accountability, the TSCG foresees a role for the European Parliament and national parliaments in its implementation. The President of the European Parliament may be invited to the Euro Summits, whose President must in turn report to the European Parliament on the outcome of summit meetings. Moreover, the TSCG also refers explicitly to the possibility of the relevant committees of the European Parliament and of national parliaments to discuss together budgetary policies and other issues covered by the TSCG.

The various Euro Summits in 2011 have also taken additional decisions to strengthen euro area governance. These elements, which are not taken up in the TSCG, include (i) enhancing the decision-making capabilities of the euro area, notably by permanently strengthening its preparatory substructures and electing a full-time, Brussels-based chair of the Eurogroup Working Group, as well as (ii) regular monthly meetings between the Presidents of the Euro Summit, the Commission and the Eurogroup.¹

From an ECB perspective, it is important to ensure that the new governance framework is implemented rigorously. The enhanced decision-making capacity of the euro area and new surveillance instruments must be used to the greatest extent to put national macroeconomic, financial and fiscal policies on a sustainable path, with a view to avoiding the emergence of potentially destabilising imbalances and adverse spillover effects. It is important that all those involved, the Commission, the Eurogroup, the Council and the Euro Summit in particular, exert the necessary peer pressure on countries which are threatening the stability of the euro area as a whole.

¹ See Annex 1 of the Euro Summit statement of 26 October 2011 ("Ten measures to improve the governance of the euro area").

4 ASSESSMENT OF THE FISCAL COMPACT

Can the fiscal compact be expected to achieve its main goals, namely to foster fiscal discipline and to enhance the reinforced SGP? To allow for a proper assessment, the key elements of the fiscal compact are compared to the

EU regulations of the preventive arm (a) and the corrective arm of the reinforced SGP (b).

a) Fiscal compact vis-à-vis the preventive arm of the reinforced Stability and Growth Pact

The general provisions of the balanced budget rule in the fiscal compact are largely concordant

with the EU regulations of the preventive arm of the SGP. In fact, the fiscal compact explicitly refers to it in the following three areas (see Table 2): the MTO, the escape clause and the assessment of compliance with the adjustment path.

First, the balanced budget rule refers explicitly to the MTO of the SGP, which requires the general government budget to be close to balance or in surplus in structural terms and sets a structural deficit limit of 1% of GDP for euro area and ERM II countries. The fiscal compact sets a lower general limit of a structural deficit of 0.5% of GDP, while the limit can be increased to up to 1% only for countries with a government debt-to-GDP ratio significantly below 60% and with low risks to long-term fiscal sustainability. However, in practice the new balanced budget rule will not be more ambitious than the EU regulation already demands, since all euro area countries currently have an MTO that equals a structural deficit of 0.5% of GDP or less.

Second, the definition of the escape clause in terms of exceptional circumstances is the same in the fiscal compact as in the preventive arm of the SGP. In addition, the detailed provisions of the latter also allow, under strict conditions, for larger deviations from the MTO or the adjustment path towards it in case of major structural reforms or pension reforms that benefit fiscal sustainability in the longer term.

Third, whether observed deviations from the balanced budget target or the convergence path towards it are considered significant will be evaluated on the basis of an overall assessment with the structural balance as a reference, including an analysis of expenditure net of discretionary revenue measures, thereby following the provisions of the reinforced SGP.¹⁷

Compared with the preventive arm of the SGP, however, the fiscal compact offers four main improvements, provided they are strictly implemented and rigorously enforced.

First, from a legal perspective, it brings key elements of the SGP (EU secondary law) into an intergovernmental treaty, which requires the introduction of such key elements into the constitutions of contracting parties (or at least into legal acts of close-to-constitutional nature; see Box 3). Furthermore, the new conference of representatives of relevant committees of both the national parliaments and the European Parliament on the issues covered by the TSCG, including the fiscal compact, contributes to democratic accountability. These two aspects may increase national ownership, imply a firmer national anchoring of fiscal discipline and thereby create a stronger commitment to sound fiscal rules.

A second enhancement is that the fiscal compact should facilitate a more rapid convergence towards the country-specific MTOs, especially when due consideration is given to country-specific risks to fiscal sustainability, which in the aftermath of the financial crisis have risen substantially for many euro area countries. This requires that the Commission proposes ambitious and binding calendars of convergence, which go beyond the requirements of the reinforced SGP. A rapid convergence to MTOs can help to regain trust in the fiscal sustainability of EMU countries and restore the credibility of their fiscal policies.

Third, the fiscal compact provides for an automatically triggered correction mechanism, which will be based on common principles to be proposed by the Commission. In this context, it is essential that the Commission elaborates sufficiently well-specified, strict and binding requirements for the envisaged correction mechanism and its implementation in national law. Given the past experience of insufficiently declining or even rising government debt ratios, it is of utmost importance that, as foreseen in the fiscal compact, the mechanism fully corrects the cumulative impact on government debt of past

¹⁷ The code of conduct of the SGP (from 24 January 2012) foresees that significant deviations require at least a breach of one criterion and limited compliance with the other (see Table 2). This could mean that deviations of the structural budget balance from the MTO or the adjustment path towards it alone are not sufficient for a significant deviation if the country still complies with the expenditure criterion.

Table 2 Comparison of the preventive arm of the reinforced Stability and Growth Pact with the balanced budget rule of the fiscal compact

	Reinforced Stability and Growth Pact (preventive arm)	Fiscal compact (balanced budget rule)
Legal basis	• Secondary EU law	• Primary law (intergovernmental and national level)
Budgetary objective	• Close to balance or in surplus • Country-specific MTO: maximal structural deficit of 1% of GDP for euro area countries	• Balanced or in surplus • Country-specific MTO: maximal structural deficit of 0.5% of GDP (or at most 1% if debt-to-GDP ratio is below 60% and long-term risks to fiscal sustainability are low)
Escape clauses	• Severe economic downturn in euro area or EU as a whole • Unusual event outside the control of the government with major financial impact • Implementation of structural and/or pension reforms (under strict conditions)	• Replicates reinforced SGP (without explicit reference to structural and/or pension reforms)
Convergence to budgetary objective	• Assessed on the basis of the structural balance and expenditure rule • Benchmark: annual improvement of structural balance of 0.5% of GDP (higher in economic good times and/or if debt-to-GDP ratio exceeds 60% or if there are pronounced risks to the sustainability of overall debt; might be lower in bad economic times)	• Rapid convergence to MTO (details to be proposed by the Commission) taking sustainability risks into consideration • Evaluation of progress as in the reinforced SGP
Assessing compliance	• Significant observed deviation (for a Member State that has not reached its MTO) in case of simultaneous breach of the two following criteria (or breach of one and limited compliance with the other): – Structural deficit criterion: exceeding adjustment path to MTO by at least 0.5% in one or 0.25% on average in two consecutive years – Expenditure criterion: negative impact of expenditure developments (net of discretionary revenue measures) on adjustment path of government balance of at least 0.5% of GDP in one or cumulatively in two consecutive years	• Assessment of “significant observed deviations from the MTO or the adjustment path towards it” follows the reinforced SGP • Common principles on the role and independence of national monitoring institutions to be proposed by the Commission
Correction mechanism	• In case of a significant observed deviation from the adjustment path towards the MTO: warning by European Commission • Council recommendation for the necessary policy measures on the basis of a Commission recommendation (deadline of not more than 5 months (3 months in particularly serious cases) for addressing the deviation)	• To be triggered automatically in the event of significant observed deviations from the MTO or its adjustment path (including obligation to implement measures to correct the deviations over a defined period of time) • Implemented at the national level on the basis of common principles to be proposed by the Commission that concern, in particular, the nature, size and time frame of the corrective action to be undertaken also in the case of exceptional circumstances • Correction should include the cumulated impact of past deviations on government debt dynamics
Enforcement	• Commission can propose financial sanction (interest-bearing deposit of 0.2% of GDP) if no effective action has been taken • Automatic approval (of the sanction) – unless the Council rejects the Commission recommendation by qualified majority of euro area Member States excluding the country concerned	• In addition to the reinforced SGP, financial sanctions can be imposed by the European Court of Justice if the balanced budget rule and the correction mechanism are not properly implemented in national law

Source: ECB.

observed deviations from the MTO (including those justified by the escape clause) in a timely manner. Moreover, the corrective measures to be implemented by contracting parties over a defined period of time must be triggered automatically. This should reduce the incentives

and possibilities to postpone fiscal consolidation to later periods. Such an automatic correction mechanism should effectively amount to a “debt brake” and contribute to preventing and correcting unsustainable public finances. In addition, it would constitute an important improvement compared to the preventive arm of the SGP, which aims at correcting significant deviations from the MTO or the adjustment path towards it, but does not foresee the correction of debt increases due to past budgetary slippages.¹⁸

The fourth enhancement offered by the fiscal compact is the possibility to call upon the European Court of Justice to verify the transposition of the balanced budget rule and the automatic correction mechanism into national law – including the possibility of financial sanctions to be imposed by the Court. The role of the Commission in this respect is limited to preparing a report that a contracting party may have introduced this balanced budget rule into its national law in a deficient way, or not at all, as only the other contracting parties can ask the Court to verify this transposition. In this context, it will be essential that the concrete procedures are clear and well-specified to ensure that a deficient introduction is brought before the Court. Monitoring actual observance of the balanced budget rule will not involve the Court. This responsibility is left to national institutions with a certain degree of independence, in addition, of course, to the whole budgetary surveillance mechanism of the SGP and other EU legislation.

b) Fiscal compact vis-à-vis the corrective arm of the reinforced Stability and Growth Pact

The fiscal compact leads to more automaticity in the procedures of the corrective arm of the SGP following a breach of the deficit criterion by a euro area country. In this case, contracting parties whose currency is the euro commit to supporting the Commission’s proposals or recommendations for Council decisions in the framework of an excessive deficit procedure, unless a qualified majority of them (without the Member State concerned) is opposed to such a decision (see Figure). The introduction of this

voting commitment by euro area countries for important procedural steps, such as the opening of an excessive deficit procedure, the decision whether a euro area Member State has taken effective action, and a possible stepping-up of the excessive deficit procedure, increases the automaticity of procedures compared to the reinforced SGP. This implies, for instance, that if the Commission were to conclude after a euro area country breaches the deficit criterion that an excessive deficit exists and addresses a corresponding opinion to the Member State concerned and a proposal to the Council, the proposal will pass unless a qualified majority among the euro area members of the Council decides to oppose it.¹⁹

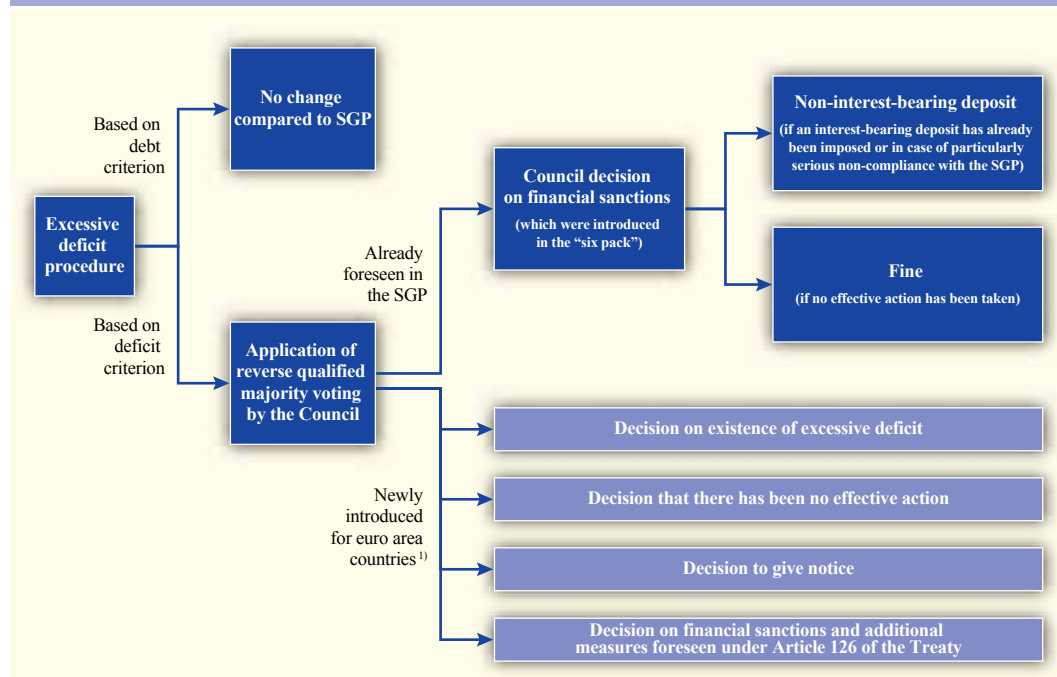
One notable source of weakness of the fiscal compact is, however, that such reverse qualified majority voting will not be applied following a breach of the debt criterion by a euro area country. In these cases, the decision procedure as laid down in Article 126 of the Treaty will continue to apply, i.e. adoption by a qualified majority of euro area Member States, excluding the country concerned. Moreover, the excessive deficit procedure for non-euro area Member States is not affected at all.

Overall, the higher degree of automaticity introduced by the fiscal compact for euro area countries that breach the deficit criterion appears to be a step in the right direction, since it reduces the leeway for political discretion in the framework of the excessive deficit procedure and makes a strict application of the rules and the application of sanctions more likely. This repairs (although only partly) an important shortcoming in the corrective arm of the SGP and strengthens, in turn, the incentives for sound fiscal policies.

¹⁸ One could argue that for countries with government debt above 60% of GDP, the numerical benchmark of a reduction of the excess of their debt ratio over this reference value at an average rate of one-twentieth per year as a benchmark is one attempt to ensure the correction of past budgetary slippages.

¹⁹ Note that since the entry into force of the Lisbon Treaty on 1 December 2009, only Member States whose currency is the euro have the right to vote in the Council concerning measures related to excessive deficits of euro area members.

Comparison of the corrective arm of the reinforced Stability and Growth Pact with the fiscal compact



Source: ECB.

Notes: Under the reinforced SGP an excessive deficit procedure can be initiated on the basis of a breach of the deficit criterion and/or a breach of the debt criterion. The fiscal compact strengthens the decision-making procedure of the excessive deficit procedure following a breach of the deficit criterion by a euro area country, but not that in case of a breach of the debt criterion. In particular, the fiscal compact provides for the application of reverse qualified majority voting by the euro area countries on important steps in the excessive deficit procedure (marked in lighter blue), for which Article 126 of the Treaty demands qualified majority voting. This increases the automaticity of the excessive deficit procedure following a breach of the deficit criterion. If a Member State repeatedly fails to comply with a decision by the Council, the Council may apply additional measures under Article 126 of the Treaty. The Council may, for example, require the Member State concerned to publish additional information or to invite the European Investment Bank to reconsider its lending policy towards that Member State.

1) According to Article 7 TSCG, the contracting parties whose currency is the euro commit to supporting the proposals or recommendations submitted by the European Commission.

However, the improvement is generally dependent on a strict implementation of the commitments of the euro area contracting parties to vote in favour of the proposals and recommendations of the Commission in the context of the excessive deficit procedure following a breach of the deficit criterion unless a qualified majority of them is opposed. Furthermore, it is crucial that the Commission uses its increased influence under the excessive

deficit procedure by taking a rigorous approach when assessing fiscal deficits and avoids politically influenced decisions. In this respect, the recent upgrade of the Commissioner for Economic and Financial Affairs to Vice-President of the Commission and Commissioner for the Euro, and the greater autonomy he has been granted in taking surveillance decisions, might contribute to more independent and rigorous assessments.

Box 3

LEGAL TRANSPOSITION OF THE TREATY ON STABILITY, COORDINATION AND GOVERNANCE

The Treaty on Stability, Coordination and Governance in the Economic and Monetary Union (TSCG) has been signed by 25 of the 27 Member States and thus has the form of an intergovernmental treaty outside the EU legal framework. This box discusses some issues regarding its relation with national law and EU law, focusing on the legal implementation of the fiscal compact.

As regards the relation with national law, the Member States that have ratified the TSCG will be obliged to introduce into their national legislation a number of key elements of the fiscal compact, which will have a direct impact on their fiscal policies. The preferred national law into which these elements will need to be introduced is the constitution. Under circumstances, a different law than the constitution could be used, provided that it is of a higher nature than the legislation which approves the yearly national budget. The annual budget law and the process to prepare the budget will thus be subject to the legislation containing the different elements to be included by the contracting parties in their national legislation, such as the balanced budget rule and the automatic correction mechanism, in a similar manner as they would be subject to the constitution. The Court of Justice of the European Union is given jurisdiction to adjudicate on the correct introduction of the fiscal compact, which has to be introduced into national law by the Member States following a report by the Commission.

Most of the key elements of the fiscal compact to be introduced into national law are fully contained in the TSCG, namely the details of the balanced budget rule to be observed and the allowance for exceptional circumstances. Hence, for these two elements no development in secondary EU law or other action by the Commission is necessary in order for the national legislator to bring them into national law. Regarding the obligation of Member States to ensure rapid convergence towards their respective medium-term objective (MTO) which the TSCG explicitly introduces, the TSCG lays down that the time frame for such rapid convergence will be proposed by the Commission.

For the automatic correction mechanism that comes into force in case of deviations from the balanced budget rule, the TSCG provides for a necessary step before the national legislator can act, since the TSCG requires that the Commission will lay down common principles on the basis of which the Member States must introduce the correction mechanism into their legislation.

The text of the TSCG has already indicated to the Commission a list of aspects which the common principles will need to cover in any case, in addition to other aspects that the Commission might include itself. According to this list, the common principles will deal, inter alia, with the nature, size and timing of the necessary corrective measures in case of deviations from the balanced budget rule, including the corrective action to be taken in case of deviations due to exceptional circumstances. The correction of the cumulated impact of the deviations on government debt dynamics will also need to be covered by the mechanism, as recalled by the recitals of the TSCG. The common principles will also need to cover the role and independence of the institutions responsible at national level for monitoring the observance of the balanced budget rule. As expressly established in the TSCG, this correction mechanism must fully respect the prerogatives of national parliaments.

As regards the relation with EU law, the TSCG must be applied and interpreted in conformity with the treaties on which the EU is founded and with EU law, including procedural law for the adoption of secondary EU legislation. This is an obvious consequence of the mandatory character of EU law. The TSCG can be complemented by secondary EU legislation and it indeed makes reference to such legislation in the recitals, in particular regarding (i) the modalities of the ex ante reporting of public debt issuance plans, (ii) the scope of the economic partnership programmes detailing structural reforms for Member States in the excessive deficit procedure, as well as (iii) the coordination of major economic policy reform plans of Member States.

The TSCG will enter into force after ratification by at least 12 euro area countries. It will apply to all Member States which ratify it, i.e. to euro area and non-euro area Member States. However, at a first stage at least, some of the EU secondary legislation complementing the TSCG will be based on Article 136 of the Treaty and will therefore only apply to the contracting parties whose currency is the euro. This is why, at a later stage, the necessary EU legislation covering the whole EU will need to be put in place. In the meantime, nothing precludes non-euro area Member States from voluntarily applying it through national legislation. In addition, it is worth noting that the TSCG itself has the explicit aim of having its substance incorporated into the EU legal framework within at most five years following its entry into force, on the basis of the experience gained.

5 CONCLUSIONS

Following the entry into force of the strengthened EU economic governance framework in December 2011, the agreement on the TSCG, and the fiscal compact in particular, constitutes a welcome step towards a stronger rule-based fiscal governance framework. The mandatory implementation of the balanced budget rule and the automatically triggered correction mechanism at the national level should increase the national commitment to sound and sustainable public finances. If strictly implemented and rigorously enforced, this should help to effectively prevent unsustainable fiscal policies, complementing the rules of the SGP.

In this context, it is crucial that the automatic correction mechanism, whose common principles will be elaborated by the Commission, ensures an effective correction of the cumulated past budgetary slippages, as foreseen in the fiscal compact. Moreover, the Commission needs to propose calendars for rapid convergence to the country-specific MTOs, which go beyond the current requirements of the SGP, taking account of country-specific sustainability risks.

Furthermore, the Commission plays a vital role in reporting on the proper transposition of the balanced budget rule into the national law of contracting parties and in proposing common principles on the role and independence of their monitoring institutions.

At the national level, broad ownership is needed, i.e. parliaments, governments and monitoring institutions must live up to the spirit of the TSCG and ensure full compliance with the balanced budget rule. This is vital to anchor fiscal discipline and market expectations of the sustainability of public finances in Europe, which in turn will foster medium-term growth.

At the EU level, the higher degree of automaticity in the excessive deficit procedure of the SGP should help to ensure a rigorous enforcement of the deficit limit for euro area countries.

Although the fiscal compact addresses some of the remaining shortcomings of the existing fiscal governance framework, its effectiveness and credibility remains subject to a strict implementation of fiscal policy surveillance by the Commission and a limited use of political discretion by the Council. Finally, the complexity

of the overall fiscal framework has not been reduced, since the fiscal compact basically adds an additional layer to the existing rules of the SGP.

Looking further ahead, ambitious steps towards improving the EU fiscal framework, in particular for euro area countries, will be necessary to address the remaining shortcomings. A general vulnerability of the existing framework is that it lacks instruments for situations in which a country's fiscal policy, despite strict surveillance, enforcement and correction mechanisms, continues to go harmfully astray. This could be tackled by giving European institutions the competence to effectively compel euro area Member States – in a graduated manner as the situation deteriorates – to take the necessary fiscal policy decisions. That should help to provide credible incentives for sound fiscal policies.

COMPARING THE RECENT FINANCIAL CRISIS IN THE UNITED STATES AND THE EURO AREA WITH THE EXPERIENCE OF JAPAN IN THE 1990s

ARTICLES

Comparing the recent financial crisis in the United States and the euro area with the experience of Japan in the 1990s

The global financial crisis, which began as a US sub-prime debt crisis and has subsequently undergone a number of different stages – the latest being the euro area sovereign debt crisis – sharply changed the growth trajectory in the United States and the euro area. A severe recession was followed by a relatively muted recovery and a period of modest growth is expected to follow over the next few years. Consequently, several commentators have compared the current situation in the United States and the euro area with Japan’s so-called “lost decade” in the 1990s. The latter is the most recent episode in which an advanced economy experienced a prolonged adjustment of sectoral balance sheets, persistent weak economic activity, rapidly rising government debt, and a sharp and protracted downward correction in asset prices.

However, there are important differences between the form of imbalances that occurred in Japan and those that triggered the recent financial crisis affecting the United States and the euro area. In Japan, it was mainly the corporate sector that needed to rebalance from excessive leverage, while in the United States, balance sheet problems lay with households, following the housing and credit boom. Meanwhile, in the euro area, balance sheet problems were less obvious at the aggregate level, but as the financial crisis progressed, regional imbalances intensified and leverage in some euro area Member States became excessive. Moreover, the severe deterioration in fiscal balances also led to increased risks to government debt sustainability, which lies at the heart of the sovereign debt crisis in a number of euro area countries, but also elsewhere.

The significant differences in the economic causes behind and the policy response to Japan’s “lost decade” compared with the financial crisis in the United States and the euro area suggest that each crisis is different and that the United States and the euro area are rather unlikely to tread the same path as Japan. At the same time, however, Japan’s experience highlights the difficulties for economies emerging from balance sheet recessions and having to unwind large imbalances to restore growth prospects and achieve a sustainable and enduring recovery. One lesson is that the financial system needs to be repaired before a durable economic recovery can take hold. Another lesson is that if reforms are not implemented, or if they are delayed, the recovery may be slow, fragile and prone to reversals, with problems stemming from structural deficiencies bound to reappear.

I INTRODUCTION

The recent financial crisis sharply changed the growth trajectory in the United States and the euro area. A severe recession in 2008-09 was followed by a recovery that was relatively muted by previous standards. Growth projections suggest a further period of rather weak growth over the next few years. While the factors behind the relatively poor growth performance are varied, one component has been the need for balance sheet adjustment as the private and public sectors in some countries attempt to unwind past excesses. This has led commentators to draw comparisons between the current situation in the United States and the euro area and Japan’s so-called “lost decade” in the 1990s, the most recent episode in which an advanced economy

experienced a period of prolonged balance sheet adjustment, stagnant activity and rapidly rising government debt following a sharp correction in asset prices.¹ This article reviews the Japanese experience and the implications of prolonged periods of balance sheet adjustment, drawing parallels with today and considering the possible lessons to be learnt.

Comparisons with the current situation need to be treated with some care: a particular historical episode cannot provide an exact template for subsequent events and, indeed, there are important differences between the type of imbalances that occurred in Japan

¹ See, for example, Shirakawa, M., “Deleveraging and Growth: Is the Developed World Following Japan’s Long and Winding Road?”, lecture at the London School of Economics, 10 January 2012.

and those that triggered the recent financial crisis affecting the United States and the euro area. The subsequent adjustments have also been shaped by the particular structural characteristics of each economy, the state of their public finances and the policy responses. Nonetheless, cross-country comparisons can highlight some of the causes and consequences of periods of substantial and persistent balance sheet adjustment processes.

The difficulties of comparison are particularly acute for the euro area, given the heterogeneous experiences of euro area countries since the start of the crisis. As far as possible, this article focuses on the euro area as a whole. Yet the country perspective – which is addressed in a separate box – is also necessary, particularly since the challenges facing some euro area

countries appear rather close to the difficulties of balance sheet adjustment.

The article is structured as follows. After a brief overview of Japan's experience (see Box 1), Section 2 describes the nature and size of the imbalances that built up prior to the crisis in Japan in the 1990s and those in the United States and the euro area at present. Section 3 outlines how the varied nature of the balance sheet problems shaped the subsequent adjustment, with Box 2 discussing the euro area country experience in more detail. Section 4 turns to the longer-term implications of the crises. Section 5 highlights the important role played by the financial sector in the resolution of such problems. Section 6 describes the policy response. Section 7 concludes.

Box 1

THE JAPANESE ECONOMIC EXPERIENCE DURING THE 1990s

Triggered by a collapse of stock and real estate prices in 1990-91, the Japanese economy experienced a prolonged period of balance sheet adjustment throughout the 1990s. A more sustained recovery of economic activity did not take hold before 2003 and it was not until 2005 that credit growth turned positive.

The impact of corporate deleveraging on investment and growth

Economic imbalances had built up during the investment boom of the late 1980s. At the time, the corporate sector had borrowed heavily from banks, typically with real estate as collateral. The sharp decline of property prices diminished the value of collateral and forced firms to clean up their balance sheets. This process of deleveraging manifested itself through an increase in corporate savings, a prolonged decline in private investment and a stagnation of firms' profits throughout the 1990s. However, the country-specific nature of the crisis meant that Japan's rebalancing could partly be achieved through net export growth amid rising global demand, although Japan's export-led recovery was set back by the Asian crisis in 1997 and two periods of a sharp yen appreciation in 1993-94 and 1998-99.¹

How did problems in the banking sector affect the economy?

In an attempt to limit their losses in the short run, the weakly capitalised Japanese banks initially extended loans to insolvent firms, often referred to as "zombie lending". Authorities were hesitant

1 See Sekine, T., "Firm-Investment and Balance-Sheet Problems in Japan", *IMF Working Paper Series*, No WP/99/111, 1999; Kanaya, A. and Woo, D., "The Japanese Banking Crisis of the 1990s: Sources and Lessons", *IMF Working Paper Series*, No WP/00/7, 2000; Callen, T. and Ostry, J.D., *Japan's Lost Decade. Policies for Economic Revival*, IMF, 2003.

to strengthen banking supervision and to discourage such regulatory forbearance, which postponed loan write-offs and recapitalisation. As banks struggled with bad debt for years, they curtailed lending to new firms, which led to distortions in the allocation of credit and ultimately exacerbated the financial crisis and postponed a sustained recovery. The “zombie lending” may have hampered the entry of more efficient firms into the market place, constraining innovation and lowering long-term productivity growth.² Similarly, the strong emphasis traditionally placed on job security in Japan may have reduced flexibility by hampering sectoral adjustments in the economy. Labour market adjustment centred on wages: the unemployment rate rose slightly but nominal wages fell rapidly, which seems to have contributed to Japan entering a phase of deflation from the late 1990s onwards. Deflationary pressures became most evident in goods prices, indicating that other factors, such as strong import competition and a large output gap, were also important.³ Moreover, the uncertain outlook for economic growth at the time led to a postponement of investment and consumption plans, putting further downward pressure on prices.⁴

While Japan’s lost decade is typically attributed to the deleveraging and the problems in financial intermediation, it is important to note that structural deficiencies in the economy may also have played an important role. Some studies have suggested that the decade of economic stagnation in Japan might have been associated with a gradual finalisation of the “catch-up” process as Japan approached the technological frontier, which ultimately constrained further productivity gains.⁵ Moreover, the Japanese economy faced unfavourable demographic developments from the 1990s onwards, as the working age population reversed its previous growth trend and started to decline. This also made it more difficult to absorb the excess supply of housing.

The policy response to the crisis

Despite some initial room for manoeuvre before reaching the lower zero bound of interest rates, monetary policy responded slowly to the crisis, partly because – even two years after the stock market crash – neither the central bank nor other market observers anticipated a protracted slowdown of the economy.⁶ As inflation expectations also remained low, this kept long-term real interest rates relatively high, while credit contracted. During this period, the effectiveness of the monetary transmission mechanism may have been impeded by the underlying problems in the private sector, which were not tackled by regulatory authorities.⁷ When persistent deflationary pressures did not disappear, the Bank of Japan eventually reverted to non-conventional monetary policy measures. Its policy of “quantitative easing”, which was conducted from 2001 to 2006, may have contributed to a re-emergence of slightly positive inflation rates.

On the fiscal side, Japan’s initially low public debt level and its large current account surplus led the government to counter the economic stagnation with fiscal stimuli. Moreover, deteriorating

2 Caballero, R.J., Hoshi, T. and Kashyap, A.K., “Zombie Lending and Depressed Restructuring in Japan”, *American Economic Review*, 98, pp. 1943-1977, 2008; Peek, J. and Rosengren, E., “Unnatural Selection: Perverse Incentives and the Misallocation of Credit in Japan”, *American Economic Review*, 95, pp. 1144-1166, 2005; Nishimura, K.G. and Kawamoto, Y., “Why does the problem persist? ‘Rational Rigidity’ and the plight of Japanese banks”, *The World Economy*, Vol. 26, pp. 301-324, 2003.

3 Baba, N., Oda, N., Shirakawa, M., Ueda, K. and Ugai, H., “Japan’s deflation, problems in the financial system, and monetary policy”, *Monetary and Economic Studies*, Vol. 23, pp. 47-111, 2005.

4 Kimura, T., Shimatani, T., Sakura, K. and Nishida, T., “The role of money and growth expectations in price determination mechanism”, *Bank of Japan Working Paper Series*, No 10-E-11, 2010.

5 Hayashi, M., Prescott, E., “The 1990s in Japan: A Lost Decade”, *Review of Economic Dynamics*, 5, pp. 206-235, 2002.

6 Ahearne, A., Gagnon, J., Haltmaier, J. and Kamin, S., “Preventing Deflation: Lessons from Japan’s Experience in the 1990s”, *Federal Reserve Board International Finance Discussion Papers*, No 2002-729, 2002.

7 See Box 2 in the article entitled “Money and credit growth after financial crises – a historical global perspective”, *Monthly Bulletin*, ECB, February 2012.

revenues and rising social security spending also contributed to the increase in the fiscal deficit in the early 1990s. To consolidate public finances, the government raised value-added taxes in 1997 with the onset of the Asian crisis, which some observers regard as having postponed the recovery.⁸ From 1998 onwards, fiscal policy became increasingly expansionary, although the fiscal impulse of additional spending remained limited, partly because fiscal spending multipliers declined after 1990.⁹ This reflected a shift from public investment to social security spending. Moreover, amid the ongoing deleveraging, the private sector may have been less responsive to the fiscal stimulus. Over the years, expansionary fiscal policies have stretched public debt levels, reaching over 200% of GDP in 2010.

8 Posen, A., "It takes more than a bubble to become Japan" in Richards, A. (ed.), *Asset Prices and Monetary Policy*, Reserve Bank of Australia, 2004; Posen, A., "The Realities and Relevance of Japan's Great Recession: Neither Ran no Rashomon", *Peterson Institute for International Economics Working Paper Series*, WP 10-7, 2010.

9 Syed, M., Kang, K. and Tokuoka, K., "'Lost Decade' in Translation: What Japan's crisis could portend about recovery from the Great Recession", *IMF Working Paper Series*, No WP/09/282, 2009; Hemming, R., Kell, M. and Mahfouz, S., "The effectiveness of fiscal policy in stimulating economic activity – a review of literature", *IMF Working Paper Series*, No WP/02/208/, 2002.

2 THE NATURE AND CONTEXT OF THE BALANCE SHEET CRISES

The major similarity between the Japanese experience in the 1990s and the recent crisis in the United States and the euro area is that

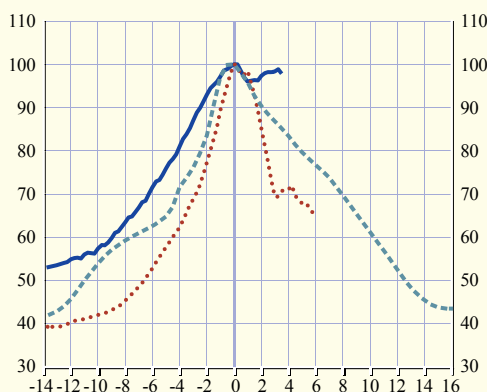
both can be seen as "balance sheet recessions", in which segments of the private non-financial sector were forced to make significant adjustments to balance sheet positions, triggered by sharp corrections in asset prices that, in turn, had been preceded by strong credit expansion.

Chart 1 Real estate prices

(index = 100 at peaks; semi-annual data for Japan, otherwise quarterly data)

x-axis: years from peak

— euro area (Q2 2008)
 United States (Q1 2006)
 - - - Japan (Q3 1991)

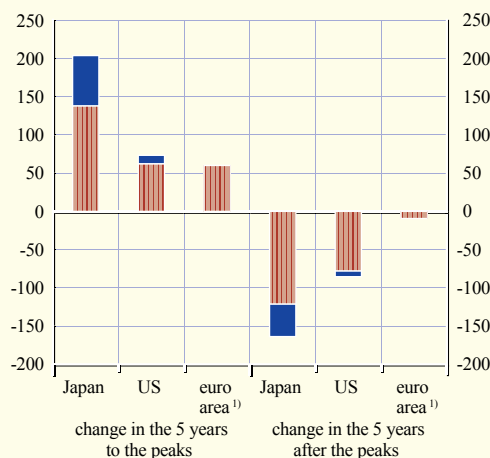


Sources: S&P, Fiserv, MacroMarkets LLC, Japan Real Estate Research Institute and ECB.
 Notes: US data refer to the Case Shiller Home Price Index. Japan data refer to the Urban Land Price Index and euro area data to the Residential Property Price Index. The peak is given in brackets. The latest observation is for the fourth quarter of 2011 for the United States and the euro area.

Chart 2 Change in market value of real estate wealth as a share of GDP

(difference in percentage points; annual data for Japan, otherwise quarterly data)

— non-financial corporations
 households



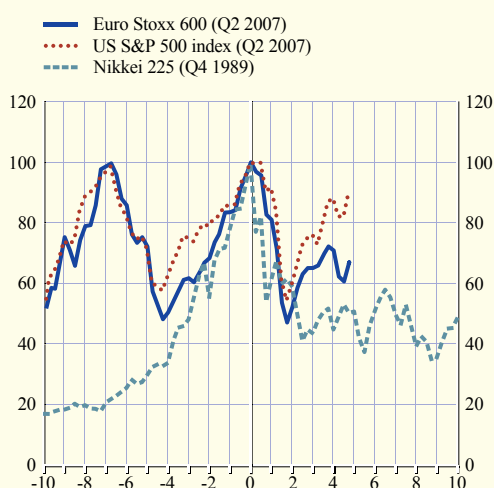
Sources: Board of Governors of the Federal Reserve System, Cabinet Office and Eurostat.
 Notes: Data refer to total real estate holdings by households and non-financial corporations as a percentage of GDP. Households include non-profit organisations and private unincorporated enterprises. The peaks are as follows: first quarter of 2006 for the United States, 1990 for Japan and the fourth quarter of 2007 for the euro area.
 1) Data for the euro area are for households only and refer to three years and nine months after the peak.

Comparing the recent financial crisis in the United States and the euro area with the experience of Japan in the 1990s

Chart 3 Equity prices

(index = 100 at peaks; quarterly data)

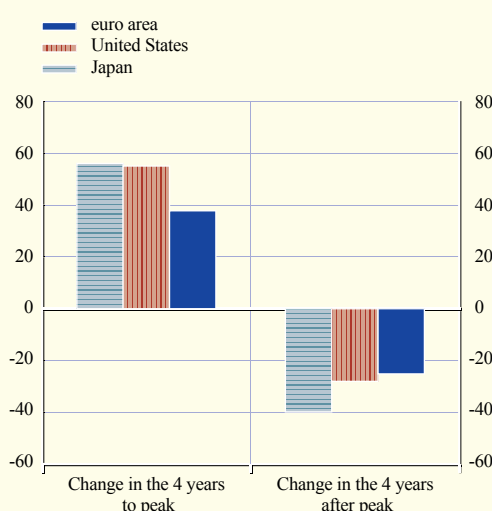
x-axis: years from peak



Sources: Nikkei, Wall Street Journal, Haver and STOXX Limited.
Notes: The peak is given in brackets. The latest observation is for the first quarter of 2012 for the United States and the euro area.

Chart 4 Change in market value of equities as a share of GDP

(difference in percentage points; quarterly data)



Sources: Board of Governors of the Federal Reserve System, Bank of Japan and Eurostat.
Notes: Data refer to domestic holdings. Holdings of corporate equity by non-financial corporations are excluded from the US data. The peaks are as follows: second quarter of 2007 for the United States and the euro area, fourth quarter of 1989 for Japan.

However, the primary source of the problems was concentrated in different sectors: in Japan, the excesses were mainly in the corporate sector, which suffered from excessive leverage (see Box 1), while in the United States, balance sheet problems lay notably with households, following the housing and credit boom. In the euro area, while lending also increased in the run-up to the crisis, sector-specific balance sheet problems were less obvious at aggregate level, but prominent in some countries, resulting in significant regional imbalances and excessive leverage in some sectors in individual euro area Member States; this is discussed in Box 2.

The magnitude and speed of adjustment also differed. First, the asset price correction in real estate and ensuing balance sheet adjustments have occurred at a faster pace in the United States recently compared with Japan during the 1990s, while the adjustment in the euro area has been much more measured. Second, the Japanese economy experienced a relatively larger shock in

terms of negative wealth effects from the decline in real estate prices. In Japan, the corporate and household sectors suffered considerable losses on their real estate assets, while in the United States and the euro area it was mainly households that were affected (see Charts 1 and 2). For the euro area in aggregate, the decline in housing wealth has been comparably muted – although there was considerable heterogeneity at the country level, with excessive house price growth and, correspondingly, larger corrections in some countries (see Box 2). While the United States saw a very strong decline in house prices, the overall impact on the economy was dampened by the considerably smaller ratio of housing wealth to GDP in the United States (234% at its peak, compared with 355% in Japan). Third, the boom-bust cycle in equity and real estate prices was much more persistent and simultaneous in Japan, which aggravated the shock. By contrast, equity prices rebounded in the euro area and in the United States, unlike in Japan, which witnessed a decade-long stagnation (see Charts 3 and 4).

Overall, economy-specific comparisons of the speed and size of the asset price adjustment suggest that the problem was somewhat more acute in Japan than in the United States and the euro area: a larger pre-crisis bubble across several asset classes, followed by a larger, more simultaneous and prolonged decline. However, as the current crisis is still unfolding, it might be premature to draw definitive conclusions as to the gravity of the shock experienced by each economy in the two episodes considered. The materialisation of systemic risk at the global level during the recent financial crisis, which was considerably more widespread, magnified the overall shock to individual economies via financial and trade spillovers. With many economies struggling simultaneously to repair imbalances, the United States and the euro area have clearly faced a less favourable external environment than Japan did.

3 THE ADJUSTMENT PERIOD: DIFFERENCES BY SECTOR AND ECONOMIC IMPLICATIONS

Historically, “balance sheet recessions” are typically followed by a prolonged period of depressed demand, driven by the need for particular sectors to reduce leverage. The nature of sectoral imbalances also tends to shape the subsequent economic adjustments. A significant difference between the episodes considered is that the need for post-bubble restructuring lay with an overleveraged corporate sector in Japan, while for the United States and some euro area countries, the housing bubble predominantly affected households’ balance sheets (see Charts 5 and 6).²

Thus in the United States, and also in some euro area countries, the adjustment has required, in particular, an increase in the household saving rate (see Chart 7). By contrast, in Japan, deleveraging came in the form of a persistent rise in corporate savings, together with a prolonged decline in investment as the corporate sector needed to downsize (see Chart 8). Net corporate

saving also rose following the onset of the recent crisis. However, in the United States and in most euro area countries, corporate deleveraging often reflected a combination of demand and supply factors, such as a higher propensity to retain earnings in the face of uncertainty about future demand and tight credit standards, which differed from the active attempt of Japanese firms to adjust to the decline in collateral values.

The nature of the adjustment also has implications for the composition of demand. In the United States and the euro area – especially in countries where deleveraging needs were large (see Box 2) – higher household savings implied a sustained moderation in consumer spending and a correction in residential investment from the unsustainably high levels reached during the housing and credit boom. Since the end of the recession, both components have made a smaller contribution to GDP growth than in past recoveries.

In addition, the adjustment in the United States and the euro area has been shaped by global circumstances. The Japanese crisis was largely domestic, with the rest of the world relatively unaffected. That made it possible for net exports to contribute to the “rebalancing”. The recent crisis has been substantially wider in reach and the general downturn in global growth has likely hampered the ability of the United States and the euro area to recover from the crisis by relying on higher export growth (see Chart 9).

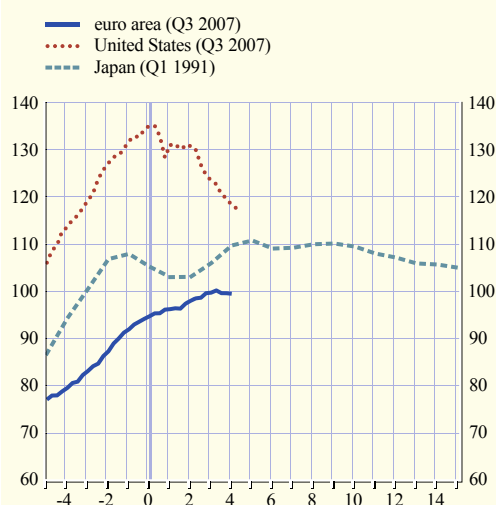
2 If not otherwise mentioned (e.g. Charts 1 to 4 and Chart 18), the choice of reference year for most charts throughout this article denotes the respective peak in economic activity, identified as the last quarter before the start of the recession, namely the first quarter of 1991 for Japan and the third quarter of 2007 for the United States. Given the simultaneous onset of the global financial turmoil in the third quarter of 2007 and the global nature of the subsequent crisis, the reference year for the euro area is the same as for the United States.

Comparing the recent financial crisis in the United States and the euro area with the experience of Japan in the 1990s

Chart 5 Household debt as a share of personal disposable income

(percentages; annual data for Japan, otherwise quarterly data)

x-axis: years from onset of crisis

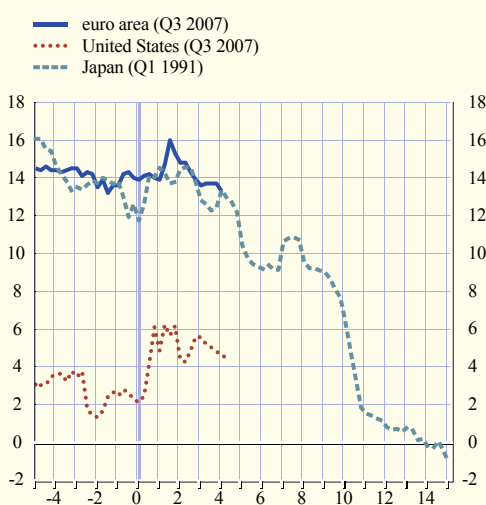


Sources: Board of Governors of the Federal Reserve System, Bank of Japan, ECB and Eurostat.
Notes: Data refer to total liabilities of households and non-profit organisations. The quarters in brackets refer to the onset of the respective crises. The latest observation is for the third quarter of 2011 for the euro area and the fourth quarter of 2011 for the United States.

Chart 7 Household saving rates

(as a percentage of disposable income; quarterly data)

x-axis: years from onset of crisis

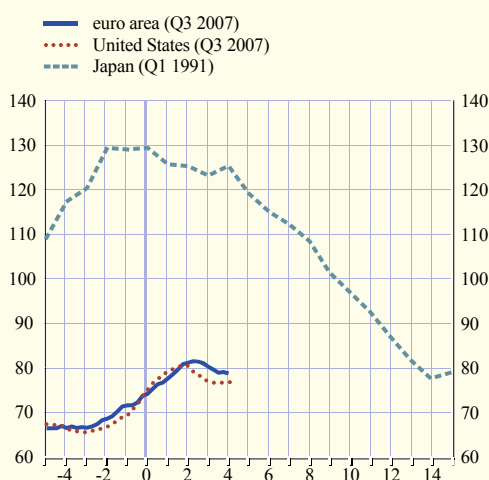


Sources: Bureau of Economic Analysis, Cabinet Office, ECB and Eurostat.
Notes: Data refer to household saving rate. The quarters in brackets refer to the onset of the respective crises. The latest observation is for the third quarter of 2011 for the euro area and the fourth quarter of 2011 for the United States.

Chart 6 Debt ratios of non-financial corporations as a share of GDP

(percentages; annual data for Japan, otherwise quarterly data)

x-axis: years from onset of crisis

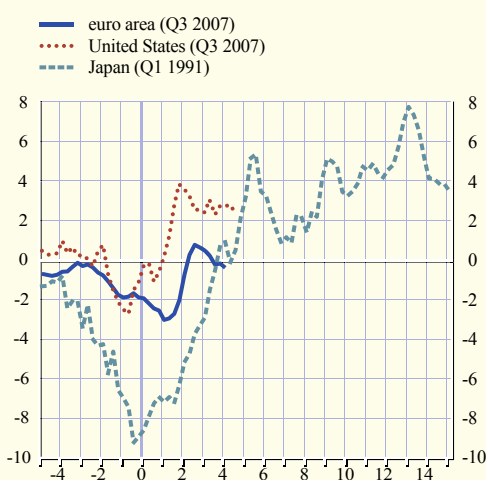


Sources: Board of Governors of the Federal Reserve System, Bank of Japan, ECB and Eurostat.
Notes: Data refer to loans and debt securities excluding trade credit. The quarters in brackets refer to the onset of the respective crises. The latest observation is for the third quarter of 2011 for the euro area and the fourth quarter of 2011 for the United States.

Chart 8 Savings-investment balance of the corporate sector

(as a percentage of GDP; quarterly data)

x-axis: years from onset of crisis



Sources: Board of Governors of the Federal Reserve System, Bank of Japan, ECB and Eurostat.
Notes: Data refer to net lending/borrowing of non-financial corporates. The quarters in brackets refer to the onset of the respective crises. The latest observation is for the third quarter of 2011 for the euro area and the fourth quarter of 2011 for the United States.

Box 2

BALANCE SHEET ADJUSTMENTS IN INDIVIDUAL EURO AREA COUNTRIES

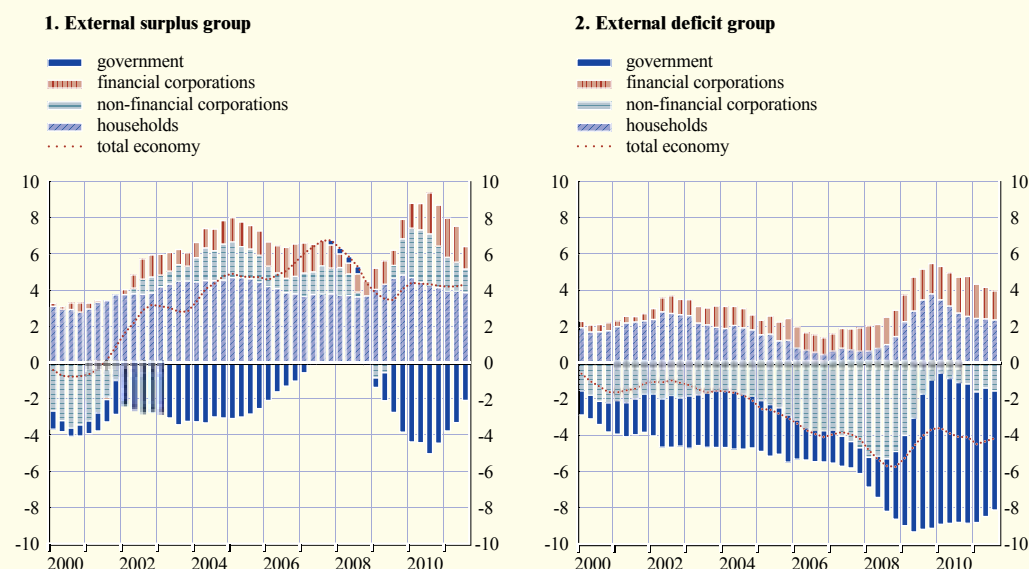
At the aggregate level, the euro area does not share the full extent of the balance sheet problems observed in Japan in the 1990s or in the United States currently. Private sector indebtedness has remained limited overall and the net international investment position of the euro area aggregate is broadly balanced. However, the current problems of some euro area countries are primarily related to excessive leverage.¹ In particular, some countries have faced deleveraging pressures following strong credit expansion and a sharp correction of asset prices, and the challenges faced by those countries thus appear rather close to the difficulties associated with balance sheet adjustment.

An analysis of imbalances at the euro area level based on the euro area accounts shows that while the aggregate euro area external position has remained close to balance, there has been an increasing divergence between two groups of countries: the “external surplus group”, which includes those countries that had run external current account surpluses over a period of five years ending at the onset of the financial crisis in 2007, and the “external deficit group”, which includes those countries that ran current account deficits² (see Chart A). Obviously, the composition of the groups is closely tied to the reference period and would change over time. While part of the increase in financial deficits of the

- 1 See the article entitled “The financial crisis in the light of euro area accounts: a flow-of-funds perspective”, *Monthly Bulletin*, ECB, October 2011.
- 2 The “external surplus group” includes Belgium, Germany, Luxembourg, the Netherlands, Austria and Finland. The “external deficit group” includes Ireland, Estonia, Greece, Spain, France, Italy, Cyprus, Malta, Portugal, Slovakia and Slovenia. Further details on the analysis of euro area accounts during the financial crisis and on the grouping of euro area countries is available in the box entitled “A sectoral account perspective of imbalances in the euro area”, *Monthly Bulletin*, ECB, February 2012, pp. 38-43.

Chart A Net lending/net borrowing by country grouping

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



Sources: Eurostat and ECB.

Notes: The net lending/net borrowing shown in the charts in this box has been adjusted, for convenience, so as to exclude “acquisitions less disposals of non-financial non-produced assets” (in order to avoid the distortions caused by the large proceeds from the sale of UMTS mobile phone licences in 2000). Positive/negative figures correspond to net lending/borrowing. The latest observation is for the third quarter of 2011.

private sector in the external deficit group might have reflected increased financial integration within the euro area, they have also originated from the consequences of credit booms in some countries. In the external deficit group, the recession following the crisis – together with sharp corrections in house prices in some countries – led to strong deleveraging by the private sector. Households' net lending increased significantly and the pre-crisis expansionary financial balances of non-financial corporations reverted quickly.

In parallel, budget balances deteriorated considerably and government debt rose rapidly, though differing markedly across the euro area countries. As a result, risks to debt sustainability intensified in a number of euro area countries amid an environment of financial instability and low growth. However, contrary to Japan, where the increase in public indebtedness was mostly due to subsequent public works programmes to kick-start the economy, financial sector support has been more important in the euro area. In this respect, government support of the repair of the financial system can be seen as positive for long-term growth, as long as it restores financial health and does not put public debt sustainability at risk.

The table below shows the heterogeneity across the euro area countries in terms of indebtedness, as reported by the European Commission in the context of the surveillance of macroeconomic imbalances in the EU and the euro area (published on 14 February 2012 in the European Commission's Alert Mechanism Report). It also shows the extent of the balance sheet adjustment that will be necessary in some euro area countries over the coming years. In particular, Ireland, Spain, Cyprus and Portugal all face high levels of private and public debt and their net international investment positions are also clearly in excessive deficit. Spain and Ireland are also examples of countries where balance sheet problems originated from a boom-bust cycle in the real estate sector. In this respect, their experience is to some extent comparable to the balance sheet adjustments in Japan in the 1990s and in the United States currently. In both countries, credit to the private sector increased sharply from the early 2000s, leading to a housing and

The alert mechanism scoreboard for the euro area economies and selected indicators

(as a percentage of GDP)

Year 2010	Net international investment position	Private sector debt	Public sector debt
Belgium	77.8	232.8	96.2
Germany	38.4	128.1	83.2
Estonia	-72.8	176.1	6.7
Ireland	-90.9	341.3	92.5
Greece	-92.5	124.1	144.9
Spain	-89.5	227.3	61.0
France	-10.0	159.8	82.3
Italy	-23.9	126.4	118.4
Cyprus	-43.4	289.2	61.5
Luxembourg	96.5	253.9	19.1
Malta	9.2	212.0	69.1
Netherlands	28.0	223.4	62.9
Austria	-9.8	165.7	71.8
Portugal	-107.5	248.5	93.4
Slovenia	-35.7	128.8	38.8
Slovakia	-66.2	69.0	41.0
Finland	9.9	177.7	48.3
Memorandum item: thresholds	-35.0	160.0	60.0

Source: European Commission.

Note: The cells with grey shading indicate countries that exceeded the threshold in 2010.

construction boom. After peaking in 2007, residential investment declined rapidly in the subsequent years and the bulk of the correction of residential investment appears to have been completed. House prices also peaked in 2007 in both countries. While the correction has been significant in Ireland, the overvaluation in Spanish house prices has been corrected more gradually (see Chart B).

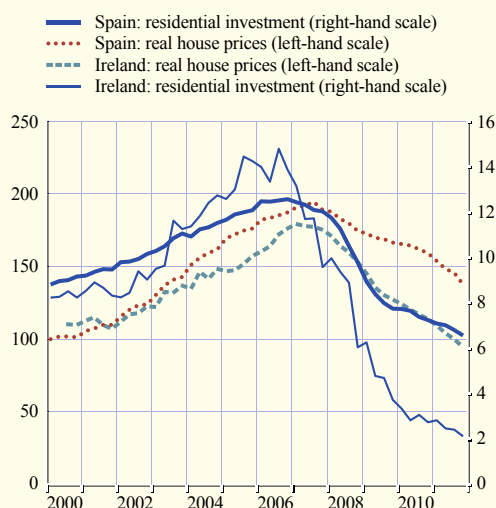
A sharp increase in private sector indebtedness in the two countries can be observed in the years preceding the asset price booms. Focusing on the household sector, debt grew significantly up to the financial crisis, reaching close to 130% of GDP in Ireland and 90% in Spain. By comparison, the euro area level of household indebtedness levelled off to 65% of GDP. Since then, private sector deleveraging has been stronger in Ireland than in Spain (see Chart C).³

Moreover, both countries experienced a particularly strong rise in government debt. Compared with pre-crisis levels in 2007, the government debt-to-GDP ratio is expected to have risen by 83.2 percentage points to 108.1% in Ireland in 2011 and by 33.4 percentage points to 69.6% in Spain,⁴ reflecting, among other things, substantial support to ailing financial institutions.

Overall, the process of deleveraging is ongoing in some euro area countries and the reduction in private and government debt is likely to limit growth in the years to come as the balance sheet adjustment weighs on the investment expenditure of firms and on households' consumption. At the same time, a period of low growth in these countries may also be part of the adjustment, as imbalances mainly reflected demand booms in the run up to the crisis. Without the ongoing adjustment, a more painful correction might have followed later on.

Chart B Residential investment as a percentage of GDP and real house prices in Spain and Ireland

(left-hand scale: 2000 = 100; right-hand scale: as a percentage of GDP; quarterly data)

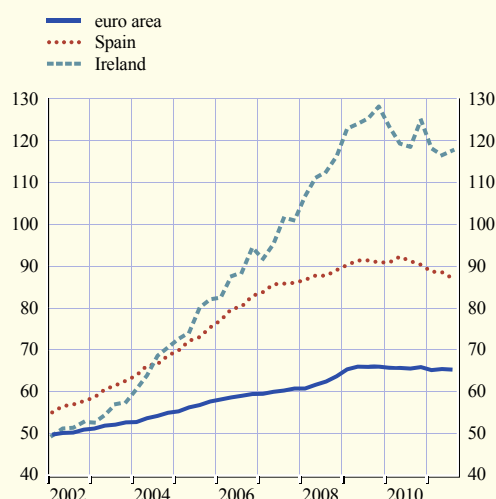


Sources: Central Statistics Office, Instituto Nacional de Estadística and Eurostat.

Notes: House prices deflated with HICP. The latest observation is for the fourth quarter of 2011.

Chart C Household sector debt

(as a percentage of GDP; quarterly data)



Sources: Central Statistics Office, Instituto Nacional de Estadística and Eurostat.

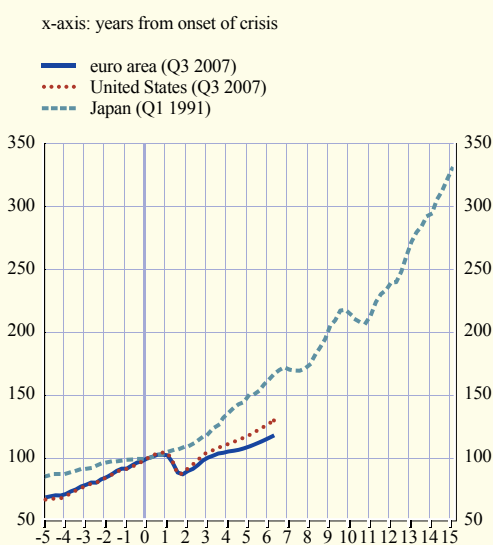
Note: The latest observation is for the third quarter of 2011.

³ An analysis of corporate indebtedness in the euro area, including a comparison with the United States, is available in the article entitled "Corporate indebtedness in the euro area", *Monthly Bulletin*, ECB, February 2012, pp. 87-103.

⁴ See the European Commission's 2011 Autumn Economic Forecast, Brussels.

Chart 9 Foreign demand

(index = 100 in the third quarter of 2007 for the United States and the euro area, and in the first quarter of 1991 for Japan; quarterly data)



Source: OECD Economic Outlook.

Notes: The quarters in brackets refer to the onset of the respective crises. For the United States and the euro area, projections are from the third quarter of 2011 until the fourth quarter of 2013.

4 THE UNWINDING OF IMBALANCES AND GROWTH POTENTIAL

Beyond the demand effects involved in the rebalancing phase, economic growth may also deteriorate if the supply potential of the economy is affected. Severe economic adjustment may result in a decline in flexibility and loss of non-tangible or human capital, as firms or households suffer long periods of underutilisation or underemployment, which would imply a period of lower growth in the production potential of the economy. Recent estimates indicate that potential output growth in both the euro area and the United States has fallen significantly during the recent economic downturn. Although it remains difficult to measure potential output in real time, the OECD, IMF and European Commission estimate a decline of about 1 percentage point in the average rates of potential growth over the period from 2008 to 2011 compared with the previous decade.³ Over similar horizons, Japanese

potential growth declined on average by around 2 percentage points after 1992.

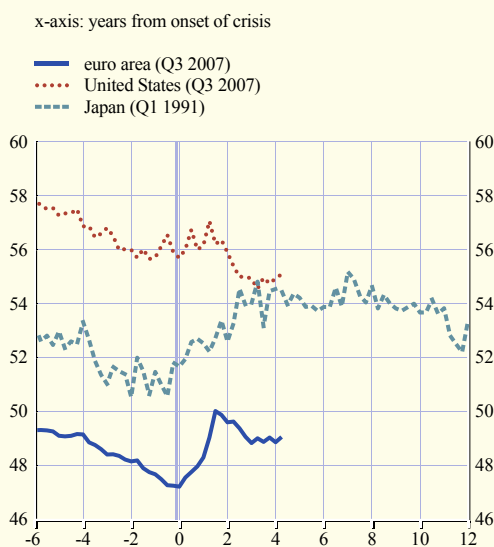
The precise effects on long-term economic growth are likely to reflect differences in the structure of each economy as well as the form of economic rebalancing. In particular, not all of the decline in potential output in Japan was the result of the balance sheet adjustments and rigidities in the corporate sector (as discussed in Box 1), but also related to ageing and the resulting decline in the labour force. In this respect, the United Nations project that the United States and the euro area are also likely to face increasing challenges related to an ageing population, although to a lesser degree compared with Japan.

In the United States, reflecting the relatively higher degree of labour market flexibility, it is the level of employment that has borne the brunt of the adjustment. Labour shedding supported productivity growth and corporate profits, at the expense of soaring unemployment and a declining share of labour income in the overall economy (see Chart 10). The proportion of those unemployed for more than half a year relative to the total remained close to record-high levels in early 2012 (see Chart 11). Such long spells of unemployment could result in a reduction of human capital because of erosion of skills. This also tends to lower the probability of being re-employed, as idle workers lose employment networks, reputation or attachment to the labour force, thus turning part of the cyclical increase into structural unemployment. In addition, employment prospects could be affected for years to come because of reduced incentives to work owing to continued extensions of unemployment insurance benefits, which may lead to a reduction in search efforts by recipients. Finally, the adjustment of labour across sectors and geographic areas might be hampered by the fall in labour mobility as reflected in lower household mobility compared with the 2000-01

³ See Box 1 in the article entitled, "Patterns of euro area and US macroeconomic cycles – what has been different this time?", *Monthly Bulletin*, ECB, May 2011.

Chart 10 Employee compensation

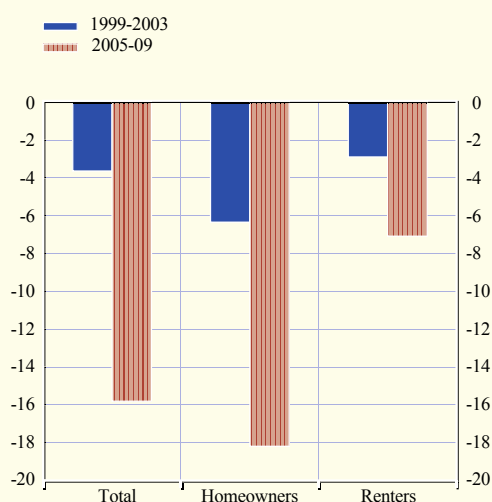
(as a percentage of GDP; quarterly data)



Sources: Bureau of Economic Analysis, Cabinet Office and Eurostat.
Notes: The quarters in brackets refer to the onset of the respective crises. The latest observation for the United States and the euro area is for the fourth quarter of 2011.

Chart 12 Changes in the household mobility rate in the United States

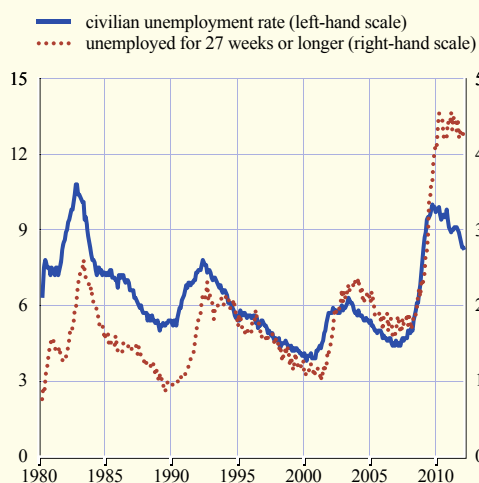
(percentage points)



Sources: American Housing Survey, US Census Bureau and ECB staff.
Notes: Biannual data. The mobility rate is defined as the share of householders who reported having moved in the previous 12 months. The reference years are chosen to compare the change in household mobility over a period of four years, encompassing the latest (2007-09) and the previous (2000-01) recessions.

Chart 11 US unemployment rate and duration of unemployment

(left-hand scale: percentage; right-hand scale: percentage of the total number of unemployed civilians that have been unemployed for 27 weeks or longer, monthly data)



Source: Bureau of Labor Statistics.
Notes: Unemployment rate among civilian population aged 16 and older. The latest observation is for March 2012.

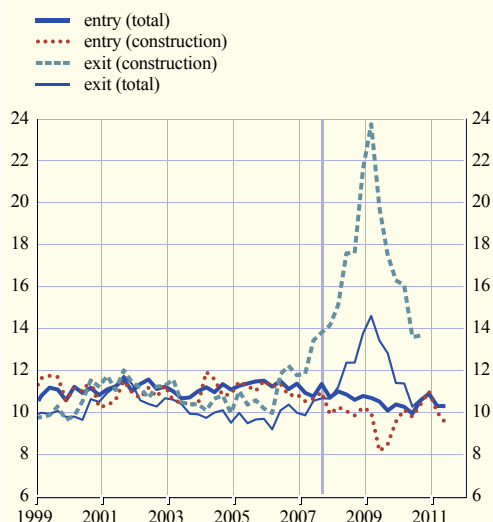
recession, in particular for homeowners (see Chart 12). This may be connected to problems in the housing market, as a significant portion of households remain stuck with properties valued below the remaining mortgage balance, making it more difficult to move as it would require the immediate recognition of losses.⁴

In contrast to the decline in labour mobility, there is little evidence of declining flexibility in the US corporate sector. The crisis witnessed a sharp increase in the rate of firms exiting the market, particularly in sectors in need of adjustment such as construction, while firms' entry rates remained relatively stable, suggesting that a mechanism of "creative destruction" was at work (see Chart 13). This is in stark contrast to

⁴ In Ferreira, F., Gyourko, J. and Tracy, J., "Housing Busts and Household Mobility: An Update", *Federal Reserve Bank of New York Staff Reports*, No 526, 2011, negative housing equity is found to have reduced household mobility by 30%.

Chart 13 Firm entry and exit rates in the United States

(as a percentage of total private establishments; quarterly data)

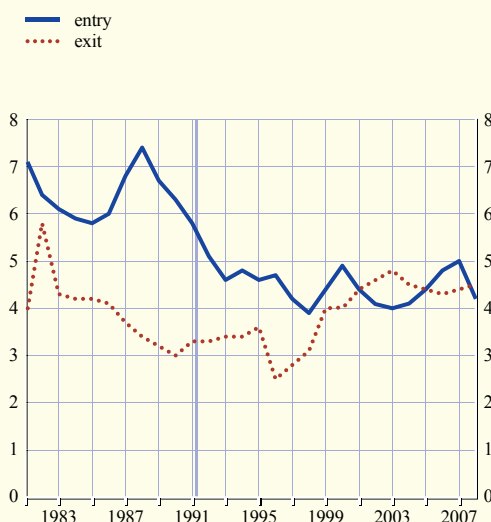


Sources: Bureau of Labor Statistics and ECB staff.

Notes: The latest observation is for the first quarter of 2011 for firm entries and the third quarter of 2010 for firm exits. The vertical line marks the third quarter of 2007, the onset of the crisis.

Chart 14 Overall firm entry and exit rates in Japan

(as a percentage of the average number of all businesses; annual data)



Sources: Ministry of Health, Labour and Welfare and Ministry of Economy, Trade and Industry.

Notes: Entries and exits of business establishments, including openings and closures resulting from opening, closure and movement of branches and factories. The latest observation is for 2008. The vertical line marks the first quarter of 1991, the onset of the crisis.

the Japanese experience in the 1990s, where the increase in the rate of firms' bankruptcies was relatively mild, but the number of newly created enterprises declined sharply, which ultimately prevented potentially more efficient firms from entering the market place (see Chart 14). The United States also appears to have avoided distortions related to the "evergreening" of loans, as – unlike the experience in Japan – the share of loans towards troubled sectors such as commercial real estate in total lending declined or remained relatively low.

The euro area faces similar structural challenges. Unlike the United States, several euro area countries faced high levels of long-term unemployment even before the recession – the recent increase in unemployment has therefore reinforced the need for enhanced flexibility in labour markets. This has been especially clear in countries which saw large increases in

employment in the construction sector during housing booms. These economies now have a high number of former construction-sector workers, which poses a challenge in terms of activation and training policies. Moreover, while there has been evidence of changes in net migration patterns within the euro area since the recent economic downturn, inter-country migration in the euro area is less widespread than labour movement between US states and a less important channel for alleviating specific regional problems.

Finally, the recent crisis has highlighted the challenges for several euro area countries that lost competitiveness during the first decade of monetary union. While for the euro area as a whole, unit labour costs grew by 1.5% on average between 1999 and 2007, in countries such as Greece, Portugal, Spain and Ireland the increases were close to double that rate.

Comparing the recent financial crisis in the United States and the euro area with the experience of Japan in the 1990s

The losses in competitiveness reflected high nominal wage growth in each of these countries. However, in some countries it also reflected poor productivity performance. The cumulative impact of those sustained differences was a gradual erosion of the competitiveness positions of those countries and, as Box 2 discusses, the accumulation of external imbalances with large net international investment liabilities. In a monetary union, with a single currency and a single monetary policy, the main adjustment mechanism – in the absence of a high degree of labour mobility or cross-country fiscal transfers – is the competitiveness channel. In order to restore competitiveness, wages will need to grow more slowly than productivity for some time in some countries. Without swift action to restore competitiveness, in particular by reducing unit labour costs, countries are likely to face a prolonged period of slower growth until imbalances are corrected and competitiveness is restored.

5 POTENTIAL LONG-TERM DISTORTIONS IN FINANCIAL INTERMEDIATION

A further implication of long periods in which imbalances are unwound is the impact on the financial sector. The need for balance sheet adjustment as either financial or non-financial sectors attempt to unwind past excesses can hamper the availability of credit and induce distortions in financial intermediation. In Japan, the effects of the bursting of the stock market bubble were mainly limited to a weakening of the health of the domestic banking system.⁵ By contrast, the prominence of the “originate-to-distribute” model in the United States via securitisations (which was also common in some countries in the euro area) meant that the effects from the dramatic increase in delinquencies and defaults on US mortgages were not limited to US banks only, but were propagated outside the banking sector and globally via capital losses suffered by investors in US mortgage-backed securities. That had knock-on effects for the euro area financial sector, prompting

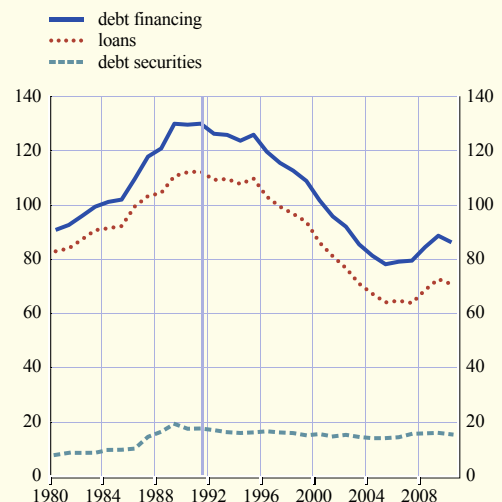
recapitalisation needs of banks in most euro area countries.

The impact of the crisis on credit intermediation depended, in part, on the role that financial intermediaries play in the financial systems of Japan, the euro area and the United States. In the United States, where businesses rely to a larger extent on market financing, the impairment of the selection mechanism in the allocation of corporate credit related to banking sector problems might be less relevant (see Charts 15 to 17). This is because market lending decisions are less susceptible to regulatory forbearance, which seems to have played a role in Japanese banks’ decisions (see Box 1). Indeed, one distinguishing aspect of the credit cycle in the United States and, to a lesser extent, in Europe has been the faster normalisation of asset markets relative to banking systems and a shift

5 Unlike US and euro area banks, Japanese banks typically hold large equity positions in non-banking corporations.

Chart 15 Debt financing of non-financial corporations in Japan

(as a percentage of GDP; quarterly data)

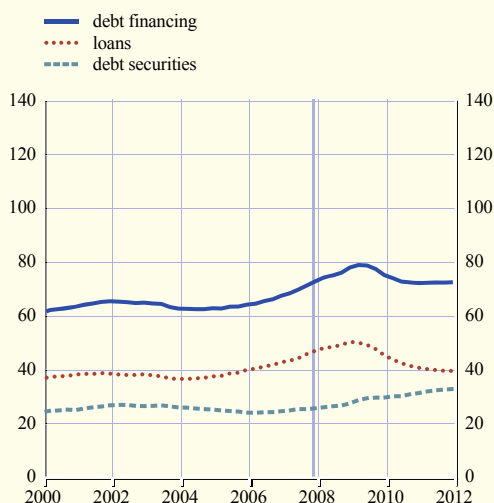


Sources: Bank of Japan and ECB staff.

Notes: Debt financing corresponds to credit market instruments in the Japanese flow-of-funds data. The latest observation is for 2010. The vertical line marks the first quarter of 1991, the onset of the crisis.

Chart 16 Debt financing of non-financial businesses in the United States

(as a percentage of GDP; quarterly data)

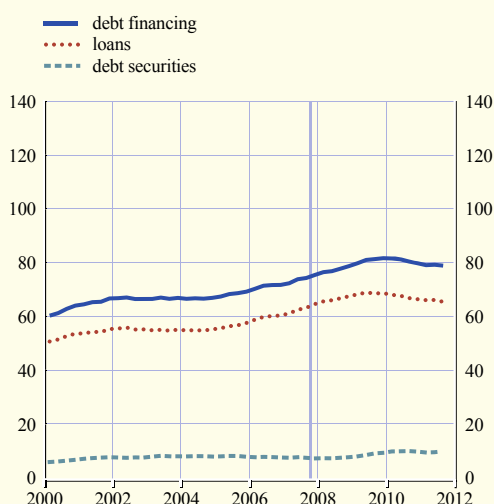


Sources: Board of Governors of the Federal Reserve System and ECB staff.

Notes: Debt financing corresponds to credit market instruments in the US flow-of-funds data. The latest observation is for the fourth quarter of 2011. The vertical line marks the third quarter of 2007, the onset of the crisis.

Chart 17 Debt financing of non-financial corporations in the euro area

(as a percentage of GDP; quarterly data)



Sources: ECB and ECB staff.

Notes: Debt financing of euro area non-financial corporates is reported on a consolidated basis by netting out inter-company loans from the original non-consolidated data and includes pension fund reserves. The latest observation is for the third quarter of 2011. The vertical line marks the third quarter of 2007, the onset of the crisis.

from banks to capital markets as the preferred source of corporate financing.⁶

While market finance is one avenue for alleviating credit constraints caused by banking sector problems, small and medium-sized enterprises tend to rely almost exclusively on bank financing.⁷ In this regard, the policy response to resolve banking problems is crucial. While Japan suffered from a delayed response, by contrast, US and euro area banks recognised losses and recapitalised at an early stage with the support of public funds⁸, and banks in both economies now operate with higher capital ratios than before the crisis. The more timely response was in part determined by the different nature of the problem. In the recent crisis, losses stemmed notably from securitised products where typically mark-to-market valuations apply. This facilitated the early recognition of losses, in contrast to Japan where problems focused primarily on non-performing loans held on the books of Japanese banks.

Nonetheless, the US and euro area financial sectors face specific challenges which have the potential to restrain lending and the speed of the economic recovery. In the face of market concerns about the creditworthiness of some euro area governments, euro area banks have recently faced questions about the strength of their balance sheets, related to their sovereign exposures. With banks required to raise capital as a buffer against such exposures, banks across Europe are expected to reduce their balance sheets over the coming years, which

6 See IMF, *Global Financial Stability Report*, September 2011.

7 Another way to reduce the dependence on banks would be to rely on trade credits and inter-company lending. See, for instance, the article entitled “The financial crisis in the light of the euro area accounts: a flow-of-funds perspective”, *Monthly Bulletin*, ECB, October 2011.

8 At the peak of the crisis, the US government made investments in banks representing approximately 88% of US bank holding companies by assets (USD 245 billion disbursed) under the Troubled Asset Relief Program (TARP). By 2011 the amounts not yet repaid to the Treasury represented less than 8% of bank holding companies by assets and taxpayers recovered USD 256 billion including interest and other income (see US Treasury, *Three Year Anniversary Report*, October 2011).

may affect credit supply for productive sectors of the economy.

In the United States, a problem that might bear similarities to Japan's "zombie lending" is the slow restructuring and distortions in the mortgage market related to the dominance of government-sponsored enterprises (GSEs), which crowd out private financing because of their low funding costs. The retreat of private investors from the market and pending regulatory reform aimed at more stringent conditions for mortgage securitisations and a reduced role of GSEs are likely to restrict access to credit for households and raise the cost of mortgages in the future.⁹

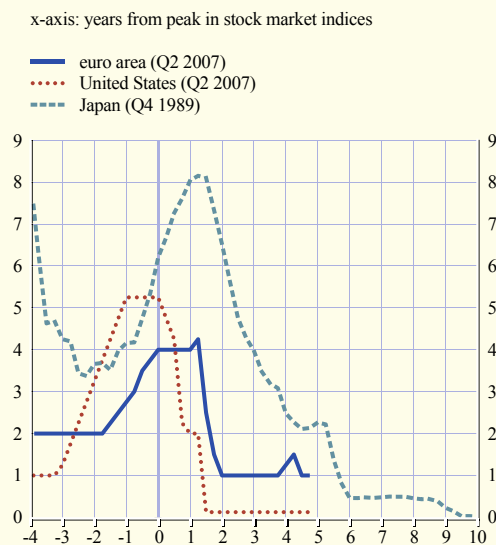
6 THE POLICY RESPONSE TO THE CRISIS

Monetary and fiscal policies in the United States and the euro area responded to the initial economic downturn with larger and timelier measures compared with Japan in the 1990s. As for monetary policy, interest rates in Japan remained at a considerably higher level than in the euro area and the United States after the start of the corrections in stock markets and land prices (see Chart 18). The Bank of Japan reacted more slowly and in addition monetary policy was complicated by a rapid disinflation process, which turned into deflation from the late 1990s (see Box 1). By contrast, inflation expectation measures in both the euro area and the United States have remained well anchored close to pre-crisis levels, meaning that the current low interest rate environment translated into negative real interest rates (see Chart 19).

One lesson from the Japanese experience during the 1990s is that, in the presence of structural needs for private sector balance sheet repair, overly indebted sectors may become insensitive to monetary policy easing, leading to an impairment of the interest rate transmission mechanism.¹⁰ This is relevant in the United States, where the large proportion of borrowers with negative equity on their mortgage loans has impaired the refinancing of

Chart 18 Key policy rates

(percentages per annum; quarterly data)



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

Notes: The policy rates are the main refinancing operations rate for the euro area, the federal funds target rate for the United States and the Tokyo uncollateralised overnight call rate for Japan. The peak is given in brackets. The latest observation for the United States and the euro area is for the first quarter of 2012.

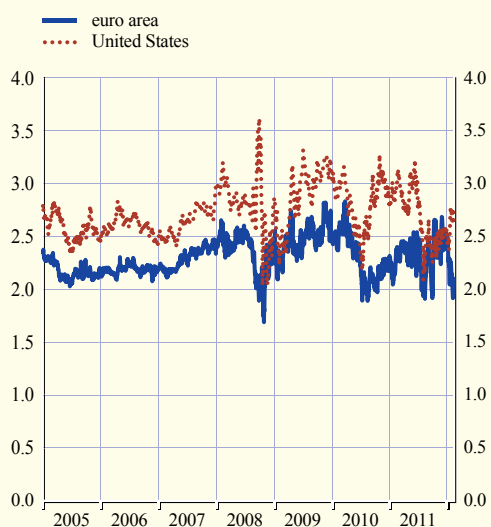
loans at lower costs, despite record-low mortgage rates. Similarly, the euro area sovereign debt crisis has impeded the pass-through of lower policy rates to the private sector in some euro area countries, partly because of the strong correlation between the cost of market funding for sovereigns and banks. Such evidence shows that monetary policy can treat the symptoms and buy time, but is not a substitute for overdue structural adjustments and regulatory reforms. Moreover, a prolonged period of policy accommodation and excess

⁹ In 2011 private-label residential mortgage-backed securities markets remained effectively shut down and 90% of residential mortgage origination in the United States came under the umbrella of the GSEs and the fully government-guaranteed Federal Housing Administration (see IMF, Article IV Consultation on the United States, Selected Issues, Chapter 4, *IMF Country Report*, No 11/202, 2011).

¹⁰ In contrast to previous cyclical downturns in Japan, the reduction in the policy rate in the early 1990s failed to prevent a sharp decline in investment, as firms needed to repair balance sheets and were unwilling or unable to take on new debt in the face of declining collateral values. See for instance, Nishimura, K.G., "This Time May Truly Be Different: Balance Sheet Adjustment under Population Ageing", speech given at the 2011 American Economic Association Annual Meeting in Denver, 7 January 2011.

Chart 19 Five-year forward five-year ahead break even inflation rates

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



Sources: Reuters and ECB calculations.

Notes: The latest observation is for 6 April 2012 for the United States and 10 April for the euro area.

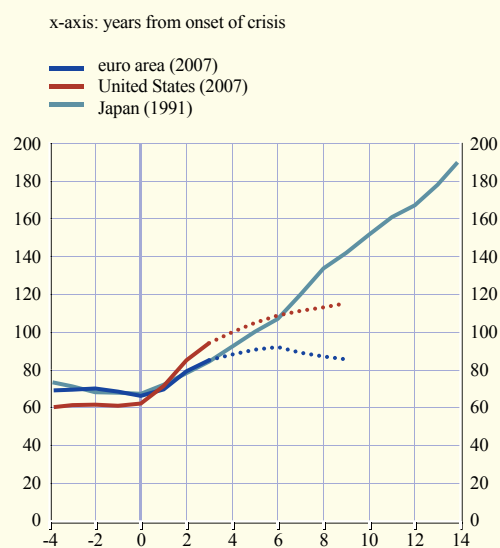
liquidity may create inefficiencies by keeping unviable firms and banks alive, or distort incentives and delay necessary adjustments such as a return to sound public finances.

As regards fiscal policies, the crises were associated with a rapid rise in government debt, the magnitude of which differed between Japan, the United States, the euro area and its Member States (see Box 2 and Charts 20 and 21). The increase in debt-to-GDP ratios resulted, among other things, from the strong deterioration in economic growth, sizeable fiscal stimuli, as well as support to the banking sector as the balance sheet recessions fed through to excessively leveraged financial institutions.

While Japan, the United States and many euro area countries responded to their respective economic downturns with large fiscal expansions, the sovereign debt crisis has put particular pressure on euro area countries to initiate

Chart 20 Gross debt-to-GDP ratios

(percentages; annual data)

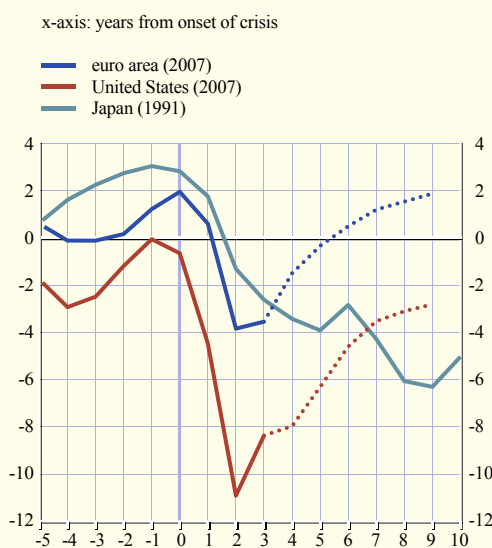


Sources: IMF World Economic Outlook, October 2011.

Note: For the United States and the euro area, actual data is until 2010 and projections are for 2011 to 2016. The years in brackets refer to the onset of the respective crises.

Chart 21 General government primary balance

(as a percentage of GDP; annual data)



Sources: IMF World Economic Outlook, October 2011.

Note: For the United States and the euro area, actual data is until 2010 and projections are for 2011 to 2016. The years in brackets refer to the onset of the respective crises.

comprehensive fiscal consolidation. Neither Japan in the 1990s nor the United States in the recent crisis faced considerable market pressure to adjust their high government debt levels.¹¹ As a consequence, fiscal consolidation so far has been more frontloaded and more comprehensive in the euro area. Moreover, the need to regain financial market confidence in the sustainability of public finances has triggered comprehensive reforms of the EU fiscal framework, strengthening fiscal discipline.

7 CONCLUDING REMARKS

This article has described several differences both in the causes as well as in the policy response behind Japan's "lost decade" and the recent crisis in the United States and the euro area. The latter two are rather unlikely to tread precisely the path of Japan. At the same time, Japan's experience highlights the difficulties for economies emerging from balance sheet recessions and unwinding large imbalances and shows that both the United States and the euro area face significant challenges to restore growth prospects and achieve a sustainable and enduring recovery. The recovery in both economies is thus likely to be sluggish and prone to uncertainty, in line with previous episodes following financial crises.

Japan's experience also shows that temporary improvements may not be self-sustained if the underlying root causes of the crisis are not sufficiently corrected. One lesson is that the repair of the financial system is a precondition for a durable recovery, since a dysfunctional financial sector might hamper productivity growth by curtailing investment, the forces of "creative destruction" and, ultimately, innovation. A more sustained recovery in Japan took hold only after a comprehensive strategy to restore financial health had been put in place (2001-03).¹² Even with a comprehensive policy response, balance sheet repair takes time and may lead to a reduction in flexibility and loss of capital owing to a long period of underutilisation of resources and underemployment. The Japanese experience also

underlines the importance of removing impediments to growth through structural reforms. In the absence of these reforms, problems stemming from structural deficiencies are bound to reappear and the recovery is likely to be slow, fragile and prone to reversals. While unique in its own root causes and with a legacy which is not yet fully known, the euro area sovereign debt crisis has brought to the fore structural deficiencies and shortcomings in institutional arrangements. The growing awareness of the need for reforms in Europe, together with the concrete measures undertaken aimed at a return to sound public finances, a better capitalised banking system, strengthening of euro area governance and restoring countries' competitiveness, represent welcome steps in this direction.

11 Such lack of market pressure reflects, in the case of Japan, the effect of home bias as domestic debt holdings account for close to 95% of the debt. The United States has benefited from a relatively stable investor base in the face of strong demand from institutional investors and foreign official entities. Significant central bank debt purchases under quantitative easing have also excluded portions of outstanding public debt from market pressures. See IMF, *Fiscal Monitor*, October 2011.

12 See Syed M., Kang, K. and Tokuoka, K., "Lost Decade" in Translation: What Japan's Crisis could Portend about Recovery from the Great Recession", *IMF Working Papers*, WP/09/282, 2009.

EURO AREA STATISTICS



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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.

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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
2010	8.5	1.8	0.5	-	0.6	4.2	0.81	3.36
2011	2.0	2.3	2.2	-	2.4	0.9	1.39	2.65
2011 Q2	1.7	2.4	2.1	-	2.6	1.3	1.42	3.41
Q3	1.4	2.3	2.4	-	2.5	0.6	1.56	2.48
Q4	1.9	2.1	2.2	-	2.1	-0.3	1.50	2.65
2012 Q1	2.2	2.5	2.5	-	0.9	.	1.04	2.60
2011 Nov.	2.1	2.1	1.9	2.0	1.7	-1.1	1.48	3.07
Dec.	1.7	1.8	1.5	2.0	1.1	-0.3	1.43	2.65
2012 Jan.	2.1	2.3	2.5	2.3	1.2	0.4	1.22	2.67
Feb.	2.5	2.8	2.8	2.8	0.8	0.8	1.05	2.59
Mar.	2.7	2.9	3.2	.	0.6	.	0.86	2.60
Apr.	.	.	.	.	.	.	0.74	2.47

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

	HICP ¹⁾	Industrial producer prices	Hourly labour costs	Real GDP (s.a.)	Industrial production excluding construction	Capacity utilisation in manufacturing (%)	Employment (s.a.)	Unemployment (% of labour force; s.a.)
	1	2	3	4	5	6	7	8
2010	1.6	2.9	1.5	1.9	7.3	76.7	-0.5	10.1
2011	2.7	5.9	2.8	1.5	3.5	80.3	0.1	10.2
2011 Q3	2.7	5.9	2.6	1.3	3.9	80.0	0.2	10.2
Q4	2.9	5.1	2.8	0.7	-0.2	79.7	-0.2	10.6
2012 Q1	2.7	.	.	.	.	79.7	.	10.9
2011 Nov.	3.0	5.4	-	-	0.0	-	-	10.6
Dec.	2.7	4.3	-	-	-1.6	-	-	10.6
2012 Jan.	2.7	3.8	-	-	-1.7	79.8	-	10.8
Feb.	2.7	3.6	-	-	-1.9	-	-	10.8
Mar.	2.7	.	-	-	.	-	-	10.9
Apr.	2.6	.	-	-	.	79.6	-	.

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-20 ⁽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
2010	-0.4	15.1	51.2	591.2	-13.4	120.4	103.6	101.6	1.3257
2011	7.6	4.6	157.1	667.1	-12.1	120.5	103.4	100.7	1.3920
2011 Q2	-17.9	-2.4	107.2	580.9	-13.5	118.9	105.2	102.6	1.4391
Q3	4.4	2.8	15.8	646.6	-13.1	122.5	103.5	100.6	1.4127
Q4	39.9	14.3	-59.1	667.1	-12.1	120.5	102.1	99.4	1.3482
2012 Q1	.	.	.	671.3	.	.	99.5	96.9	1.3108
2011 Nov.	11.5	5.7	-7.4	683.5	.	.	102.6	99.9	1.3556
Dec.	23.3	8.2	-43.7	667.1	.	.	100.8	98.2	1.3179
2012 Jan.	-10.0	-9.2	-49.8	702.4	.	.	98.9	96.3	1.2905
Feb.	-4.3	2.4	12.8	696.4	.	.	99.6	97.2	1.3224
Mar.	.	.	.	671.3	.	.	99.8	97.3	1.3201
Apr.	.	.	.	.	.	.	99.5	96.9	1.3162

Sources: ECB, European Commission (Eurostat and Economic and Financial Affairs DG) and Thomson 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) Data refer to the Euro 17, unless otherwise indicated.

6) 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

	6 April 2012	13 April 2012	20 April 2012	27 April 2012
Gold and gold receivables	432,706	432,706	432,706	432,705
Claims on non-euro area residents in foreign currency	240,334	239,669	240,381	241,240
Claims on euro area residents in foreign currency	53,771	54,513	54,618	52,449
Claims on non-euro area residents in euro	19,870	20,106	19,271	20,271
Lending to euro area credit institutions in euro	1,154,483	1,147,981	1,142,714	1,139,372
Main refinancing operations	62,625	55,362	51,775	46,369
Longer-term refinancing operations	1,090,891	1,090,626	1,090,626	1,092,384
Fine-tuning reverse operations	0	0	0	0
Structural reverse operations	0	0	0	0
Marginal lending facility	966	1,993	311	619
Credits related to margin calls	0	0	1	1
Other claims on euro area credit institutions in euro	60,752	62,548	183,692	184,738
Securities of euro area residents in euro	627,950	627,712	609,674	608,287
Securities held for monetary policy purposes	280,423	280,680	281,148	281,629
Other securities	347,526	347,032	328,526	326,658
General government debt in euro	31,131	31,131	31,131	31,131
Other assets	344,337	358,493	252,923	251,910
Total assets	2,965,333	2,974,859	2,967,109	2,962,103

2. Liabilities

	6 April 2012	13 April 2012	20 April 2012	27 April 2012
Banknotes in circulation	880,885	874,293	869,653	872,690
Liabilities to euro area credit institutions in euro	1,084,998	1,086,212	1,084,186	1,099,466
Current accounts (covering the minimum reserve system)	86,003	129,019	93,498	91,254
Deposit facility	784,829	742,825	775,650	793,958
Fixed-term deposits	213,500	214,000	214,000	214,000
Fine-tuning reverse operations	0	0	0	0
Deposits related to margin calls	667	367	1,037	253
Other liabilities to euro area credit institutions in euro	2,288	2,386	2,388	2,402
Debt certificates issued	0	0	0	0
Liabilities to other euro area residents in euro	157,631	169,809	166,552	140,609
Liabilities to non-euro area residents in euro	74,064	76,841	76,522	76,400
Liabilities to euro area residents in foreign currency	4,681	3,597	3,819	5,159
Liabilities to non-euro area residents in foreign currency	7,579	7,846	8,587	8,685
Counterpart of special drawing rights allocated by the IMF	54,716	54,716	54,716	54,716
Other liabilities	215,159	214,196	215,708	217,000
Revaluation accounts	399,445	399,445	399,445	399,445
Capital and reserves	83,887	85,519	85,532	85,532
Total liabilities	2,965,333	2,974,859	2,967,109	2,962,103

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	Change		
	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
2011 13 Apr.	0.50	0.25	1.25	-	0.25	2.00	0.25
13 July	0.75	0.25	1.50	-	0.25	2.25	0.25
9 Nov.	0.50	-0.25	1.25	-	-0.25	2.00	-0.25
14 Dec.	0.25	-0.25	1.00	-	-0.25	1.75	-0.25

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	9
Main refinancing operations								
2012 25 Jan.	130,317	136	130,317	1.00	-	-	-	7
1 Feb.	115,579	135	115,579	1.00	-	-	-	7
8	109,462	135	109,462	1.00	-	-	-	7
15	142,751	160	142,751	1.00	-	-	-	7
22	166,490	169	166,490	1.00	-	-	-	7
29	29,469	83	29,469	1.00	-	-	-	7
7 Mar.	17,541	65	17,541	1.00	-	-	-	7
14	42,178	75	42,178	1.00	-	-	-	7
21	59,543	78	59,543	1.00	-	-	-	7
28	61,078	81	61,078	1.00	-	-	-	7
4 Apr.	62,625	80	62,625	1.00	-	-	-	7
11	55,362	82	55,362	1.00	-	-	-	7
18	51,775	85	51,775	1.00	-	-	-	7
25	46,369	82	46,369	1.00	-	-	-	7
2 May	34,420	77	34,420	1.00	-	-	-	7
Longer-term refinancing operations								
2011 14 Dec.	41,150	42	41,150	1.00	-	-	-	35
22	29,741	72	29,741	1.00	-	-	-	98
22 ^{5) 6)}	489,191	523	489,191	.	-	-	-	1,134
2012 18 Jan.	38,734	44	38,734	1.00	-	-	-	28
26	19,580	54	19,580	1.00	-	-	-	91
15 Feb.	14,325	18	14,325	1.00	-	-	-	28
1 Mar. ⁵⁾	6,496	30	6,496	.	-	-	-	91
1 ^{5) 6)}	529,531	800	529,531	.	-	-	-	1,092
14	9,754	19	9,754	1.00	-	-	-	28
29 ⁵⁾	25,127	48	25,127	.	-	-	-	91
11 Apr.	11,389	20	11,389	1.00	-	-	-	28
26 ⁵⁾	21,338	39	21,338	.	-	-	-	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	11
2012 25 Jan.	Collection of fixed-term deposits	345,649	113	219,000	-	-	1.00	0.30	0.28	7
1 Feb.	Collection of fixed-term deposits	325,503	100	219,000	-	-	1.00	0.28	0.27	7
8	Collection of fixed-term deposits	344,328	97	219,000	-	-	1.00	0.28	0.27	7
15	Collection of fixed-term deposits	351,861	97	219,500	-	-	1.00	0.28	0.27	7
22	Collection of fixed-term deposits	372,243	91	219,500	-	-	1.00	0.27	0.27	7
29	Collection of fixed-term deposits	331,939	79	219,500	-	-	1.00	0.27	0.26	7
7 Mar.	Collection of fixed-term deposits	452,118	106	219,500	-	-	1.00	0.26	0.26	7
14	Collection of fixed-term deposits	437,434	91	218,000	-	-	1.00	0.26	0.26	7
21	Collection of fixed-term deposits	429,702	92	218,000	-	-	1.00	0.26	0.26	7
28	Collection of fixed-term deposits	322,943	82	213,500	-	-	1.00	0.26	0.26	7
4 Apr.	Collection of fixed-term deposits	415,044	78	213,500	-	-	1.00	0.26	0.26	7
11	Collection of fixed-term deposits	365,273	66	214,000	-	-	1.00	0.26	0.26	7
18	Collection of fixed-term deposits	438,325	75	214,000	-	-	1.00	0.26	0.26	7
25	Collection of fixed-term deposits	411,451	70	214,000	-	-	1.00	0.26	0.26	7
2 May	Collection of fixed-term deposits	389,405	58	214,000	-	-	1.00	0.26	0.26	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.

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 this longer-term refinancing operation, the rate at which all bids are satisfied is indexed to the average minimum bid rate in the main refinancing operations over the life of the operation. The interest rates displayed for these indexed longer-term refinancing operations have been rounded to two decimal places. For the precise calculation method, please refer to the Technical Notes.

6) After one year counterparties will have the option to repay any part of the liquidity that they have been allotted in this operation, on any day that coincides with the settlement day of a main refinancing 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 (end of period):	Total	Liabilities to which a positive reserve coefficient is applied ¹⁾		Liabilities to which a 0% reserve coefficient is applied		
		Overnight deposits and deposits with an agreed maturity or notice period of up to 2 years	Debt securities issued with a maturity of up to 2 years	Deposits with an agreed maturity or notice period of over 2 years	Repos	Debt securities issued with a maturity of over 2 years
	1	2	3	4	5	6
2007	17,394.7	9,438.8	815.0	2,143.1	1,364.0	3,633.9
2008	18,169.6	10,056.8	848.7	2,376.9	1,243.5	3,643.7
2009	18,318.2	9,808.5	760.4	2,475.7	1,170.1	4,103.5
2010	18,948.1	9,962.6	644.3	2,683.3	1,335.4	4,322.5
2011 Oct.	19,126.2	9,718.9	657.4	2,788.5	1,562.7	4,398.7
Nov.	19,073.0	9,708.5	673.6	2,776.0	1,509.5	4,405.4
Dec.	18,970.0	9,790.9	687.7	2,781.2	1,303.5	4,406.8
2012 Jan.	19,111.4	9,901.1	684.7	2,784.2	1,343.8	4,397.7
Feb.	19,090.1	9,870.4	700.9	2,768.7	1,356.6	4,393.6

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	211.8	212.5	0.7	0.5	1.00
2011	207.7	212.2	4.5	0.0	1.25
2011 13 Dec.	207.7	212.2	4.5	0.0	1.25
2012 17 Jan.	207.0	212.3	5.3	0.0	1.00
14 Feb.	103.3	108.1	4.7	0.0	1.00
13 Mar.	104.3	108.9	4.6	0.0	1.00
10 Apr.	105.4	109.6	4.3	0.0	1.00
8 May	105.2	.	.	.	.

3. Liquidity

Maintenance period ending on:	Liquidity-providing factors					Liquidity-absorbing factors					Credit institutions' current accounts	Base money
	Monetary policy operations of the Eurosystem							Banknotes in circulation	Central government deposits with the Eurosystem	Other factors (net)		
	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⁾					
	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	511.1	179.5	336.3	1.9	130.4	44.7	70.8	815.9	94.4	-79.1	212.5	1,073.1
2011	622.1	238.0	389.0	4.4	260.3	253.7	200.5	869.4	63.8	-85.9	212.2	1,335.3
2011 8 Nov.	612.1	196.1	387.1	2.8	231.9	204.6	178.0	861.4	57.9	-80.8	208.9	1,274.8
13 Dec.	622.1	238.0	389.0	4.4	260.3	253.7	200.5	869.4	63.8	-85.9	212.2	1,335.3
2012 17 Jan.	683.9	169.4	627.3	6.0	278.6	399.3	210.8	883.7	67.7	-8.7	212.3	1,495.3
14 Feb.	698.3	120.6	683.6	2.3	282.4	489.0	218.5	870.1	100.1	1.6	108.1	1,467.1
13 Mar.	688.2	89.1	860.1	2.2	288.1	621.0	219.5	868.8	129.0	-19.4	108.9	1,598.6
10 Apr.	667.6	56.4	1,093.4	3.0	280.6	771.3	215.8	871.2	146.3	-13.3	109.6	1,752.1

Source: ECB.

1) A coefficient of 1% is applied as of the maintenance period beginning on 18 January 2012. A coefficient of 2% is applied to all previous maintenance periods.

2) Includes liquidity provided under the Eurosystem's covered bond purchase programmes 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>



MONEY, BANKING AND OTHER FINANCIAL CORPORATIONS

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 ³⁾
		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
Eurosysteem														
2010	3,212.4	1,566.8	18.6	0.9	1,547.3	573.6	425.4	9.4	138.7	-	18.6	684.1	8.0	361.4
2011	4,700.4	2,728.5	18.0	1.0	2,709.5	717.2	556.9	10.9	149.5	-	20.3	779.2	8.1	447.0
2011 Q4	4,700.4	2,728.5	18.0	1.0	2,709.5	717.2	556.9	10.9	149.5	-	20.3	779.2	8.1	447.0
2012 Q1 ^(p)	5,187.4	3,238.6	18.0	1.0	3,219.6	744.5	578.5	10.5	155.4	-	21.0	773.9	8.1	401.4
2011 Dec.	4,700.4	2,728.5	18.0	1.0	2,709.5	717.2	556.9	10.9	149.5	-	20.3	779.2	8.1	447.0
2012 Jan.	4,740.8	2,762.7	18.0	1.0	2,743.7	731.3	571.9	11.0	148.4	-	20.7	809.4	8.1	408.6
Feb.	4,821.7	2,789.0	18.0	1.0	2,770.0	738.0	578.0	11.2	148.8	-	21.0	803.2	8.0	462.4
Mar. ^(p)	5,187.4	3,238.6	18.0	1.0	3,219.6	744.5	578.5	10.5	155.4	-	21.0	773.9	8.1	401.4
MFIs excluding the Eurosysteem														
2010	32,199.5	17,765.0	1,221.8	11,026.0	5,517.1	4,938.6	1,524.2	1,528.6	1,885.8	59.9	1,233.1	4,321.5	223.5	3,657.9
2011	33,542.9	18,482.4	1,160.0	11,162.0	6,160.4	4,766.9	1,397.5	1,517.9	1,851.6	50.2	1,213.5	4,252.7	233.2	4,544.0
2011 Q4	33,542.9	18,482.4	1,160.0	11,162.0	6,160.4	4,766.9	1,397.5	1,517.9	1,851.6	50.2	1,213.5	4,252.7	233.2	4,544.0
2012 Q1 ^(p)	33,758.9	18,620.7	1,136.9	11,162.1	6,321.8	4,951.9	1,519.0	1,515.8	1,917.0	60.1	1,233.5	4,253.0	220.9	4,418.7
2011 Dec.	33,542.9	18,482.4	1,160.0	11,162.0	6,160.4	4,766.9	1,397.5	1,517.9	1,851.6	50.2	1,213.5	4,252.7	233.2	4,544.0
2012 Jan.	33,723.1	18,502.9	1,156.3	11,195.0	6,151.6	4,839.8	1,448.1	1,521.4	1,870.3	51.7	1,231.7	4,232.7	231.0	4,633.4
Feb.	33,709.3	18,474.6	1,140.5	11,164.3	6,169.8	4,929.1	1,496.6	1,527.9	1,904.5	55.8	1,224.3	4,209.6	224.8	4,591.2
Mar. ^(p)	33,758.9	18,620.7	1,136.9	11,162.1	6,321.8	4,951.9	1,519.0	1,515.8	1,917.0	60.1	1,233.5	4,253.0	220.9	4,418.7

2. Liabilities

	Total	Currency in circulation	Deposits of euro area residents				Money market fund shares/units ⁴⁾	Debt securities issued ⁵⁾	Capital and reserves	External liabilities	Remaining liabilities ³⁾
			Total	Central government	Other general government/other euro area residents	MFIs					
	1	2	3	4	5	6	7	8	9	10	11
Eurosysteem											
2010	3,212.4	863.7	1,394.8	68.0	8.7	1,318.1	-	0.0	428.5	153.8	371.7
2011	4,700.4	913.7	2,609.0	63.8	12.1	2,533.1	-	0.0	481.2	285.3	411.1
2011 Q4	4,700.4	913.7	2,609.0	63.8	12.1	2,533.1	-	0.0	481.2	285.3	411.1
2012 Q1 ^(p)	5,187.4	894.7	3,176.5	135.9	9.0	3,031.5	-	0.0	508.7	206.7	400.9
2011 Dec.	4,700.4	913.7	2,609.0	63.8	12.1	2,533.1	-	0.0	481.2	285.3	411.1
2012 Jan.	4,740.8	893.6	2,666.9	108.7	9.8	2,548.4	-	0.0	521.5	243.3	415.5
Feb.	4,821.7	892.1	2,752.7	135.6	12.4	2,604.6	-	0.0	526.3	241.2	409.4
Mar. ^(p)	5,187.4	894.7	3,176.5	135.9	9.0	3,031.5	-	0.0	508.7	206.7	400.9
MFIs excluding the Eurosysteem											
2010	32,199.5	-	16,497.6	196.2	10,526.4	5,774.9	612.3	4,847.4	2,045.5	4,218.2	3,978.5
2011	33,542.9	-	17,267.2	195.5	10,752.4	6,319.3	570.5	5,008.1	2,234.1	3,803.2	4,659.9
2011 Q4	33,542.9	-	17,267.2	195.5	10,752.4	6,319.3	570.5	5,008.1	2,234.1	3,803.2	4,659.9
2012 Q1 ^(p)	33,758.9	-	17,461.7	192.5	10,804.1	6,465.1	554.3	5,064.4	2,258.9	3,931.2	4,488.3
2011 Dec.	33,542.9	-	17,267.2	195.5	10,752.4	6,319.3	570.5	5,008.1	2,234.1	3,803.2	4,659.9
2012 Jan.	33,723.1	-	17,257.8	210.5	10,764.2	6,283.1	547.6	5,015.9	2,258.1	3,859.3	4,784.4
Feb.	33,709.3	-	17,279.6	206.6	10,776.5	6,296.5	530.5	5,042.4	2,264.7	3,837.5	4,754.6
Mar. ^(p)	33,758.9	-	17,461.7	192.5	10,804.1	6,465.1	554.3	5,064.4	2,258.9	3,931.2	4,488.3

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) In December 2010 a change was made to the recording practice for derivatives in one Member State, leading to an increase in this position.

4) Amounts held by euro area residents.

5) 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 ²⁾
		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											
2010	25,756.7	12,267.4	1,240.4	11,027.0	3,487.7	1,949.7	1,538.1	800.4	5,005.6	231.5	3,964.1
2011	26,771.6	12,340.9	1,178.0	11,163.0	3,483.1	1,954.4	1,528.7	739.5	5,031.9	241.4	4,934.8
2011 Q4	26,771.6	12,340.9	1,178.0	11,163.0	3,483.1	1,954.4	1,528.7	739.5	5,031.9	241.4	4,934.8
2012 Q1 ^(p)	26,723.5	12,317.9	1,154.9	11,163.1	3,623.9	2,097.5	1,526.3	755.6	5,026.9	229.0	4,770.2
2011 Dec.	26,771.6	12,340.9	1,178.0	11,163.0	3,483.1	1,954.4	1,528.7	739.5	5,031.9	241.4	4,934.8
2012 Jan.	26,942.9	12,370.3	1,174.3	11,196.0	3,552.4	2,020.1	1,532.4	747.6	5,042.1	239.1	4,991.4
Feb.	26,932.2	12,323.8	1,158.5	11,165.3	3,613.7	2,074.6	1,539.1	745.1	5,012.8	232.8	5,004.1
Mar. ^(p)	26,723.5	12,317.9	1,154.9	11,163.1	3,623.9	2,097.5	1,526.3	755.6	5,026.9	229.0	4,770.2
Transactions											
2010	577.6	412.8	206.3	206.5	138.1	140.5	-2.5	5.7	-112.3	2.3	130.8
2011	1,029.7	57.3	-58.8	116.1	132.1	150.2	-18.1	-30.0	-37.3	8.1	899.4
2011 Q4	-255.8	-101.2	13.5	-114.7	80.3	41.4	38.9	-9.0	-173.6	3.8	-56.0
2012 Q1 ^(p)	103.7	-1.9	-22.2	20.3	148.8	146.5	2.4	19.1	67.8	-12.4	-117.1
2011 Dec.	63.8	-80.7	15.1	-95.8	-4.4	1.6	-6.0	-9.6	-19.8	2.6	175.7
2012 Jan.	238.8	37.2	-3.0	40.3	75.2	66.8	8.4	8.1	18.0	-3.2	103.9
Feb.	44.1	-36.2	-16.2	-20.0	52.5	46.6	5.9	-1.4	20.3	-5.6	14.5
Mar. ^(p)	-179.2	-2.9	-3.0	0.0	21.1	33.1	-12.0	12.3	29.4	-3.6	-235.5

2. Liabilities

	Total	Currency in circulation	Deposits of central government	Deposits of other general government/other euro area residents	Money market fund shares/units ³⁾	Debt securities issued ⁴⁾	Capital and reserves	External liabilities	Remaining liabilities ²⁾	Excess of inter-MFI liabilities over inter-MFI assets
	1	2	3	4	5	6	7	8	9	10
Outstanding amounts										
2010	25,756.7	808.6	264.2	10,535.1	552.4	2,822.9	2,022.6	4,372.0	4,350.2	28.6
2011	26,771.6	857.5	259.3	10,764.5	520.3	3,007.0	2,221.0	4,088.5	5,071.0	-17.5
2011 Q4	26,771.6	857.5	259.3	10,764.5	520.3	3,007.0	2,221.0	4,088.5	5,071.0	-17.5
2012 Q1 ^(p)	26,723.5	844.8	328.4	10,813.1	494.1	2,991.9	2,268.7	4,137.9	4,889.2	-44.8
2011 Dec.	26,771.6	857.5	259.3	10,764.5	520.3	3,007.0	2,221.0	4,088.5	5,071.0	-17.5
2012 Jan.	26,942.9	843.0	319.2	10,774.0	495.9	2,997.2	2,274.9	4,102.7	5,199.9	-63.7
Feb.	26,932.2	842.5	342.2	10,788.9	474.7	2,989.0	2,290.9	4,078.7	5,164.0	-38.8
Mar. ^(p)	26,723.5	844.8	328.4	10,813.1	494.1	2,991.9	2,268.7	4,137.9	4,889.2	-44.8
Transactions										
2010	577.6	38.6	11.8	331.6	-98.2	38.3	99.8	-25.5	145.9	35.3
2011	1,029.7	49.1	-0.8	174.3	-29.1	50.5	137.7	-199.2	893.3	-46.0
2011 Q4	-255.8	26.4	-2.2	-31.3	-6.6	-49.1	46.8	-115.0	-102.8	-22.0
2012 Q1 ^(p)	103.7	-12.5	69.3	55.3	22.1	-4.0	13.1	113.3	-159.2	6.3
2011 Dec.	63.8	16.2	-5.4	21.5	-4.7	-22.5	24.6	-36.7	95.8	-24.9
2012 Jan.	238.8	-14.4	59.9	12.3	7.9	-14.6	8.0	59.7	131.5	-11.5
Feb.	44.1	-0.4	23.2	20.1	0.3	6.4	-0.2	-0.6	-28.5	23.8
Mar. ^(p)	-179.2	2.3	-13.8	22.9	13.9	4.3	5.3	54.2	-262.2	-6.0

Source: ECB.

- 1) Data refer to the changing composition of the euro area. For further information, see the General Notes.
2) In December 2010 a change was made to the recording practice for derivatives in one Member State, leading to an increase in this position.
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.

2.3 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

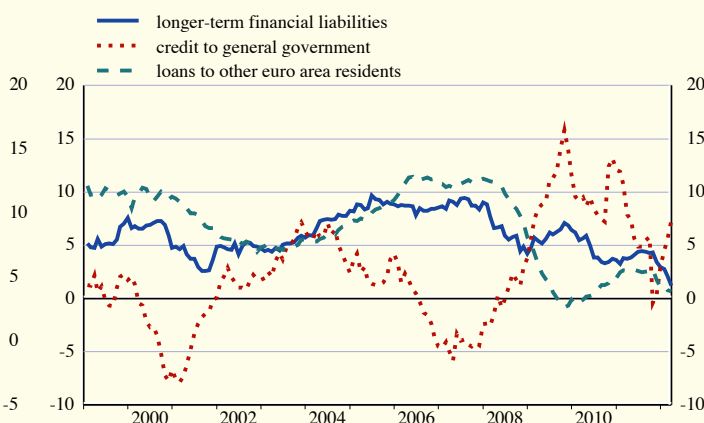
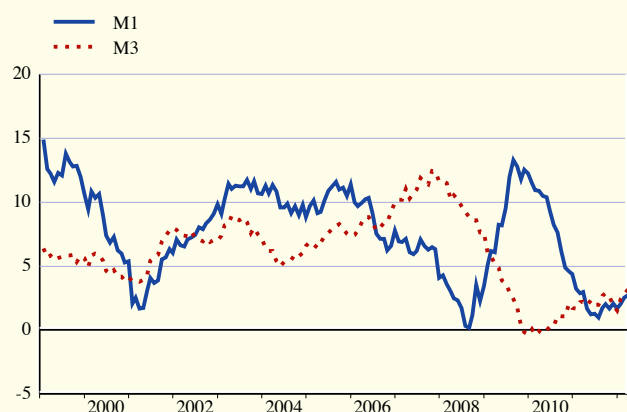
	M3					M3 3-month moving average (centred)	Longer-term financial liabilities	Credit to general government	Credit to other euro area residents			Net external assets ³⁾
	M2		M3-M2		Loans				Loans adjusted for sales and securitisation ⁴⁾			
	M1	M2-M1										
	1	2	3	4	5	6	7	8	9	10	11	12
	Outstanding amounts											
2010	4,702.1	3,707.3	8,409.4	1,130.5	9,539.9	-	7,276.6	3,216.8	13,384.8	11,048.7	-	619.5
2011	4,786.2	3,804.7	8,590.9	1,149.3	9,740.1	-	7,683.9	3,158.6	13,451.4	11,185.5	-	929.2
2011 Q4	4,786.2	3,804.7	8,590.9	1,149.3	9,740.1	-	7,683.9	3,158.6	13,451.4	11,185.5	-	929.2
2012 Q1 ^(p)	4,844.3	3,880.9	8,725.3	1,154.6	9,879.9	-	7,654.7	3,249.5	13,472.5	11,183.7	-	907.3
2011 Dec.	4,786.2	3,804.7	8,590.9	1,149.3	9,740.1	-	7,683.9	3,158.6	13,451.4	11,185.5	-	929.2
2012 Jan.	4,790.3	3,837.1	8,627.4	1,136.5	9,763.9	-	7,741.2	3,195.6	13,485.5	11,214.5	-	937.3
Feb.	4,815.2	3,869.7	8,684.8	1,128.6	9,813.5	-	7,728.0	3,231.5	13,474.5	11,192.8	-	928.5
Mar. ^(p)	4,844.3	3,880.9	8,725.3	1,154.6	9,879.9	-	7,654.7	3,249.5	13,472.5	11,183.7	-	907.3
	Transactions											
2010	195.9	-10.0	185.9	-24.2	161.8	-	249.6	347.1	210.1	207.7	264.6	-86.1
2011	77.9	76.4	154.2	-7.0	147.2	-	214.0	90.0	69.0	117.0	143.4	161.8
2011 Q4	4.2	-11.3	-7.1	-71.4	-78.5	-	-12.3	70.2	-57.7	-63.2	-26.4	-52.2
2012 Q1 ^(p)	61.4	77.7	139.1	44.8	183.9	-	-40.8	95.1	49.1	18.4	25.9	-13.0
2011 Dec.	-2.9	-4.9	-7.7	-22.8	-30.5	-	-17.4	37.9	-81.1	-71.0	-66.0	5.3
2012 Jan.	5.8	33.1	38.9	10.1	49.0	-	17.3	38.7	46.1	36.2	41.2	-29.6
Feb.	27.3	33.4	60.7	13.8	74.5	-	-13.0	27.5	0.0	-11.0	-8.2	17.4
Mar. ^(p)	28.4	11.1	39.5	20.8	60.4	-	-45.2	28.9	3.1	-6.8	-7.0	-0.8
	Growth rates											
2010	4.4	-0.3	2.3	-2.1	1.7	1.8	3.6	12.1	1.6	1.9	2.4	-86.1
2011	1.7	2.1	1.8	-0.7	1.5	2.0	2.9	3.0	0.5	1.1	1.3	161.8
2011 Q4	1.7	2.1	1.8	-0.7	1.5	2.0	2.9	3.0	0.5	1.1	1.3	161.8
2012 Q1 ^(p)	2.7	3.3	2.9	5.1	3.2	2.8	1.2	7.3	0.5	0.6	1.2	-18.0
2011 Dec.	1.7	2.1	1.8	-0.7	1.5	2.0	2.9	3.0	0.5	1.1	1.3	161.8
2012 Jan.	2.1	2.6	2.3	4.2	2.5	2.3	2.7	4.5	0.7	1.2	1.6	106.8
Feb.	2.5	3.1	2.8	2.8	2.8	2.8	2.1	5.6	0.4	0.8	1.2	107.5
Mar. ^(p)	2.7	3.3	2.9	5.1	3.2	-	1.2	7.3	0.5	0.6	1.2	-18.0

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⁾

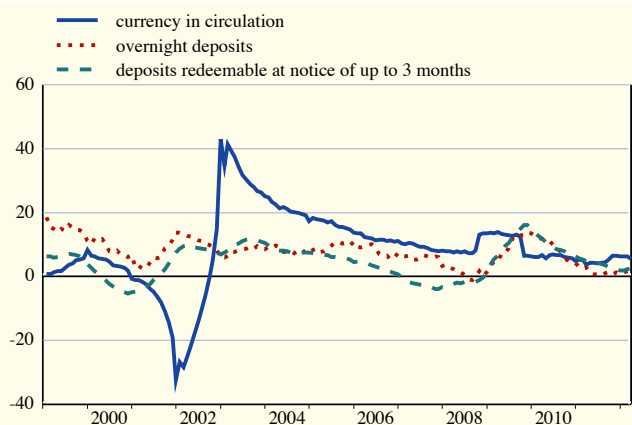
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period; transactions during period)

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

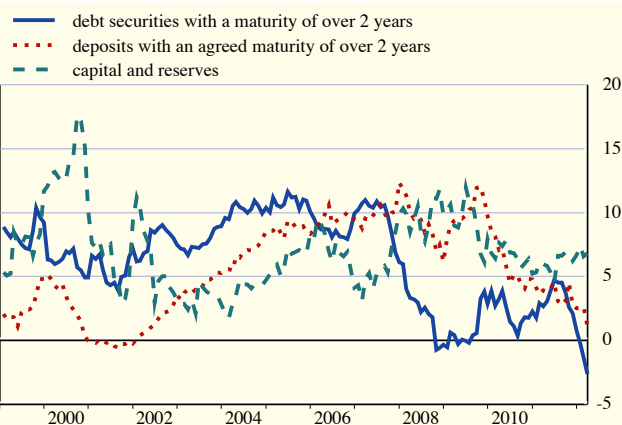
	Currency in circulation	Overnight deposits	Deposits with an agreed maturity of up to 2 years	Deposits redeemable at notice of up to 3 months	Repos	Money market fund shares/units	Debt securities with a maturity of up to 2 years	Debt securities with a maturity of over 2 years	Deposits redeemable at notice 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											
2010	794.0	3,908.2	1,794.7	1,912.6	438.6	568.7	123.1	2,719.0	118.9	2,432.1	2,006.6
2011	843.2	3,942.9	1,846.3	1,958.4	407.6	535.4	206.3	2,821.8	115.4	2,544.1	2,202.5
2011 Q4	843.2	3,942.9	1,846.3	1,958.4	407.6	535.4	206.3	2,821.8	115.4	2,544.1	2,202.5
2012 Q1 ^(p)	847.8	3,996.6	1,905.6	1,975.3	417.1	493.1	244.4	2,745.9	113.1	2,521.9	2,273.8
2011 Dec.	843.2	3,942.9	1,846.3	1,958.4	407.6	535.4	206.3	2,821.8	115.4	2,544.1	2,202.5
2012 Jan.	849.9	3,940.5	1,877.8	1,959.3	431.7	499.6	205.2	2,809.5	114.4	2,549.6	2,267.6
Feb.	852.6	3,962.5	1,901.0	1,968.6	436.7	473.1	218.9	2,775.2	113.9	2,550.9	2,287.9
Mar. ^(p)	847.8	3,996.6	1,905.6	1,975.3	417.1	493.1	244.4	2,745.9	113.1	2,521.9	2,273.8
Transactions											
2010	36.5	159.5	-122.1	112.1	96.3	-101.3	-19.2	59.3	-14.1	107.9	96.4
2011	49.4	28.4	39.8	36.6	-10.0	-29.9	32.9	19.5	-2.4	61.8	135.1
2011 Q4	11.2	-7.0	-8.0	-3.3	-99.5	6.2	21.9	-45.7	-3.0	9.1	27.3
2012 Q1 ^(p)	4.7	56.7	59.4	18.4	9.7	6.2	28.9	-55.6	-3.2	-18.9	36.9
2011 Dec.	-1.3	-1.6	9.7	-14.6	-52.9	10.9	19.2	-26.6	-0.8	-3.8	13.7
2012 Jan.	6.8	-1.1	31.9	1.3	24.0	-3.3	-10.6	-7.6	-0.9	6.4	19.4
Feb.	2.8	24.5	23.1	10.4	5.3	-5.1	13.6	-19.6	-1.5	4.1	4.1
Mar. ^(p)	-4.9	33.3	4.4	6.7	-19.6	14.6	25.9	-28.3	-0.9	-29.5	13.5
Growth rates											
2010	4.8	4.3	-6.4	6.2	28.3	-15.1	-14.0	2.3	-10.6	4.7	5.2
2011	6.2	0.7	2.2	1.9	-2.3	-5.2	23.8	0.7	-2.1	2.5	6.7
2011 Q4	6.2	0.7	2.2	1.9	-2.3	-5.2	23.8	0.7	-2.1	2.5	6.7
2012 Q1 ^(p)	5.5	2.1	4.1	2.4	4.1	0.0	20.0	-2.7	-5.2	1.1	6.8
2011 Dec.	6.2	0.7	2.2	1.9	-2.3	-5.2	23.8	0.7	-2.1	2.5	6.7
2012 Jan.	6.2	1.2	3.3	1.9	11.5	-2.7	11.3	-0.3	-2.9	2.5	7.4
Feb.	6.2	1.7	4.0	2.3	4.2	-3.2	21.2	-1.4	-4.4	2.6	6.6
Mar. ^(p)	5.5	2.1	4.1	2.4	4.1	0.0	20.0	-2.7	-5.2	1.1	6.8

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

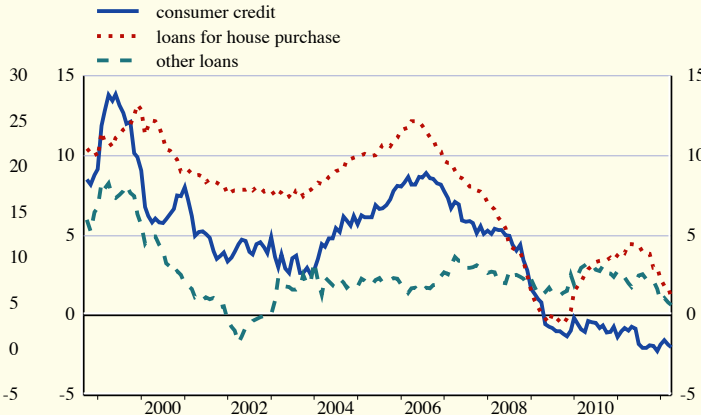
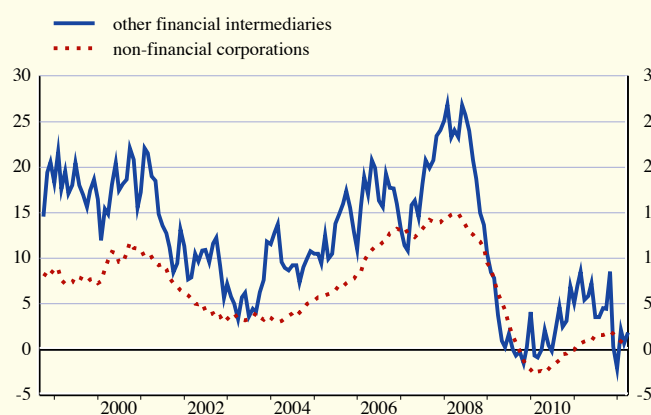
	Insurance corporations and pension funds	Other financial intermediaries	Non-financial corporations					Households ³⁾						
			Total	Total	Total		Up to 1 year	Over 1 and up to 5 years	Over 5 years	Total		Consumer credit	Loans for house purchase	Other loans
						Loans adjusted for sales and securitisation ⁴⁾					Loans adjusted for sales and securitisation ⁴⁾			
	1	2	3	4	5	6	7	8	9	10	11	12		
	Outstanding amounts													
2010	93.7	1,128.5	4,668.5	-	1,127.6	899.0	2,641.9	5,158.0	-	638.5	3,700.6	819.0		
2011	91.1	1,139.3	4,722.7	-	1,146.8	860.8	2,715.1	5,232.4	-	626.2	3,777.5	828.8		
2011 Q4	91.1	1,139.3	4,722.7	-	1,146.8	860.8	2,715.1	5,232.4	-	626.2	3,777.5	828.8		
2012 Q1 ^(p)	87.9	1,150.8	4,703.4	-	1,137.2	849.2	2,716.9	5,241.7	-	621.3	3,792.0	828.4		
2011 Dec.	91.1	1,139.3	4,722.7	-	1,146.8	860.8	2,715.1	5,232.4	-	626.2	3,777.5	828.8		
2012 Jan.	87.7	1,168.2	4,718.6	-	1,146.5	853.6	2,718.5	5,239.9	-	626.8	3,781.9	831.3		
Feb.	84.2	1,161.8	4,710.0	-	1,142.2	849.5	2,718.3	5,236.8	-	624.2	3,782.9	829.7		
Mar. ^(p)	87.9	1,150.8	4,703.4	-	1,137.2	849.2	2,716.9	5,241.7	-	621.3	3,792.0	828.4		
	Transactions													
2010	6.3	56.3	-1.9	45.9	-37.5	-26.3	61.9	146.9	155.5	-8.5	133.7	21.7		
2011	1.4	-22.9	58.4	64.1	22.1	-20.8	57.1	80.1	100.8	-11.6	84.5	7.2		
2011 Q4	-4.5	-9.0	-32.5	-30.0	-26.8	-8.4	2.8	-17.2	17.4	-1.2	-11.9	-4.1		
2012 Q1 ^(p)	-3.0	14.1	-7.0	-5.0	-6.7	-7.5	7.2	14.4	19.8	-2.2	15.8	0.8		
2011 Dec.	-1.1	-32.3	-32.2	-31.8	-25.5	-4.3	-2.4	-5.4	-1.0	0.1	0.1	-5.6		
2012 Jan.	-3.2	29.8	0.9	1.2	1.2	-6.5	6.2	8.8	13.4	1.5	4.3	2.9		
Feb.	-3.5	-4.5	-2.4	-0.7	-2.6	-2.0	2.2	-0.5	0.6	-2.0	2.1	-0.7		
Mar. ^(p)	3.7	-11.2	-5.5	-5.5	-5.3	1.0	-1.2	6.1	5.8	-1.7	9.3	-1.5		
	Growth rates													
2010	7.2	5.1	0.0	1.0	-3.2	-2.8	2.4	2.9	3.1	-1.3	3.8	2.8		
2011	1.6	-2.0	1.2	1.4	2.0	-2.3	2.2	1.6	1.9	-1.8	2.3	0.9		
2011 Q4	1.6	-2.0	1.2	1.4	2.0	-2.3	2.2	1.6	1.9	-1.8	2.3	0.9		
2012 Q1 ^(p)	-0.3	2.0	0.3	0.5	-0.4	-2.8	1.7	0.6	1.7	-2.0	1.1	0.7		
2011 Dec.	1.6	-2.0	1.2	1.4	2.0	-2.3	2.2	1.6	1.9	-1.8	2.3	0.9		
2012 Jan.	-1.3	2.2	0.9	1.0	0.7	-2.9	2.2	1.3	2.0	-1.6	1.8	1.1		
Feb.	-8.3	0.8	0.6	0.7	0.1	-3.2	2.0	1.2	1.8	-1.8	1.8	0.8		
Mar. ^(p)	-0.3	2.0	0.3	0.5	-0.4	-2.8	1.7	0.6	1.7	-2.0	1.1	0.7		

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 non-profit institutions serving households.

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

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					Non-financial corporations			
	Total	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Total	Reverse repos to central counterparties	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
	Outstanding amounts												
2011	83.4	63.7	6.3	13.4	1,115.5	155.6	579.6	213.5	322.4	4,720.4	1,139.0	860.8	2,720.6
2011 Q4	83.4	63.7	6.3	13.4	1,115.5	155.6	579.6	213.5	322.4	4,720.4	1,139.0	860.8	2,720.6
2012 Q1 ^(p)	86.0	67.9	5.0	13.1	1,142.0	184.8	590.0	220.9	331.0	4,702.8	1,137.6	850.2	2,715.0
2012 Jan.	84.5	65.1	6.1	13.3	1,151.5	178.3	603.8	223.1	324.6	4,722.4	1,150.2	851.7	2,720.5
Feb.	82.7	63.4	6.1	13.2	1,142.2	182.7	593.7	222.8	325.6	4,711.1	1,143.8	848.9	2,718.4
Mar. ^(p)	86.0	67.9	5.0	13.1	1,142.0	184.8	590.0	220.9	331.0	4,702.8	1,137.6	850.2	2,715.0
	Transactions												
2011	1.9	2.8	1.1	-2.0	-23.7	12.8	-19.4	-10.3	6.0	57.1	21.2	-20.8	56.7
2011 Q4	-15.0	-15.2	1.0	-0.8	-55.8	-22.6	-54.6	4.5	-5.7	-31.4	-33.7	-9.1	11.3
2012 Q1 ^(p)	2.8	4.3	-1.3	-0.1	29.0	29.2	12.5	7.7	8.9	-5.3	1.6	-6.5	-0.3
2012 Jan.	1.3	1.4	-0.2	0.0	36.9	22.7	25.3	9.7	1.8	6.9	12.6	-8.3	2.7
Feb.	-1.7	-1.7	0.1	-0.1	-7.6	4.4	-9.2	0.0	1.7	-5.1	-4.6	-0.8	0.3
Mar. ^(p)	3.3	4.5	-1.2	-0.1	-0.3	2.1	-3.6	-2.1	5.4	-7.1	-6.4	2.6	-3.2
	Growth rates												
2011	2.1	3.9	21.7	-13.3	-2.1	8.9	-3.2	-4.9	1.9	1.2	1.9	-2.3	2.1
2011 Q4	2.1	3.9	21.7	-13.3	-2.1	8.9	-3.2	-4.9	1.9	1.2	1.9	-2.3	2.1
2012 Q1 ^(p)	-0.5	1.9	-7.8	-8.4	1.9	34.4	0.0	3.9	4.0	0.3	-0.4	-2.8	1.7
2012 Jan.	-1.7	-0.8	20.1	-13.5	2.1	25.2	1.5	3.3	2.5	0.9	0.8	-2.9	2.2
Feb.	-8.2	-8.5	12.5	-14.2	0.7	15.1	-1.4	2.9	3.1	0.6	0.2	-3.2	2.0
Mar. ^(p)	-0.5	1.9	-7.8	-8.4	1.9	34.4	0.0	3.9	4.0	0.3	-0.4	-2.8	1.7

3. Loans to households ³⁾

	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	Sole proprietors 11	12	13	14
	Outstanding amounts													
2011	5,242.7	628.4	140.9	183.8	303.7	3,784.3	14.5	56.6	3,713.2	830.1	419.7	142.8	87.5	599.8
2011 Q4	5,242.7	628.4	140.9	183.8	303.7	3,784.3	14.5	56.6	3,713.2	830.1	419.7	142.8	87.5	599.8
2012 Q1 ^(p)	5,231.3	618.6	136.5	180.2	301.9	3,786.4	14.1	56.6	3,715.8	826.3	418.2	142.4	85.6	598.3
2012 Jan.	5,236.6	624.4	140.1	182.5	301.8	3,782.2	14.2	56.7	3,711.4	830.0	418.6	143.2	87.3	599.5
Feb.	5,228.3	619.4	137.7	180.9	300.8	3,780.8	14.0	56.6	3,710.2	828.2	418.2	143.2	86.2	598.9
Mar. ^(p)	5,231.3	618.6	136.5	180.2	301.9	3,786.4	14.1	56.6	3,715.8	826.3	418.2	142.4	85.6	598.3
	Transactions													
2011	80.7	-11.7	-3.7	-6.4	-1.6	85.1	-0.2	2.7	82.6	7.3	8.8	-6.4	-2.5	16.2
2011 Q4	-12.5	-0.7	2.1	-2.0	-0.8	-9.0	0.3	0.4	-9.7	-2.9	10.1	-4.8	-0.1	2.1
2012 Q1 ^(p)	-6.3	-7.1	-4.2	-2.1	-0.9	3.4	-0.4	0.1	3.7	-2.6	-1.7	-0.2	-1.3	-1.1
2012 Jan.	-4.8	-3.1	-0.8	-0.7	-1.7	-2.1	-0.3	0.0	-1.9	0.4	-0.9	0.6	-0.1	0.0
Feb.	-5.7	-4.4	-2.3	-1.4	-0.7	-0.4	-0.2	-0.1	-0.1	-0.9	-0.3	0.1	-0.9	-0.1
Mar. ^(p)	4.2	0.4	-1.1	0.0	1.5	5.9	0.1	0.1	5.7	-2.1	-0.6	-0.9	-0.3	-0.9
	Growth rates													
2011	1.6	-1.8	-2.5	-3.4	-0.5	2.3	-1.7	5.0	2.3	0.9	2.1	-4.3	-2.9	2.8
2011 Q4	1.6	-1.8	-2.5	-3.4	-0.5	2.3	-1.7	5.0	2.3	0.9	2.1	-4.3	-2.9	2.8
2012 Q1 ^(p)	0.6	-2.0	-1.4	-3.7	-1.3	1.1	1.1	5.1	1.0	0.7	2.2	-3.9	-2.4	2.3
2012 Jan.	1.3	-1.6	-1.3	-2.9	-0.9	1.9	-1.1	5.4	1.8	1.1	2.4	-3.1	-2.2	2.6
Feb.	1.2	-1.8	-1.6	-3.2	-1.1	1.8	0.1	4.7	1.7	0.8	2.1	-2.8	-2.7	2.2
Mar. ^(p)	0.6	-2.0	-1.4	-3.7	-1.3	1.1	1.1	5.1	1.0	0.7	2.2	-3.9	-2.4	2.3

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.

2.4 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

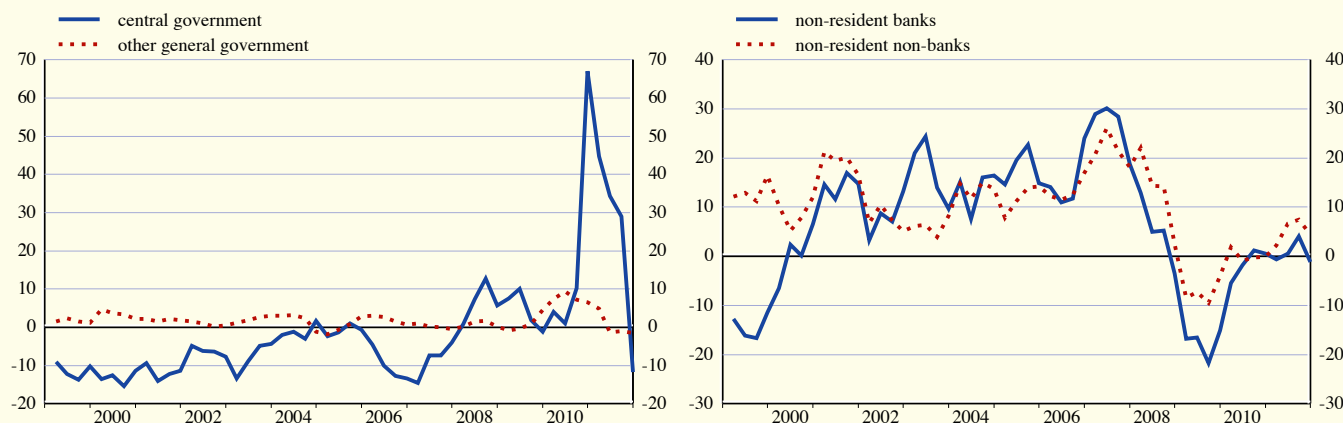
	General government					Non-euro area residents				
	Total	Central government	Other general government			Total	Banks ³⁾	Non-banks		
			State government	Local government	Social security funds			Total	General government	Other
	1	2	3	4	5	6	7	8	9	10
Outstanding amounts										
2010	1,221.8	397.5	225.2	553.0	46.1	2,963.0	2,010.9	952.1	49.5	902.6
2011 ^(p)	1,160.0	348.1	221.9	567.7	21.8	3,020.5	2,022.2	998.4	62.6	935.8
2011 Q1	1,188.8	359.4	229.6	557.8	41.9	2,934.4	1,957.5	976.9	54.5	922.4
Q2	1,152.7	346.4	223.4	555.9	27.0	3,006.5	2,012.0	994.5	60.1	934.4
Q3	1,145.8	343.5	224.0	553.7	24.7	3,155.7	2,133.1	1,022.7	62.7	960.0
Q4 ^(p)	1,160.0	348.1	221.9	567.7	21.8	3,020.5	2,022.2	998.4	62.6	935.8
Transactions										
2010	207.2	156.3	14.9	24.1	11.9	6.3	8.3	-2.3	0.6	-3.0
2011 ^(p)	-58.2	-46.3	-0.1	11.1	-23.4	15.6	-26.4	42.2	13.1	29.1
2011 Q1	-28.2	-34.3	4.4	4.9	-3.2	56.3	0.2	56.1	6.9	49.1
Q2	-36.5	-13.0	-6.5	-2.1	-14.9	44.5	21.8	22.7	6.1	16.6
Q3	-7.1	-3.3	0.6	-2.0	-2.4	65.9	59.6	6.3	1.4	5.0
Q4 ^(p)	13.5	4.3	1.4	10.3	-3.0	-151.0	-108.0	-42.9	-1.3	-41.6
Growth rates										
2010	20.6	67.1	7.1	4.6	35.1	0.6	0.5	-0.1	0.8	-0.2
2011 ^(p)	-4.8	-11.7	-0.1	2.0	-51.9	0.6	-1.2	4.5	27.0	3.2
2011 Q1	14.3	44.7	9.6	3.4	0.6	0.6	-0.7	2.3	16.3	1.5
Q2	7.1	34.4	-1.1	1.4	-38.6	2.6	0.5	6.6	30.4	5.4
Q3	6.2	28.9	0.2	1.8	-43.3	5.2	4.0	7.4	24.6	6.4
Q4 ^(p)	-4.8	-11.7	-0.1	2.0	-51.9	0.6	-1.2	4.5	27.0	3.2

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)}

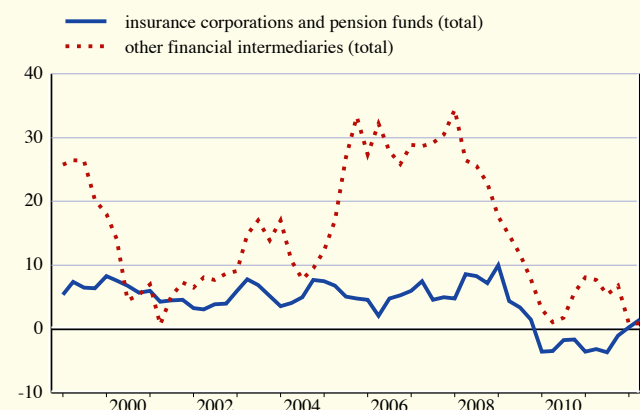
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period; transactions during period)

1. Deposits by financial intermediaries

	Insurance corporations and pension funds							Other financial intermediaries							
	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		With central counter-parties
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
	Outstanding amounts														
2010	716.9	84.6	79.3	528.3	2.6	0.3	21.9	2,168.3	358.5	305.7	1,132.6	10.7	0.5	360.3	255.0
2011	704.3	92.1	79.9	512.7	4.0	0.2	15.5	2,220.5	389.8	284.9	1,190.8	14.7	0.5	339.8	259.8
2011 Q4	704.3	92.1	79.9	512.7	4.0	0.2	15.5	2,220.5	389.8	284.9	1,190.8	14.7	0.5	339.8	259.8
2012 Q1 ^(p)	710.8	98.0	86.7	504.6	4.5	0.2	16.8	2,207.1	416.8	266.8	1,147.4	15.6	0.4	360.2	275.7
2011 Dec.	704.3	92.1	79.9	512.7	4.0	0.2	15.5	2,220.5	389.8	284.9	1,190.8	14.7	0.5	339.8	259.8
2012 Jan.	720.3	109.0	83.4	510.0	4.0	0.2	13.7	2,249.3	415.6	271.6	1,188.8	12.7	0.3	360.4	270.6
Feb.	721.2	106.7	87.1	506.9	4.2	0.2	16.1	2,250.7	407.9	277.9	1,175.9	14.1	0.3	374.6	286.2
Mar. ^(p)	710.8	98.0	86.7	504.6	4.5	0.2	16.8	2,207.1	416.8	266.8	1,147.4	15.6	0.4	360.2	275.7
	Transactions														
2010	-26.5	-3.3	-8.4	-16.6	0.2	0.0	1.6	156.9	45.1	-37.6	52.8	-8.0	0.4	104.2	-
2011	2.2	11.7	4.2	-13.9	1.1	-0.1	-0.9	19.5	28.8	-29.1	16.4	3.9	0.1	-0.5	5.3
2011 Q4	-8.2	3.6	-5.2	-6.1	0.1	0.0	-0.7	-99.2	4.5	-23.7	19.0	3.3	0.1	-102.3	-79.8
2012 Q1 ^(p)	7.4	6.0	6.9	-7.4	0.5	0.0	1.4	-10.8	27.8	-17.7	-42.2	1.0	-0.2	20.5	15.5
2011 Dec.	-1.9	3.5	0.1	-3.8	-0.2	0.0	-1.4	-64.3	-8.1	-4.3	6.3	-4.4	0.1	-53.9	-44.3
2012 Jan.	16.1	17.0	3.5	-2.7	0.1	0.0	-1.8	30.4	26.1	-13.0	-1.2	-2.0	-0.2	20.7	10.4
Feb.	1.9	-2.1	3.8	-2.4	0.1	0.0	2.4	3.2	-6.9	6.5	-12.2	1.4	0.0	14.4	15.6
Mar. ^(p)	-10.6	-8.9	-0.4	-2.3	0.3	0.0	0.7	-44.5	8.5	-11.2	-28.9	1.6	0.0	-14.5	-10.5
	Growth rates														
2010	-3.6	-3.4	-9.6	-3.0	9.7	-	7.8	8.1	14.4	-11.1	4.9	-48.5	-	41.1	-
2011	0.3	14.4	5.6	-2.6	43.3	-	-5.2	0.9	8.0	-9.3	1.4	36.1	-	-0.2	2.0
2011 Q4	0.3	14.4	5.6	-2.6	43.3	-	-5.2	0.9	8.0	-9.3	1.4	36.1	-	-0.2	2.0
2012 Q1 ^(p)	1.5	17.4	15.0	-3.8	43.3	-	18.7	0.9	10.9	-13.0	-1.1	32.8	-	8.0	14.6
2011 Dec.	0.3	14.4	5.6	-2.6	43.3	-	-5.2	0.9	8.0	-9.3	1.4	36.1	-	-0.2	2.0
2012 Jan.	0.7	17.6	9.5	-3.1	39.2	-	-18.3	3.6	8.6	-10.9	1.9	16.7	-	16.6	23.7
Feb.	2.2	25.4	14.8	-3.6	38.3	-	4.2	2.5	7.8	-9.7	2.1	26.8	-	8.0	13.5
Mar. ^(p)	1.5	17.4	15.0	-3.8	43.3	-	18.7	0.9	10.9	-13.0	-1.1	32.8	-	8.0	14.6

C9 Total deposits by sector ²⁾

(annual growth rates)



Source: ECB.

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

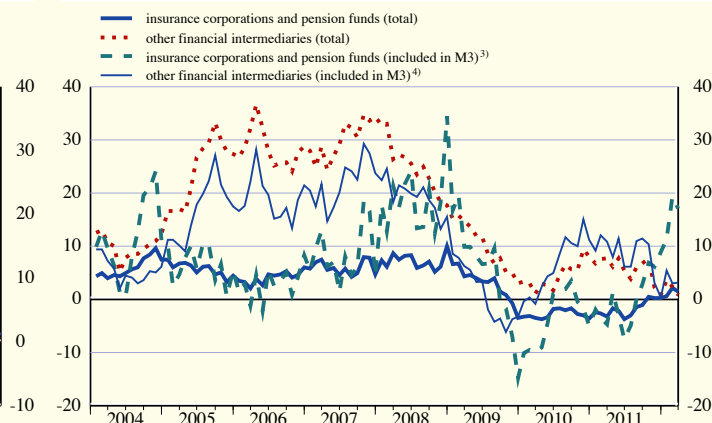
2) Data refer to the changing composition of the euro area. For further information, see the General Notes.

3) Covers deposits in columns 2, 3, 5 and 7.

4) Covers deposits in columns 9, 10, 12 and 14.

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

(annual growth rates)



2.5 Deposits held with MFIs: breakdown ^{1), 2)}

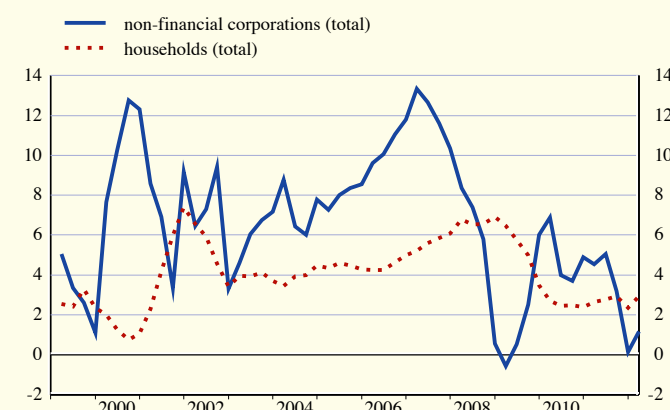
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period; transactions during period)

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
	1	2	Up to 2 years	Over 2 years	Up to 3 months	Over 3 months	7	8	9	Up to 2 years	Over 2 years	Up to 3 months	Over 3 months	14
Outstanding amounts														
2010	1,670.7	1,036.4	455.5	87.2	75.8	1.5	14.2	5,739.1	2,244.5	901.0	665.0	1,788.5	110.3	29.8
2011	1,686.0	1,044.2	453.6	97.6	72.3	2.0	16.3	5,894.4	2,256.0	948.2	723.8	1,837.0	106.7	22.7
2011 Q4	1,686.0	1,044.2	453.6	97.6	72.3	2.0	16.3	5,894.4	2,256.0	948.2	723.8	1,837.0	106.7	22.7
2012 Q1 ⁴⁾	1,667.3	1,019.5	454.8	101.2	76.0	2.1	13.6	5,944.4	2,223.1	995.5	737.3	1,864.0	105.0	19.6
2011 Dec.	1,686.0	1,044.2	453.6	97.6	72.3	2.0	16.3	5,894.4	2,256.0	948.2	723.8	1,837.0	106.7	22.7
2012 Jan.	1,637.1	993.9	452.5	98.6	75.1	2.0	15.0	5,903.5	2,228.9	966.8	726.9	1,852.6	105.9	22.4
Feb.	1,629.1	987.0	451.6	100.3	74.1	2.1	14.0	5,918.9	2,218.1	982.1	734.0	1,858.4	105.6	20.7
Mar. ⁵⁾	1,667.3	1,019.5	454.8	101.2	76.0	2.1	13.6	5,944.4	2,223.1	995.5	737.3	1,864.0	105.0	19.6
Transactions														
2010	78.1	40.3	23.2	9.0	7.8	-0.2	-2.1	132.9	81.7	-98.9	58.7	113.6	-14.6	-7.5
2011	2.5	3.7	-2.6	8.7	-7.3	0.5	-0.5	134.7	7.7	42.5	50.6	43.5	-2.6	-7.0
2011 Q4	21.7	46.6	-17.1	0.7	-6.5	0.3	-2.4	57.0	14.8	25.9	13.8	15.1	-1.3	-11.2
2012 Q1 ⁴⁾	-17.1	-23.1	0.4	4.9	3.2	0.1	-2.6	51.3	-32.4	47.5	13.6	28.3	-2.6	-3.1
2011 Dec.	30.1	43.5	-7.0	0.0	-2.9	0.0	-3.5	67.9	32.5	12.9	10.9	20.4	-0.5	-8.3
2012 Jan.	-48.4	-49.6	-0.8	0.9	2.3	0.0	-1.2	9.6	-26.8	18.3	3.1	15.9	-0.7	-0.3
Feb.	-6.6	-5.9	-1.8	3.0	-1.0	0.1	-1.0	16.3	-10.4	15.7	7.2	6.8	-1.2	-1.7
Mar. ⁵⁾	38.0	32.5	3.1	0.9	1.9	0.0	-0.4	25.4	4.8	13.5	3.3	5.6	-0.7	-1.1
Growth rates														
2010	4.9	4.1	5.3	11.2	11.4	-10.1	-12.8	2.4	3.8	-9.9	9.7	6.8	-11.7	-20.2
2011	0.1	0.4	-0.6	9.8	-9.3	31.4	-5.2	2.3	0.3	4.7	7.6	2.4	-2.4	-23.6
2011 Q4	0.1	0.4	-0.6	9.8	-9.3	31.4	-5.2	2.3	0.3	4.7	7.6	2.4	-2.4	-23.6
2012 Q1 ⁴⁾	1.2	1.8	-1.0	12.6	-6.5	4.2	-5.1	2.9	-0.1	9.6	7.3	2.8	-4.8	-37.5
2011 Dec.	0.1	0.4	-0.6	9.8	-9.3	31.4	-5.2	2.3	0.3	4.7	7.6	2.4	-2.4	-23.6
2012 Jan.	0.8	0.5	1.3	9.7	-10.0	38.4	13.2	2.3	-0.3	6.6	7.2	2.4	-2.7	-25.6
Feb.	0.8	0.9	0.1	11.0	-8.7	1.6	4.1	2.5	-0.4	7.8	7.3	2.6	-3.9	-33.2
Mar. ⁵⁾	1.2	1.8	-1.0	12.6	-6.5	4.2	-5.1	2.9	-0.1	9.6	7.3	2.8	-4.8	-37.5

C11 Total deposits by sector ²⁾

(annual growth rates)

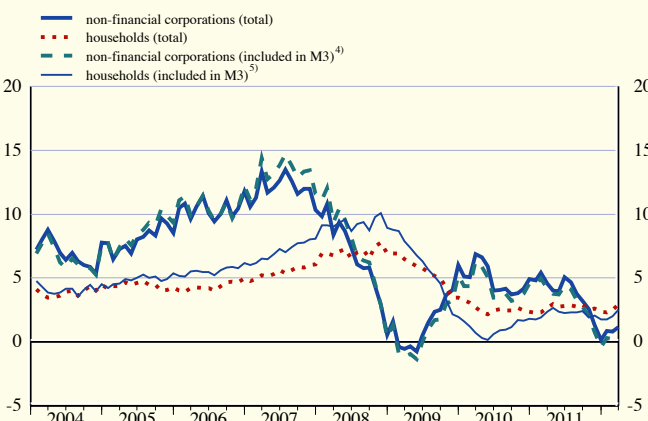


Source: ECB.

- 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.

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

(annual growth rates)



2.5 Deposits held with MFIs: breakdown ^{1), 2)}

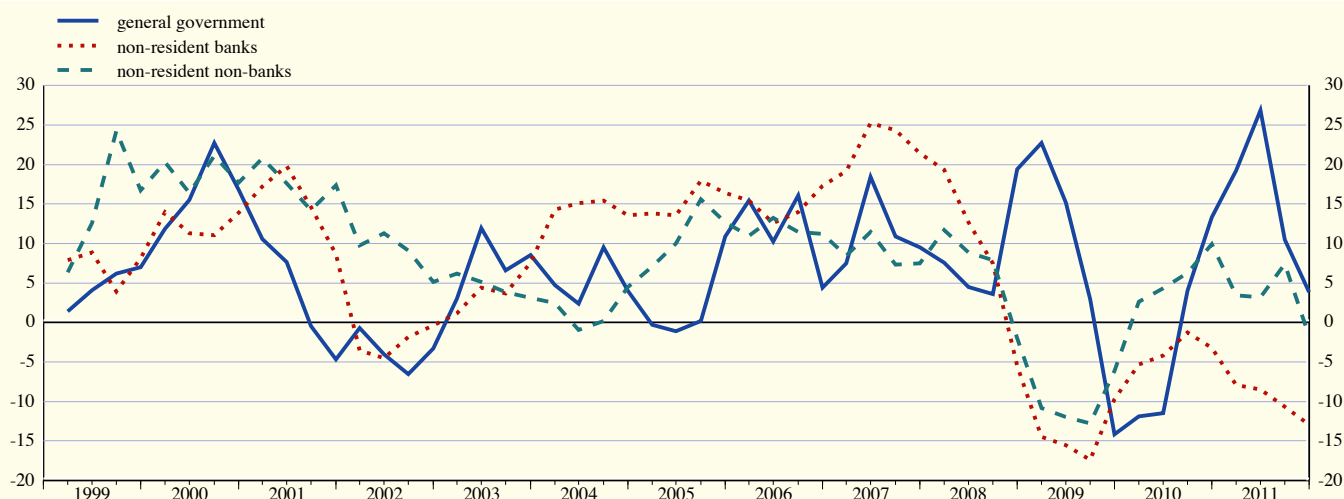
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period; transactions during period)

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										
2010	427.6	196.2	47.7	109.6	74.1	3,488.8	2,492.0	996.9	45.9	950.9
2011 ^(p)	442.7	195.5	48.6	113.5	85.2	3,153.0	2,175.4	976.2	44.2	932.0
2011 Q1	475.6	235.8	52.3	108.7	78.8	3,310.0	2,342.6	967.4	41.4	926.0
Q2	521.5	266.4	55.0	112.6	87.5	3,276.4	2,291.6	984.8	47.7	937.1
Q3	464.8	211.4	54.3	111.4	87.8	3,343.0	2,295.3	1,047.7	50.0	997.7
Q4 ^(p)	442.7	195.5	48.6	113.5	85.2	3,153.0	2,175.4	976.2	44.2	932.0
Transactions										
2010	49.9	47.4	4.3	-5.0	2.9	0.8	-83.9	84.7	7.5	77.1
2011 ^(p)	16.9	3.4	0.6	2.3	10.6	-334.5	-318.0	-17.9	-2.2	-15.7
2011 Q1	50.4	43.4	4.7	-2.4	4.7	-81.4	-75.9	-5.6	-3.6	-1.9
Q2	45.7	30.9	2.7	3.9	8.2	-19.7	-41.5	21.8	6.4	15.4
Q3	-56.9	-55.1	-1.0	-1.2	0.2	0.6	-49.1	49.7	1.4	48.3
Q4 ^(p)	-22.3	-15.9	-5.9	2.0	-2.5	-234.0	-151.5	-83.9	-6.4	-77.5
Growth rates										
2010	13.3	32.2	9.9	-4.4	4.1	0.3	-3.2	9.9	12.7	9.6
2011 ^(p)	3.9	1.3	1.3	2.0	14.3	-9.7	-13.0	-1.7	-4.5	-1.6
2011 Q1	19.2	41.4	4.0	-1.4	9.2	-4.8	-7.9	3.4	-10.5	4.2
Q2	26.8	61.3	1.2	-2.6	14.0	-5.2	-8.5	3.2	5.0	3.1
Q3	10.5	21.6	-7.8	-1.9	17.0	-5.6	-10.7	7.4	3.3	7.6
Q4 ^(p)	3.9	1.3	1.3	2.0	14.3	-9.7	-13.0	-1.7	-4.5	-1.6

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.

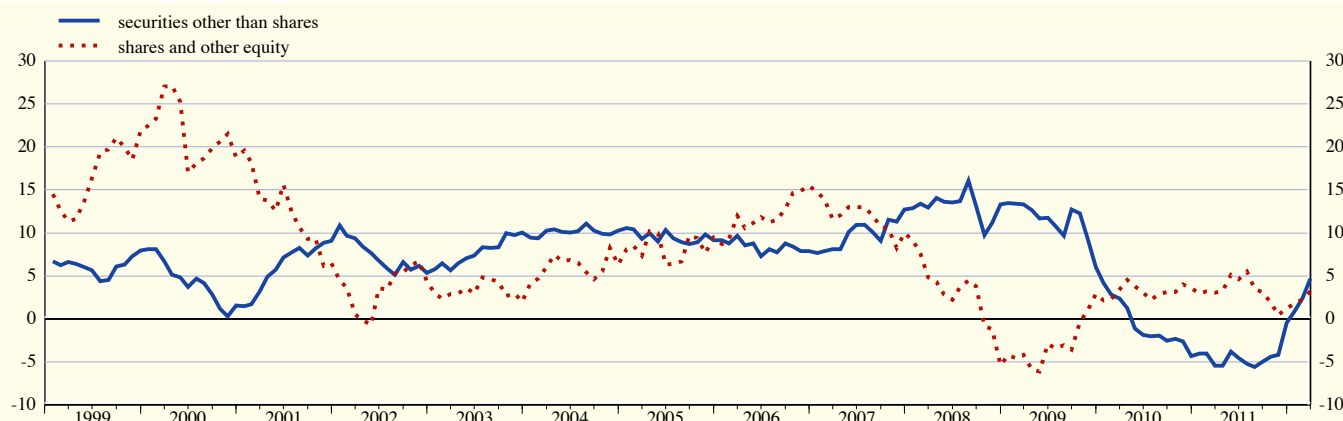
2.6 MFI holdings of securities: breakdown ^{1), 2)}

(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												
2010	5,991.2	1,778.4	107.4	1,507.8	16.4	1,500.9	27.8	1,052.6	1,535.9	445.3	787.8	302.8
2011	5,699.3	1,763.8	87.8	1,374.6	22.9	1,489.5	28.3	932.4	1,509.0	487.0	726.4	295.5
2011 Q4	5,699.3	1,763.8	87.8	1,374.6	22.9	1,489.5	28.3	932.4	1,509.0	487.0	726.4	295.5
2012 Q1 ^(p)	5,902.5	1,819.2	97.9	1,487.5	31.5	1,490.8	25.0	950.6	1,528.2	491.6	741.9	294.7
2011 Dec.	5,699.3	1,763.8	87.8	1,374.6	22.9	1,489.5	28.3	932.4	1,509.0	487.0	726.4	295.5
2012 Jan.	5,764.0	1,781.7	88.6	1,424.9	23.3	1,497.6	23.8	924.1	1,527.8	497.5	734.2	296.2
Feb.	5,852.7	1,813.6	91.0	1,465.6	31.0	1,504.3	23.6	923.7	1,516.7	492.8	731.4	292.5
Mar. ^(p)	5,902.5	1,819.2	97.9	1,487.5	31.5	1,490.8	25.0	950.6	1,528.2	491.6	741.9	294.7
Transactions												
2010	-270.7	-167.1	-6.9	42.8	-2.0	10.2	-14.8	-132.9	54.4	28.2	5.2	20.9
2011	-25.9	45.4	8.0	-4.3	5.5	-19.9	0.4	-60.9	18.5	61.4	-31.6	-11.2
2011 Q4	75.2	66.4	0.5	-14.5	-0.2	36.5	2.3	-15.9	-6.7	6.4	-9.7	-3.5
2012 Q1 ^(p)	264.8	61.7	12.9	132.5	9.7	5.2	-2.3	45.1	30.7	12.6	19.1	-0.9
2011 Dec.	55.4	60.2	-3.8	-5.1	0.5	-6.7	0.8	9.5	-0.9	8.1	-9.9	1.0
2012 Jan.	110.9	28.1	3.1	56.2	1.2	12.0	-3.6	13.9	17.1	9.5	8.1	-0.5
Feb.	94.5	31.1	3.7	38.7	8.0	5.7	0.1	7.2	-4.5	0.0	-1.4	-3.1
Mar. ^(p)	59.4	2.5	6.1	37.6	0.5	-12.5	1.2	23.9	18.2	3.1	12.3	2.8
Growth rates												
2010	-4.3	-8.5	-5.5	2.9	-11.1	0.7	-35.4	-11.2	3.6	6.5	0.6	7.5
2011	-0.4	2.7	7.9	-0.4	33.8	-1.3	0.8	-6.2	1.2	14.1	-4.2	-3.6
2011 Q4	-0.4	2.7	7.9	-0.4	33.8	-1.3	0.8	-6.2	1.2	14.1	-4.2	-3.6
2012 Q1 ^(p)	4.7	7.7	22.9	8.7	51.5	1.2	-14.6	-2.9	3.2	16.7	-2.5	-1.9
2011 Dec.	-0.4	2.7	7.9	-0.4	33.8	-1.3	0.8	-6.2	1.2	14.1	-4.2	-3.6
2012 Jan.	1.0	4.7	11.5	2.6	28.6	0.1	-9.4	-7.5	1.7	16.0	-4.7	-2.2
Feb.	2.5	6.1	19.3	5.0	63.7	0.1	-14.2	-6.0	2.3	15.9	-3.8	-2.0
Mar. ^(p)	4.7	7.7	22.9	8.7	51.5	1.2	-14.6	-2.9	3.2	16.7	-2.5	-1.9

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 Currency breakdown of selected MFI balance sheet items ^{1), 2)}

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

1. Loans, holdings of securities other than shares, and deposits

	MFIs ³⁾							Non-MFIs						
	All currencies (outstanding amount)	Euro ⁴⁾	Non-euro currencies				All currencies (outstanding amount)	Euro ⁴⁾	Non-euro currencies					
			Total						Total					
			USD	JPY	CHF	GBP			USD	JPY	CHF	GBP		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
Loans														
	To euro area residents													
2009	5,916.1	-	-	-	-	-	-	11,785.6	96.2	3.8	1.9	0.2	1.0	0.4
2010	5,517.1	-	-	-	-	-	-	12,247.8	96.0	4.0	2.1	0.2	1.1	0.4
2011 Q3	6,003.8	-	-	-	-	-	-	12,441.8	96.1	3.9	1.9	0.3	1.1	0.4
Q4 ^(p)	6,160.4	-	-	-	-	-	-	12,322.0	96.2	3.8	1.9	0.3	1.1	0.4
	To non-euro area residents													
2009	1,914.9	45.8	54.2	29.4	2.7	2.9	12.6	906.8	40.0	60.0	42.1	1.2	3.7	8.0
2010	2,010.9	44.9	55.1	30.7	2.9	3.2	11.6	952.1	39.9	60.1	42.8	1.4	3.7	6.7
2011 Q3	2,133.1	44.1	55.9	34.8	2.8	3.3	9.0	1,022.7	40.0	60.0	41.3	2.2	3.3	7.0
Q4 ^(p)	2,022.2	44.5	55.5	35.6	2.5	2.7	9.3	998.4	38.2	61.8	41.2	2.6	3.3	7.8
Holdings of securities other than shares														
	Issued by euro area residents													
2009	2,079.9	94.8	5.2	3.1	0.2	0.3	1.4	2,980.2	98.1	1.9	1.2	0.2	0.1	0.3
2010	1,885.8	94.3	5.7	3.3	0.1	0.3	1.7	3,052.8	98.6	1.4	0.8	0.1	0.1	0.4
2011 Q3	1,799.8	94.8	5.2	2.6	0.1	0.3	1.8	2,874.2	98.4	1.6	0.9	0.2	0.1	0.4
Q4 ^(p)	1,851.6	95.3	4.7	2.5	0.1	0.3	1.5	2,915.3	98.2	1.8	1.0	0.2	0.1	0.4
	Issued by non-euro area residents													
2009	552.1	55.3	44.7	27.1	0.4	0.5	14.6	595.6	35.3	64.7	37.9	4.3	0.9	15.3
2010	545.9	49.9	50.1	27.6	0.3	0.5	16.8	506.6	33.3	66.7	40.5	3.9	0.9	13.6
2011 Q3	478.8	54.7	45.3	21.8	0.3	0.4	17.1	483.1	32.5	67.5	39.2	6.0	0.8	12.5
Q4 ^(p)	457.1	56.4	43.6	21.1	0.3	0.3	16.0	475.2	32.2	67.8	39.7	5.6	0.7	13.6
Deposits														
	By euro area residents													
2009	6,281.6	92.9	7.1	4.4	0.3	1.2	0.7	10,187.4	97.0	3.0	1.9	0.2	0.1	0.4
2010	5,774.9	92.9	7.1	4.1	0.3	1.3	0.8	10,722.6	97.1	2.9	1.9	0.2	0.1	0.4
2011 Q3	6,085.4	92.2	7.8	4.6	0.3	1.4	0.8	10,993.9	97.0	3.0	2.0	0.2	0.1	0.4
Q4 ^(p)	6,319.3	92.1	7.9	5.1	0.2	1.3	0.7	10,947.9	97.0	3.0	2.0	0.1	0.1	0.4
	By non-euro area residents													
2009	2,532.8	49.2	50.8	34.2	1.8	2.2	9.6	836.7	53.5	46.5	31.4	1.1	1.7	7.5
2010	2,492.0	52.1	47.9	31.8	2.2	1.8	8.6	996.9	58.8	41.2	29.3	1.2	1.4	5.1
2011 Q3	2,295.3	57.0	43.0	27.0	2.1	1.8	7.8	1,047.7	59.1	40.9	28.6	1.5	1.7	4.6
Q4 ^(p)	2,175.4	59.1	40.9	25.6	2.1	1.8	7.3	976.2	56.1	43.9	30.0	2.0	1.5	5.1

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
2009	5,168.3	83.3	16.7	8.8	1.6	1.9	2.5
2010	5,082.6	81.6	18.4	9.7	1.8	2.1	2.5
2011 Q3	5,180.3	81.8	18.2	9.7	1.7	2.1	2.5
Q4 ^(p)	5,236.8	82.0	18.0	9.4	1.7	2.0	2.6

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 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							
2011 Aug.	6,200.9	411.9	2,384.0	1,736.9	840.3	233.9	594.0
Sep.	6,080.9	420.9	2,383.9	1,632.8	830.9	235.5	576.8
Oct.	6,177.6	422.3	2,370.6	1,736.1	845.0	234.3	569.3
Nov.	6,082.7	418.8	2,345.2	1,704.0	827.4	234.9	552.4
Dec.	6,213.2	416.0	2,503.8	1,733.1	838.6	236.6	485.1
2012 Jan.	6,479.7	435.1	2,586.1	1,820.0	865.9	234.9	537.7
Feb. ^(p)	6,636.7	446.9	2,637.8	1,879.8	885.6	235.4	551.2
Transactions							
2011 Q2	71.4	5.6	41.9	25.9	13.1	3.3	-18.5
Q3	-4.7	29.0	-21.2	-41.9	-15.8	2.9	42.3
Q4	-184.2	-33.8	-2.9	-26.4	-11.1	2.0	-112.1

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		
	1	2	3		Investment funds	5	6	7
	Outstanding amounts							
2011 Aug.	6,200.9	130.3	5,551.2	4,280.4	623.3	1,270.8	519.3	
Sep.	6,080.9	126.7	5,423.0	4,175.4	604.2	1,247.6	531.1	
Oct.	6,177.6	127.4	5,532.0	4,243.8	616.2	1,288.2	518.3	
Nov.	6,082.7	128.7	5,448.2	4,163.1	597.8	1,285.1	505.9	
Dec.	6,213.2	117.8	5,664.8	4,264.5	614.0	1,400.3	430.7	
2012 Jan.	6,479.7	124.2	5,883.7	4,410.1	653.2	1,473.6	471.9	
Feb. ^(p)	6,636.7	135.0	6,021.1	4,516.9	678.3	1,504.2	480.6	
	Transactions							
2011 Q2	71.4	-4.2	78.0	25.3	10.5	52.7	-2.4	
Q3	-4.7	6.5	-44.0	-55.1	-31.0	11.0	32.9	
Q4	-184.2	-13.8	-39.7	-57.6	-2.7	18.8	-130.7	

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									
2011 July	5,831.9	1,837.1	1,674.6	1,434.4	291.4	116.1	478.2	5,743.3	88.6	1,032.5
Aug.	5,551.2	1,807.4	1,495.2	1,381.8	290.8	114.0	462.0	5,462.8	88.4	1,060.3
Sep.	5,423.0	1,786.2	1,414.0	1,387.7	290.9	119.0	425.1	5,333.8	89.2	1,066.9
Oct.	5,532.0	1,789.1	1,503.9	1,406.2	294.0	115.6	423.1	5,449.7	82.2	1,051.6
Nov.	5,448.2	1,758.0	1,473.5	1,384.3	293.5	118.7	420.1	5,365.4	82.8	1,083.5
Dec.	5,664.8	1,920.6	1,496.6	1,402.5	297.1	122.1	425.9	5,579.5	85.3	991.9
2012 Jan.	5,883.7	2,021.4	1,575.9	1,431.7	300.1	122.3	432.3	5,798.3	85.4	938.1
Feb. ^(p)	6,021.1	2,059.8	1,631.3	1,463.4	300.9	121.9	443.8	5,934.7	86.3	923.8
	Transactions									
2011 Aug.	-48.9	-13.9	-23.0	-10.7	0.9	-0.2	-1.9	-48.9	0.0	32.8
Sep.	-32.3	-16.4	-11.1	-4.2	0.9	0.6	-2.1	-32.5	0.3	-12.2
Oct.	-18.4	1.3	-2.6	-5.9	1.3	-0.7	-11.8	-11.8	-6.6	-5.7
Nov.	-21.6	-8.8	-8.5	-5.7	0.0	0.1	1.3	-22.2	0.6	19.1
Dec.	0.4	10.5	-6.5	-3.4	2.5	-0.3	-2.5	-1.7	2.1	0.7
2012 Jan.	13.1	11.7	2.3	-0.5	0.5	0.1	-1.0	13.2	-0.1	6.1
Feb. ^(p)	25.4	8.3	2.5	10.3	1.0	-0.8	4.1	24.6	0.8	2.7

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.

2.9 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										
2011 Q1	2,351.9	1,430.8	383.5	676.0	200.2	5.6	165.6	921.1	246.5	350.6	14.1
Q2	2,387.6	1,430.3	386.4	671.6	196.3	5.8	170.1	957.3	252.3	358.6	17.8
Q3	2,383.9	1,414.2	380.7	682.4	184.2	4.7	162.1	969.7	252.4	369.7	18.7
Q4 ^(p)	2,503.8	1,422.6	391.0	673.9	185.5	4.5	167.6	1,081.2	270.4	436.8	20.4
	Transactions										
2011 Q2	41.9	-0.4	1.7	-3.5	-1.6	0.4	2.7	40.8	8.2	11.7	3.6
Q3	-21.2	-16.8	-5.9	1.3	-7.6	-0.4	-4.3	-4.4	6.0	-4.1	5.3
Q4 ^(p)	-2.9	-0.1	3.6	-6.7	-1.1	-0.3	4.3	-1.3	-3.2	1.6	-0.3

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										
2011 Q1	1,973.7	782.8	89.2	-	41.7	26.2	625.7	1,191.0	167.2	365.2	71.1
Q2	1,958.6	773.6	84.5	-	41.2	26.1	621.9	1,185.0	166.4	362.8	77.0
Q3	1,632.8	615.7	53.3	-	35.8	20.4	506.3	1,017.0	141.8	323.7	72.5
Q4 ^(p)	1,733.1	636.5	51.1	-	36.4	21.5	527.4	1,096.6	154.7	356.8	71.2
	Transactions										
2011 Q2	25.9	-1.0	-0.6	-	1.3	0.3	-2.0	26.9	2.9	8.5	6.9
Q3	-41.9	-8.8	-4.9	-	-0.7	0.2	-3.4	-33.0	-5.1	-11.8	-3.2
Q4 ^(p)	-26.4	-9.7	-1.7	-	-2.3	0.4	-6.1	-16.8	-0.9	-7.3	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 ⁶	Non-financial corporations		EU Member States outside the euro area ⁹	United States	Japan
	1	2	3	4	5	6	7	8		10	11
	Outstanding amounts										
2011 Q1	882.1	745.4	78.0	-	667.4	-	-	136.7	22.6	41.8	0.5
Q2	886.8	752.0	79.3	-	672.7	-	-	134.8	22.1	42.8	0.5
Q3	830.9	698.7	94.5	-	604.2	-	-	132.2	20.1	42.6	0.5
Q4 ^(p)	838.6	709.0	95.0	-	614.0	-	-	129.6	20.7	40.1	0.6
	Transactions										
2011 Q2	13.1	11.7	1.2	-	10.5	-	-	1.4	0.3	1.2	0.0
Q3	-15.8	-15.1	16.0	-	-31.0	-	-	-0.8	-0.5	-0.4	0.0
Q4 ^(p)	-11.1	-2.4	0.3	-	-2.7	-	-	-8.7	-0.8	-9.1	-0.1

Source: ECB.

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

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

2.10 Aggregated balance sheet of euro area financial vehicle corporations

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

1. Assets

	Total	Deposits and loan claims	Securitised loans							Securities other than shares	Other securitised assets	Shares and other equity	Other assets
			Total	Originated in euro area					Originated outside euro area				
				MFIs	Other financial intermediaries, insurance corporations and pension funds	Non-financial corporations	General government						
								Remaining on the MFI balance sheet ¹⁾					
	1	2	3	4	5	6	7	8	9	10	11	12	13
	Outstanding amounts												
2010 Q4	2,353.0	373.8	1,525.8	1,226.2	606.4	140.5	22.4	6.0	130.8	250.5	92.5	41.9	68.6
2011 Q1	2,255.3	351.4	1,484.5	1,185.1	595.3	142.5	21.8	5.9	129.2	241.6	89.0	36.3	52.4
Q2	2,216.4	340.1	1,461.2	1,167.0	585.5	144.7	20.4	5.2	123.9	232.5	88.6	35.7	58.3
Q3	2,202.1	321.7	1,465.6	1,180.7	590.5	142.8	20.5	5.1	116.3	232.5	86.9	37.8	57.6
Q4	2,269.5	324.6	1,530.3	1,244.8	583.1	147.8	20.8	4.8	112.0	228.9	90.0	36.8	58.8
	Transactions												
2010 Q4	45.8	24.6	24.7	30.8	-	-5.0	-1.4	-0.4	0.6	-5.4	-0.9	-0.6	3.4
2011 Q1	-95.2	-25.0	-39.9	-44.3	-	5.3	-0.3	-0.1	-0.5	-9.9	-2.4	-5.1	-12.8
Q2	-43.1	-11.2	-25.6	-21.5	-	1.9	-0.7	-0.3	-5.0	-7.9	0.0	0.0	1.7
Q3	-23.7	-18.4	3.2	13.2	-	-2.1	-0.1	0.0	-7.8	-2.2	-2.1	-1.1	-3.1
Q4	67.1	3.1	63.0	62.2	-	4.2	0.3	-0.4	-3.4	-3.4	2.3	-1.0	3.2

2. Liabilities

	Total	Loans and deposits received	Debt securities issued			Capital and reserves	Other liabilities
			Total	Up to 2 years	Over 2 years		
	1	2	3	4	5	6	7
	Outstanding amounts						
2010 Q4	2,353.0	136.5	1,970.6	89.3	1,881.2	42.8	203.1
2011 Q1	2,255.3	135.1	1,884.4	79.6	1,804.7	36.3	199.5
Q2	2,216.4	135.9	1,840.5	77.9	1,762.5	35.2	204.9
Q3	2,202.1	134.1	1,823.6	75.0	1,748.6	34.7	209.6
Q4	2,269.5	150.3	1,881.3	78.8	1,802.4	34.0	203.9
	Transactions						
2010 Q4	45.8	16.0	24.8	5.7	19.1	-2.1	7.1
2011 Q1	-95.2	-1.1	-83.3	-10.1	-73.2	-6.0	-4.8
Q2	-43.1	1.4	-47.6	-5.7	-41.8	-0.8	3.8
Q3	-23.7	-2.2	-23.0	-3.3	-19.6	-1.7	3.2
Q4	67.1	16.5	58.6	5.3	53.3	-1.1	-6.9

3. Holdings of securitised loans originated by euro area MFIs and securities other than shares

	Securitised loans originated by euro area MFIs							Securities other than shares					
	Total	Euro area borrowing sector ²⁾					Non-euro area borrowing sector	Total	Euro area residents			Non-euro area residents	
		Households	Non- financial corporations	Other financial intermediaries	Insurance corporations and pension funds	General government			Total	MFIs	Non-MFIs		
											Financial vehicle corporations		
	1	2	3	4	5	6	7	8	9	10	11	12	13
	Outstanding amounts												
2010 Q4	1,226.2	853.9	251.5	18.1	0.2	7.1	43.5	250.5	130.3	45.5	84.8	36.3	120.1
2011 Q1	1,185.1	803.6	261.2	17.9	0.2	7.2	36.2	241.6	124.3	42.3	82.0	36.5	117.4
Q2	1,167.0	788.6	253.1	19.3	0.4	9.8	37.5	232.5	124.2	41.0	83.2	35.4	108.4
Q3	1,180.7	795.4	256.0	18.6	0.4	9.6	34.8	232.5	122.3	42.1	80.1	33.8	110.2
Q4	1,244.8	828.2	262.2	18.5	0.2	6.6	35.3	228.9	120.2	40.4	79.7	33.0	108.1
	Transactions												
2010 Q4	30.8	16.6	14.3	-1.6	-0.1	0.1	2.1	-5.4	-5.3	-1.1	-4.2	-2.4	-0.2
2011 Q1	-44.3	-52.2	3.2	-0.4	0.0	0.0	-1.7	-9.9	-5.7	-3.1	-2.7	-0.1	-4.2
Q2	-21.5	-20.8	0.2	0.8	0.2	2.6	-3.9	-7.9	0.4	-0.4	0.7	-0.7	-8.3
Q3	13.2	6.2	1.4	-0.7	0.0	-0.2	-1.2	-2.2	-3.1	-0.2	-2.9	-1.2	1.0
Q4	62.2	32.2	6.1	-0.8	-0.1	-3.0	0.2	-3.4	-1.6	-1.6	0.0	-0.2	-1.8

Source: ECB.

1) Loans securitised using euro area financial vehicle corporations which remain on the balance sheet of the relevant MFI - i.e. which have not been derecognised. Whether or not loans are derecognised from the balance sheet of the MFI depends on the relevant accounting rules. For further information, see the General Notes.

2) Excludes securitisations of inter-MFI loans.

2.11 Aggregated balance sheet of euro area insurance corporations and pension funds

(EUR billions; outstanding amounts at end of period)

1. Assets

	Total	Currency and deposits	Loans	Securities other than shares	Shares and other equity	Investment fund shares	Money market fund shares	Prepayments of insurance premiums and reserves for outstanding claims	Other accounts receivable/payable and financial derivatives	Non-financial assets
	1	2	3	4	5	6	7	8	9	10
2009 Q1	6,181.0	797.2	493.6	2,359.3	774.9	1,061.2	108.0	243.6	186.9	156.3
Q2	6,318.2	782.7	487.2	2,381.9	807.4	1,187.3	97.8	247.8	170.8	155.2
Q3	6,515.5	784.0	482.9	2,429.4	788.6	1,362.6	95.3	250.4	168.0	154.1
Q4	6,646.8	786.8	476.5	2,469.5	809.7	1,442.2	95.2	254.8	158.9	153.2
2010 Q1	6,872.8	784.0	483.8	2,580.7	825.8	1,518.7	93.0	263.3	175.5	148.1
Q2	6,899.2	785.3	487.3	2,614.3	807.9	1,504.7	90.3	269.5	190.3	149.7
Q3	7,071.5	783.1	495.4	2,702.8	825.5	1,545.4	86.0	271.3	212.8	149.1
Q4	7,005.6	774.2	498.9	2,643.7	848.6	1,574.3	76.8	271.7	166.2	151.2
2011 Q1	7,062.5	774.9	496.4	2,667.3	856.0	1,589.5	74.9	278.0	172.1	153.4
Q2	7,075.0	776.7	504.6	2,682.0	849.5	1,594.7	77.9	268.5	168.8	152.4
Q3	7,070.8	793.6	498.3	2,707.4	799.0	1,544.4	84.8	268.1	223.3	151.8
Q4	7,134.3	787.4	501.9	2,693.9	813.8	1,593.4	87.7	269.0	232.6	154.6

2. Holdings of securities other than shares

	Total	Issued by euro area residents						Issued by non-euro area residents
		Total	MFIs	General government	Other financial intermediaries	Insurance corporations and pension funds	Non-financial corporations	
	1	2	3	4	5	6	7	8
2009 Q1	2,359.3	1,936.5	530.3	1,037.9	218.7	13.5	136.1	422.8
Q2	2,381.9	1,984.0	544.0	1,058.6	227.6	15.0	138.9	397.8
Q3	2,429.4	2,025.0	555.0	1,090.8	226.3	15.1	137.7	404.4
Q4	2,469.5	2,060.6	545.4	1,120.0	238.9	16.7	139.7	408.9
2010 Q1	2,580.7	2,161.6	576.6	1,190.2	232.2	16.2	146.4	419.1
Q2	2,614.3	2,190.8	581.5	1,198.9	243.3	16.7	150.5	423.5
Q3	2,702.8	2,274.1	592.9	1,248.1	261.1	19.7	152.3	428.7
Q4	2,643.7	2,216.5	590.3	1,222.4	230.6	18.0	155.2	427.2
2011 Q1	2,667.3	2,249.5	609.8	1,214.4	253.9	19.0	152.5	417.8
Q2	2,682.0	2,254.4	630.3	1,234.3	215.2	16.3	158.4	427.6
Q3	2,707.4	2,276.8	637.4	1,229.8	230.6	17.9	161.2	430.6
Q4	2,693.9	2,261.3	626.9	1,170.5	280.5	20.6	162.7	432.7

3. Liabilities and net worth

	Liabilities								Net worth	
	Total	Loans received	Securities other than shares	Shares and other equity	Insurance technical reserves			Other accounts receivable/ payable and financial derivatives		
					Total	Net equity of households in life insurance reserves	Net equity of households in pension fund reserves		Prepayments of insurance premiums and reserves for outstanding claims	
	1	2	3	4	5	6	7	8	9	10
2009 Q1	6,128.1	346.9	31.7	377.8	5,230.9	2,777.5	1,608.8	844.6	140.9	52.9
Q2	6,181.1	320.6	33.0	395.4	5,295.2	2,849.7	1,599.5	846.0	136.8	137.1
Q3	6,342.5	302.5	36.1	442.1	5,420.8	2,939.4	1,637.5	844.0	141.0	172.9
Q4	6,444.9	283.2	39.5	438.8	5,537.2	3,008.0	1,686.6	842.7	146.2	202.0
2010 Q1	6,639.5	291.2	39.5	456.8	5,703.2	3,096.9	1,742.9	863.4	148.9	233.3
Q2	6,717.5	295.5	40.9	428.6	5,802.3	3,123.1	1,811.4	867.8	150.3	181.7
Q3	6,876.0	311.1	39.8	437.5	5,943.1	3,185.4	1,892.5	865.2	144.5	195.5
Q4	6,828.5	279.6	42.3	445.1	5,922.6	3,220.4	1,834.6	867.6	138.8	177.2
2011 Q1	6,885.6	297.6	40.1	461.4	5,947.9	3,250.9	1,808.9	888.1	138.5	176.9
Q2	6,909.7	300.2	43.0	449.1	5,977.1	3,270.8	1,825.5	880.8	140.3	165.3
Q3	7,018.3	306.2	41.9	402.9	6,113.1	3,259.9	1,974.8	878.4	154.2	52.5
Q4	7,029.7	302.6	41.6	405.1	6,130.6	3,268.3	1,989.5	872.7	149.9	104.6

Source: ECB.



EURO AREA ACCOUNTS

3.1 Integrated economic and financial accounts by institutional sector

(EUR billions)

Uses	Euro area	Households	Non-financial corporations	Financial corporations	General government	Rest of the world
2011 Q4						
External account						
Exports of goods and services						605
Trade balance ¹⁾						-32
Generation of income account						
Gross value added (basic prices)						
Taxes less subsidies on products						
Gross domestic product (market prices)						
Compensation of employees	1,244	128	778	65	273	
Other taxes less subsidies on production	25	8	7	4	5	
Consumption of fixed capital	364	97	206	11	49	
Net operating surplus and mixed income ¹⁾	533	271	233	30	-2	
Allocation of primary income account						
Net operating surplus and mixed income						7
Compensation of employees						
Taxes less subsidies on production						
Property income	709	40	275	321	73	117
Interest	403	37	74	219	73	53
Other property income	306	3	201	102	0	64
Net national income ¹⁾	2,075	1,705	81	51	238	
Secondary distribution of income account						
Net national income						
Current taxes on income, wealth, etc.	322	246	64	12	0	0
Social contributions	476	476				1
Social benefits other than social transfers in kind	485	1	18	35	431	1
Other current transfers	205	75	26	49	55	10
Net non-life insurance premiums	46	33	11	1	1	2
Non-life insurance claims	46			46		1
Other	112	42	15	1	55	8
Net disposable income ¹⁾	2,045	1,484	6	54	501	
Use of income account						
Net disposable income						
Final consumption expenditure	1,934	1,380			554	
Individual consumption expenditure	1,718	1,380			338	
Collective consumption expenditure	216				216	
Adjustment for the change in the net equity of households in pension fund reserves	15	0	0	15	0	0
Net saving/current external account ¹⁾	111	119	6	39	-53	-25
Capital account						
Net saving/current external account						
Gross capital formation	450	146	231	11	61	
Gross fixed capital formation	472	146	254	11	61	
Changes in inventories and acquisitions less disposals of valuables	-23	0	-23	0	0	
Consumption of fixed capital						
Acquisitions less disposals of non-produced non-financial assets	0	0	7	0	-7	0
Capital transfers	64	9	3	17	35	10
Capital taxes	10	6	1	3		0
Other capital transfers	54	3	1	14	35	10
Net lending (+)/net borrowing (-) (from capital account) ¹⁾	32	74	-4	30	-69	-32
Statistical discrepancy	0	-8	8	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	Euro area	Households	Non-financial corporations	Financial corporations	General government	Rest of the world
2011 Q4						
External account						
Imports of goods and services						573
<i>Trade balance</i>						
Generation of income account						
Gross value added (basic prices)	2,164	504	1,225	110	326	
Taxes less subsidies on products	251					
Gross domestic product (market prices) ²⁾	2,416					
Compensation of employees						
Other taxes less subsidies on production						
Consumption of fixed capital						
<i>Net operating surplus and mixed income</i>						
Allocation of primary income account						
Net operating surplus and mixed income	533	271	233	30	-2	
Compensation of employees	1,247	1,247				3
Taxes less subsidies on production	289				289	-13
Property income	715	227	123	342	23	111
Interest	390	62	47	269	11	67
Other property income	326	165	76	73	12	44
<i>Net national income</i>						
Secondary distribution of income account						
Net national income	2,075	1,705	81	51	238	
Current taxes on income, wealth, etc.	322				322	1
Social contributions	475	1	18	52	404	1
Social benefits other than social transfers in kind	484	484				3
Other current transfers	178	92	15	47	23	37
Net non-life insurance premiums	46			46		1
Non-life insurance claims	45	35	9	1	0	2
Other	86	57	6	0	23	34
<i>Net disposable income</i>						
Use of income account						
Net disposable income	2,045	1,484	6	54	501	
Final consumption expenditure						
Individual consumption expenditure						
Collective consumption expenditure						
Adjustment for the change in the net equity of households in pension fund reserves	15	15				0
<i>Net saving/current external account</i>						
Capital account						
Net saving/current external account	111	119	6	39	-53	-25
Gross capital formation						
Gross fixed capital formation						
Changes in inventories and acquisitions less disposals of valuables						
Consumption of fixed capital	364	97	206	11	49	
Acquisitions less disposals of non-produced non-financial assets						
Capital transfers	71	12	25	9	25	3
Capital taxes	10				10	0
Other capital transfers	61	12	25	9	15	3
<i>Net lending (+)/net borrowing (-) (from capital account)</i>						
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	Euro area	Households	Non-financial corporations	MFIs	Other financial inter-mediarities	Insurance corporations and pension funds	General government	Rest of the world
2011 Q4								
Opening balance sheet, financial assets								
Total financial assets		18,548	16,196	33,644	15,185	6,715	3,750	16,985
Monetary gold and special drawing rights (SDRs)				469				
Currency and deposits		6,726	1,934	10,349	2,471	823	712	3,673
Short-term debt securities		43	83	512	350	54	32	710
Long-term debt securities		1,336	240	6,015	2,441	2,650	448	4,004
Loans		77	3,184	13,524	3,658	464	534	1,936
<i>of which: Long-term</i>		58	1,802	10,555	2,589	348	460	.
Shares and other equity		3,995	7,108	1,787	5,987	2,352	1,322	5,884
Quoted shares		648	1,200	317	1,808	518	215	.
Unquoted shares and other equity		2,086	5,529	1,178	3,219	290	958	.
Mutual fund shares		1,260	379	292	959	1,543	148	.
Insurance technical reserves		5,834	169	3	0	232	4	241
Other accounts receivable and financial derivatives		535	3,478	986	278	140	698	540
<i>Net financial worth</i>								
Financial account, transactions in financial assets								
Total transactions in financial assets		84	97	725	-6	-33	61	-110
Monetary gold and SDRs				0				0
Currency and deposits		84	48	758	-106	-8	3	-146
Short-term debt securities		12	9	63	-3	10	6	-64
Long-term debt securities		29	3	83	27	-34	-2	-24
Loans		6	49	-144	56	2	10	37
<i>of which: Long-term</i>		6	43	-8	50	-2	15	.
Shares and other equity		-6	22	-7	59	3	5	86
Quoted shares		3	-2	-3	-31	2	-2	.
Unquoted shares and other equity		25	25	8	104	-11	3	.
Mutual fund shares		-33	-1	-12	-14	12	4	.
Insurance technical reserves		6	-2	0	0	-6	0	5
Other accounts receivable and financial derivatives		-47	-32	-28	-38	1	38	-4
<i>Changes in net financial worth due to transactions</i>								
Other changes account, financial assets								
Total other changes in financial assets		46	278	-60	168	23	-9	251
Monetary gold and SDRs				7				
Currency and deposits		2	-1	-24	-4	-5	0	48
Short-term debt securities		1	2	-12	52	-1	-1	-4
Long-term debt securities		-26	21	-40	-25	-18	-5	56
Loans		0	6	0	34	1	0	7
<i>of which: Long-term</i>		0	2	-6	26	1	5	.
Shares and other equity		3	170	18	108	42	2	196
Quoted shares		3	38	9	114	10	-7	.
Unquoted shares and other equity		-27	137	9	-24	3	6	.
Mutual fund shares		27	-5	0	17	29	4	.
Insurance technical reserves		52	0	0	0	0	0	6
Other accounts receivable and financial derivatives		14	79	-9	2	4	-6	-58
<i>Other changes in net financial worth</i>								
Closing balance sheet, financial assets								
Total financial assets		18,678	16,571	34,310	15,347	6,705	3,802	17,126
Monetary gold and SDRs				476				
Currency and deposits		6,811	1,982	11,083	2,361	810	715	3,575
Short-term debt securities		57	94	563	399	63	37	641
Long-term debt securities		1,340	264	6,057	2,443	2,598	442	4,036
Loans		83	3,239	13,380	3,748	467	544	1,979
<i>of which: Long-term</i>		64	1,847	10,542	2,665	347	480	.
Shares and other equity		3,992	7,299	1,797	6,154	2,397	1,330	6,165
Quoted shares		655	1,236	323	1,891	530	206	.
Unquoted shares and other equity		2,084	5,691	1,194	3,300	283	967	.
Mutual fund shares		1,253	373	280	963	1,583	156	.
Insurance technical reserves		5,892	168	3	0	226	4	252
Other accounts receivable and financial derivatives		503	3,525	949	242	144	730	478
<i>Net financial worth</i>								

Source: ECB.

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

(EUR billions)

Liabilities	Euro area	Households	Non-financial corporations	MFIs	Other financial intermediaries	Insurance corporations and pension funds	General government	Rest of the world
2011 Q4								
Opening balance sheet, liabilities								
Total liabilities		6,728	25,413	32,611	14,627	6,865	9,323	14,987
Monetary gold and special drawing rights (SDRs)								
Currency and deposits			30	23,561	33	0	262	2,802
Short-term debt securities			94	639	71	1	749	229
Long-term debt securities			827	4,585	2,803	32	6,013	2,874
Loans		6,180	8,580		3,430	308	1,741	3,138
<i>of which: Long-term</i>		5,821	6,093		1,883	116	1,431	.
Shares and other equity		7	11,955	2,529	8,069	382	6	5,485
Quoted shares			3,142	348	181	97	0	.
Unquoted shares and other equity		7	8,813	1,114	2,658	283	6	.
Mutual fund shares				1,067	5,230			.
Insurance technical reserves		35	336	71	1	6,039	1	
Other accounts payable and financial derivatives		505	3,591	1,226	220	104	552	457
<i>Net financial worth ¹⁾</i>	-1,529	11,820	-9,217	1,033	558	-150	-5,574	
Financial account, transactions in liabilities								
Total transactions in liabilities		19	93	676	-11	-9	129	-78
Monetary gold and SDRs								
Currency and deposits			0	728	0	0	11	-107
Short-term debt securities			-9	65	-4	0	-36	16
Long-term debt securities			14	-39	40	0	88	-20
Loans		14	6		-23	-11	62	-32
<i>of which: Long-term</i>		16	8		35	1	59	.
Shares and other equity		0	29	26	38	1	0	67
Quoted shares			3	4	1	0	0	.
Unquoted shares and other equity		0	26	8	80	1	0	.
Mutual fund shares				14	-43			.
Insurance technical reserves		0	0	0	0	3	0	
Other accounts payable and financial derivatives		4	52	-104	-63	-3	5	-1
<i>Changes in net financial worth due to transactions ¹⁾</i>	32	66	4	49	5	-24	-69	-32
Other changes account, liabilities								
Total other changes in liabilities		-20	205	-54	317	54	-155	343
Monetary gold and SDRs								
Currency and deposits			0	30	0	0	0	-13
Short-term debt securities			1	5	4	0	1	28
Long-term debt securities			0	10	16	-2	-132	72
Loans		-2	0		12	0	1	36
<i>of which: Long-term</i>		-2	1		7	0	1	.
Shares and other equity		0	221	-120	277	3	0	157
Quoted shares			154	-20	8	0	0	.
Unquoted shares and other equity		0	67	-11	-13	3	0	.
Mutual fund shares				-89	281			.
Insurance technical reserves		0	0	0	0	58	0	
Other accounts payable and financial derivatives		-18	-17	21	7	-4	-26	63
<i>Other changes in net financial worth ¹⁾</i>	100	66	73	-6	-148	-32	146	-93
Closing balance sheet, liabilities								
Total liabilities		6,726	25,710	33,233	14,932	6,910	9,298	15,252
Monetary gold and SDRs								
Currency and deposits			29	24,319	33	0	274	2,683
Short-term debt securities			86	710	71	1	714	272
Long-term debt securities			841	4,556	2,859	30	5,968	2,925
Loans		6,191	8,586		3,419	297	1,804	3,142
<i>of which: Long-term</i>		5,835	6,102		1,926	117	1,491	.
Shares and other equity		7	12,205	2,435	8,385	386	6	5,709
Quoted shares			3,300	333	191	97	0	.
Unquoted shares and other equity		7	8,905	1,111	2,725	287	6	.
Mutual fund shares				992	5,469			.
Insurance technical reserves		35	336	71	1	6,100	1	
Other accounts payable and financial derivatives		492	3,626	1,142	164	96	530	520
<i>Net financial worth ¹⁾</i>	-1,398	11,952	-9,139	1,076	415	-206	-5,496	

Source: ECB.

3.2 Euro area non-financial accounts

(EUR billions; four-quarter cumulated flows)

Uses	2007	2008	2009	2010 Q1- 2010 Q4	2010 Q2- 2011 Q1	2010 Q3- 2011 Q2	2010 Q4- 2011 Q3	2011 Q1- 2011 Q4
Generation of income account								
Gross value added (basic prices)								
Taxes less subsidies on products								
Gross domestic product (market prices)								
Compensation of employees	4,279	4,461	4,442	4,491	4,518	4,551	4,580	4,606
Other taxes less subsidies on production	99	94	85	82	84	87	92	95
Consumption of fixed capital	1,294	1,361	1,385	1,416	1,426	1,436	1,443	1,451
<i>Net operating surplus and mixed income</i> ¹⁾	2,401	2,365	2,111	2,213	2,241	2,260	2,273	2,272
Allocation of primary income account								
Net operating surplus and mixed income								
Compensation of employees								
Taxes less subsidies on production								
Property income	3,698	3,945	2,976	2,816	2,862	2,939	2,997	3,037
Interest	2,129	2,383	1,607	1,411	1,442	1,487	1,535	1,577
Other property income	1,568	1,561	1,369	1,404	1,419	1,452	1,463	1,461
<i>Net national income</i> ¹⁾	7,768	7,804	7,533	7,754	7,814	7,876	7,927	7,957
Secondary distribution of income account								
Net national income								
Current taxes on income, wealth, etc.	1,136	1,145	1,029	1,054	1,072	1,083	1,100	1,109
Social contributions	1,596	1,671	1,676	1,701	1,712	1,724	1,739	1,755
Social benefits other than social transfers in kind	1,586	1,657	1,774	1,821	1,826	1,832	1,840	1,848
Other current transfers	738	771	776	776	776	779	779	779
Net non-life insurance premiums	183	187	181	181	180	180	180	180
Non-life insurance claims	184	188	182	181	181	180	180	180
Other	370	395	413	413	415	418	418	419
<i>Net disposable income</i> ¹⁾	7,675	7,703	7,424	7,641	7,700	7,764	7,817	7,845
Use of income account								
Net disposable income								
Final consumption expenditure	6,887	7,140	7,143	7,304	7,353	7,400	7,441	7,466
Individual consumption expenditure	6,188	6,404	6,373	6,532	6,580	6,626	6,666	6,691
Collective consumption expenditure	698	736	771	772	773	774	775	775
Adjustment for the change in the net equity of households in pension fund reserves	61	70	61	56	56	56	58	59
<i>Net saving</i> ¹⁾	788	562	280	337	347	364	376	379
Capital account								
Net saving								
Gross capital formation	2,066	2,075	1,715	1,790	1,835	1,856	1,874	1,873
Gross fixed capital formation	1,989	2,010	1,763	1,772	1,797	1,812	1,825	1,833
Changes in inventories and acquisitions less disposals of valuables	76	65	-48	18	38	44	50	41
Consumption of fixed capital								
Acquisitions less disposals of non-produced non-financial assets	-1	1	1	1	1	1	1	0
Capital transfers	153	152	185	227	214	205	169	162
Capital taxes	24	24	34	25	26	26	27	31
Other capital transfers	129	128	151	202	188	180	142	132
<i>Net lending (+)/net borrowing (-) (from capital account)</i> ¹⁾	32	-143	-42	-27	-52	-47	-45	-32

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	2007	2008	2009	2010 Q1- 2010 Q4	2010 Q2- 2011 Q1	2010 Q3- 2011 Q2	2010 Q4- 2011 Q3	2011 Q1- 2011 Q4
Generation of income account								
Gross value added (basic prices)	8,072	8,281	8,023	8,202	8,269	8,334	8,388	8,423
Taxes less subsidies on products	960	946	894	940	956	960	967	972
Gross domestic product (market prices) ²⁾	9,032	9,227	8,917	9,143	9,225	9,294	9,355	9,395
Compensation of employees								
Other taxes less subsidies on production								
Consumption of fixed capital								
<i>Net operating surplus and mixed income</i>								
Allocation of primary income account								
Net operating surplus and mixed income	2,401	2,365	2,111	2,213	2,241	2,260	2,273	2,272
Compensation of employees	4,287	4,468	4,452	4,503	4,530	4,563	4,593	4,618
Taxes less subsidies on production	1,067	1,047	996	1,036	1,053	1,060	1,072	1,078
Property income	3,712	3,868	2,950	2,818	2,851	2,932	2,988	3,026
Interest	2,092	2,327	1,563	1,367	1,398	1,440	1,485	1,523
Other property income	1,620	1,541	1,388	1,450	1,453	1,492	1,503	1,503
<i>Net national income</i>								
Secondary distribution of income account								
Net national income	7,768	7,804	7,533	7,754	7,814	7,876	7,927	7,957
Current taxes on income, wealth, etc.	1,144	1,154	1,034	1,059	1,077	1,089	1,107	1,115
Social contributions	1,595	1,670	1,674	1,699	1,710	1,722	1,737	1,753
Social benefits other than social transfers in kind	1,578	1,649	1,768	1,815	1,820	1,825	1,833	1,841
Other current transfers	644	671	669	666	665	669	671	670
Net non-life insurance premiums	184	188	182	181	181	180	180	180
Non-life insurance claims	180	184	178	178	177	177	177	176
Other	280	298	308	307	308	312	314	313
<i>Net disposable income</i>								
Use of income account								
Net disposable income	7,675	7,703	7,424	7,641	7,700	7,764	7,817	7,845
Final consumption expenditure								
Individual consumption expenditure								
Collective consumption expenditure								
Adjustment for the change in the net equity of households in pension fund reserves	61	70	61	56	56	56	58	59
<i>Net saving</i>								
Capital account								
Net saving	788	562	280	337	347	364	376	379
Gross capital formation								
Gross fixed capital formation								
Changes in inventories and acquisitions less disposals of valuables								
Consumption of fixed capital	1,294	1,361	1,385	1,416	1,426	1,436	1,443	1,451
Acquisitions less disposals of non-produced non-financial assets								
Capital transfers	168	161	194	237	225	215	179	175
Capital taxes	24	24	34	25	26	26	27	31
Other capital transfers	144	137	160	212	199	189	152	144
<i>Net lending (+)/net borrowing (-) (from capital account)</i>								

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)

	2007	2008	2009	2010 Q1- 2010 Q4	2010 Q2- 2011 Q1	2010 Q3- 2011 Q2	2010 Q4- 2011 Q3	2011 Q1- 2011 Q4
Income, saving and changes in net worth								
Compensation of employees (+)	4,287	4,468	4,452	4,503	4,530	4,563	4,593	4,618
Gross operating surplus and mixed income (+)	1,484	1,522	1,446	1,454	1,466	1,481	1,491	1,496
Interest receivable (+)	316	351	241	214	221	230	239	246
Interest payable (-)	220	249	146	126	130	137	143	147
Other property income receivable (+)	789	786	718	719	728	735	747	752
Other property income payable (-)	10	10	10	10	10	10	10	10
Current taxes on income and wealth (-)	834	872	841	848	855	861	872	875
Net social contributions (-)	1,592	1,667	1,671	1,696	1,707	1,719	1,734	1,750
Net social benefits (+)	1,573	1,644	1,763	1,809	1,814	1,820	1,827	1,835
Net current transfers receivable (+)	63	70	71	70	68	69	69	69
= Gross disposable income	5,854	6,043	6,022	6,089	6,125	6,172	6,206	6,234
Final consumption expenditure (-)	5,081	5,241	5,156	5,291	5,335	5,379	5,418	5,439
Changes in net worth in pension funds (+)	60	69	61	55	55	56	58	59
= Gross saving	833	871	927	853	846	848	847	854
Consumption of fixed capital (-)	358	372	376	380	382	384	386	387
Net capital transfers receivable (+)	12	-1	10	11	11	10	10	8
Other changes in net worth (+)	1,310	-1,776	-799	731	711	586	-192	-720
= Changes in net worth	1,797	-1,278	-238	1,215	1,185	1,061	279	-246
Investment, financing and changes in net worth								
Net acquisition of non-financial assets (+)	661	646	554	560	568	571	577	580
Consumption of fixed capital (-)	358	372	376	380	382	384	386	387
Main items of financial investment (+)								
Short-term assets	421	460	-13	38	104	125	132	125
Currency and deposits	351	438	123	119	139	137	147	117
Money market fund shares	37	-4	-43	-57	-36	-27	-17	-21
Debt securities ¹⁾	33	27	-93	-24	1	15	2	29
Long-term assets	171	25	500	392	299	251	217	193
Deposits	-31	-29	85	56	41	50	51	50
Debt securities	85	17	16	-14	28	32	44	53
Shares and other equity	-104	-97	170	119	35	-3	-23	-26
Quoted and unquoted shares and other equity	39	76	119	103	53	23	28	36
Mutual fund shares	-143	-173	52	17	-18	-26	-51	-62
Life insurance and pension fund reserves	221	133	228	231	195	172	145	115
Main items of financing (-)								
Loans	384	257	103	126	119	136	121	87
of which: From euro area MFIs	283	83	65	147	170	168	148	81
Other changes in assets (+)								
Non-financial assets	1,227	-372	-1,101	620	665	298	262	-269
Financial assets	102	-1,459	303	136	44	238	-466	-477
Shares and other equity	79	-1,209	109	75	71	222	-373	-457
Life insurance and pension fund reserves	8	-239	173	105	35	48	-43	25
Remaining net flows (+)	-42	52	-2	-26	6	97	65	75
= Changes in net worth	1,797	-1,278	-238	1,215	1,185	1,061	279	-246
Balance sheet								
Non-financial assets (+)	28,117	28,018	27,096	27,896	27,932	27,980	28,242	27,820
Financial assets (+)								
Short-term assets	5,264	5,813	5,788	5,829	5,870	5,911	5,907	5,970
Currency and deposits	4,851	5,321	5,476	5,600	5,598	5,650	5,658	5,730
Money market fund shares	280	317	241	185	209	199	194	169
Debt securities ¹⁾	133	175	71	44	63	63	54	70
Long-term assets	12,200	10,718	11,555	12,080	12,160	12,167	11,699	11,799
Deposits	965	913	970	1,027	1,037	1,055	1,068	1,081
Debt securities	1,284	1,307	1,375	1,314	1,336	1,355	1,325	1,327
Shares and other equity	5,152	3,806	4,118	4,311	4,319	4,261	3,801	3,823
Quoted and unquoted shares and other equity	3,761	2,877	3,000	3,107	3,149	3,093	2,735	2,739
Mutual fund shares	1,391	929	1,118	1,204	1,170	1,168	1,066	1,084
Life insurance and pension fund reserves	4,798	4,692	5,092	5,428	5,468	5,496	5,505	5,569
Remaining net assets (+)	308	312	306	315	309	390	394	375
Liabilities (-)								
Loans	5,569	5,820	5,942	6,102	6,103	6,162	6,180	6,191
of which: From euro area MFIs	4,831	4,914	4,968	5,213	5,256	5,304	5,313	5,281
= Net worth	40,320	39,041	38,803	40,018	40,168	40,287	40,063	39,773

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.

3.4 Non-financial corporations

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

	2007	2008	2009	2010 Q1- 2010 Q4	2010 Q2- 2011 Q1	2010 Q3- 2011 Q2	2010 Q4- 2011 Q3	2011 Q1- 2011 Q4
Income and saving								
Gross value added (basic prices) (+)	4,648	4,759	4,497	4,635	4,684	4,730	4,769	4,792
Compensation of employees (-)	2,711	2,833	2,776	2,807	2,830	2,859	2,884	2,906
Other taxes less subsidies on production (-)	49	46	39	33	34	37	40	41
= Gross operating surplus (+)	1,888	1,880	1,682	1,794	1,820	1,835	1,845	1,845
Consumption of fixed capital (-)	726	767	784	803	810	816	820	824
= Net operating surplus (+)	1,162	1,113	899	991	1,010	1,019	1,025	1,021
Property income receivable (+)	639	637	549	552	554	572	577	572
Interest receivable	218	239	174	157	161	168	175	181
Other property income receivable	421	398	376	395	393	404	402	391
Interest and rents payable (-)	366	421	299	263	270	281	292	301
= Net entrepreneurial income (+)	1,436	1,329	1,149	1,280	1,295	1,310	1,311	1,292
Distributed income (-)	1,005	1,027	936	944	959	964	974	977
Taxes on income and wealth payable (-)	248	236	152	168	176	179	184	190
Social contributions receivable (+)	64	68	70	69	70	70	71	71
Social benefits payable (-)	63	65	68	69	70	70	70	70
Other net transfers (-)	43	48	47	46	46	44	44	45
= Net saving	141	21	17	123	114	124	109	82
Investment, financing and saving								
Net acquisition of non-financial assets (+)	409	369	78	159	191	200	210	210
Gross fixed capital formation (+)	1,058	1,077	911	944	963	976	988	996
Consumption of fixed capital (-)	726	767	784	803	810	816	820	824
Net acquisition of other non-financial assets (+)	77	60	-50	18	37	39	43	39
Main items of financial investment (+)								
Short-term assets	167	72	91	43	28	41	-2	-33
Currency and deposits	153	15	87	67	63	66	45	0
Money market fund shares	-20	33	40	-23	-27	-27	-43	-44
Debt securities ¹⁾	34	24	-35	-2	-7	2	-4	10
Long-term assets	763	664	242	471	480	544	559	554
Deposits	-8	39	0	12	23	22	24	53
Debt securities	51	-42	18	-9	2	14	17	23
Shares and other equity	412	331	110	238	249	304	321	275
Other (mainly intercompany loans)	308	336	114	230	206	204	197	203
Remaining net assets (+)	209	-27	56	-35	-32	-41	-66	-111
Main items of financing (-)								
Debt	928	664	79	181	209	280	261	243
of which: Loans from euro area MFIs	538	394	-113	-11	27	75	79	50
of which: Debt securities	32	48	88	65	44	43	48	46
Shares and other equity	413	315	284	260	272	271	266	232
Quoted shares	62	5	58	31	30	28	29	28
Unquoted shares and other equity	350	310	227	229	242	242	237	203
Net capital transfers receivable (-)	69	74	83	73	70	68	66	65
= Net saving	141	21	17	123	114	124	109	82
Financial balance sheet								
Financial assets								
Short-term assets	1,788	1,879	1,959	1,992	1,958	1,946	1,944	1,968
Currency and deposits	1,507	1,538	1,631	1,693	1,668	1,674	1,680	1,704
Money market fund shares	163	192	214	192	183	171	158	146
Debt securities ¹⁾	118	149	114	107	107	102	107	118
Long-term assets	10,813	9,370	10,282	10,953	11,134	11,268	10,604	10,910
Deposits	213	255	232	258	237	239	254	278
Debt securities	230	180	195	197	219	215	216	240
Shares and other equity	8,026	6,278	7,075	7,474	7,625	7,706	6,950	7,153
Other (mainly intercompany loans)	2,344	2,657	2,779	3,024	3,052	3,108	3,184	3,239
Remaining net assets	253	204	190	41	141	92	86	96
Liabilities								
Debt	8,644	9,326	9,423	9,588	9,655	9,761	9,837	9,849
of which: Loans from euro area MFIs	4,465	4,870	4,711	4,695	4,726	4,751	4,766	4,725
of which: Debt securities	647	702	824	882	859	878	921	927
Shares and other equity	14,376	11,123	12,436	13,148	13,427	13,417	11,955	12,205
Quoted shares	5,068	2,941	3,502	3,813	3,923	3,914	3,142	3,300
Unquoted shares and other equity	9,308	8,182	8,934	9,334	9,504	9,503	8,813	8,905

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)

	2007	2008	2009	2010 Q1- 2010 Q4	2010 Q2- 2011 Q1	2010 Q3- 2011 Q2	2010 Q4- 2011 Q3	2011 Q1- 2011 Q4
Financial account, financial transactions								
Main items of financial investment (+)								
Short-term assets	22	73	-48	-19	-24	-35	2	50
Currency and deposits	7	57	-33	-9	-9	-15	5	16
Money market fund shares	4	12	0	-17	-24	-23	-12	11
Debt securities ¹⁾	11	3	-14	7	9	3	9	23
Long-term assets	240	119	286	282	246	268	220	100
Deposits	47	-9	19	-8	8	11	17	10
Debt securities	108	72	105	180	144	128	69	3
Loans	-15	25	6	26	19	22	14	4
Quoted shares	21	-10	-57	13	16	16	11	7
Unquoted shares and other equity	14	16	-15	1	4	5	12	-4
Mutual fund shares	64	25	229	70	56	86	98	81
Remaining net assets (+)	2	13	24	20	2	-47	-48	-37
Main items of financing (-)								
Debt securities	3	4	5	0	0	2	3	3
Loans	-2	32	-2	11	17	13	8	7
Shares and other equity	3	8	4	7	6	1	1	1
Insurance technical reserves	247	121	234	273	217	180	139	103
Net equity of households in life insurance and pension fund reserves	224	119	230	249	197	168	132	103
Prepayments of insurance premiums and reserves for outstanding claims	22	1	4	24	21	12	7	-1
= Changes in net financial worth due to transactions	13	40	21	-7	-16	-11	23	-1
Other changes account								
Other changes in financial assets (+)								
Shares and other equity	-9	-515	207	99	33	60	-122	-113
Other net assets	-32	53	27	-13	-63	-44	-62	33
Other changes in liabilities (-)								
Shares and other equity	-21	-172	12	-10	-8	12	-43	-44
Insurance technical reserves	28	-254	186	107	40	50	-31	41
Net equity of households in life insurance and pension fund reserves	16	-244	183	107	42	55	-30	40
Prepayments of insurance premiums and reserves for outstanding claims	12	-10	3	0	-2	-5	-2	0
= Other changes in net financial worth	-47	-35	37	-12	-62	-46	-110	-76
Financial balance sheet								
Financial assets (+)								
Short-term assets	318	393	340	326	319	319	350	361
Currency and deposits	163	224	195	190	181	181	199	193
Money market fund shares	91	101	93	77	75	75	81	87
Debt securities ¹⁾	63	67	51	58	63	63	70	81
Long-term assets	5,470	5,080	5,650	6,015	6,069	6,100	5,993	5,974
Deposits	594	599	617	611	624	624	624	617
Debt securities	2,202	2,265	2,441	2,604	2,617	2,631	2,634	2,581
Loans	410	433	437	463	462	467	464	467
Quoted shares	750	491	523	563	576	570	518	530
Unquoted shares and other equity	348	321	301	293	292	290	290	283
Mutual fund shares	1,166	971	1,331	1,481	1,497	1,517	1,463	1,496
Remaining net assets (+)	174	237	212	242	252	239	268	274
Liabilities (-)								
Debt securities	20	23	31	33	31	33	32	31
Loans	244	281	273	293	297	300	308	297
Shares and other equity	580	416	432	429	445	429	382	386
Insurance technical reserves	5,290	5,156	5,576	5,957	6,013	6,035	6,039	6,100
Net equity of households in life insurance and pension fund reserves	4,481	4,356	4,769	5,126	5,168	5,196	5,203	5,269
Prepayments of insurance premiums and reserves for outstanding claims	809	800	807	831	844	839	836	830
= Net financial wealth	-173	-168	-110	-129	-146	-141	-150	-206

Source: ECB.

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



FINANCIAL MARKETS

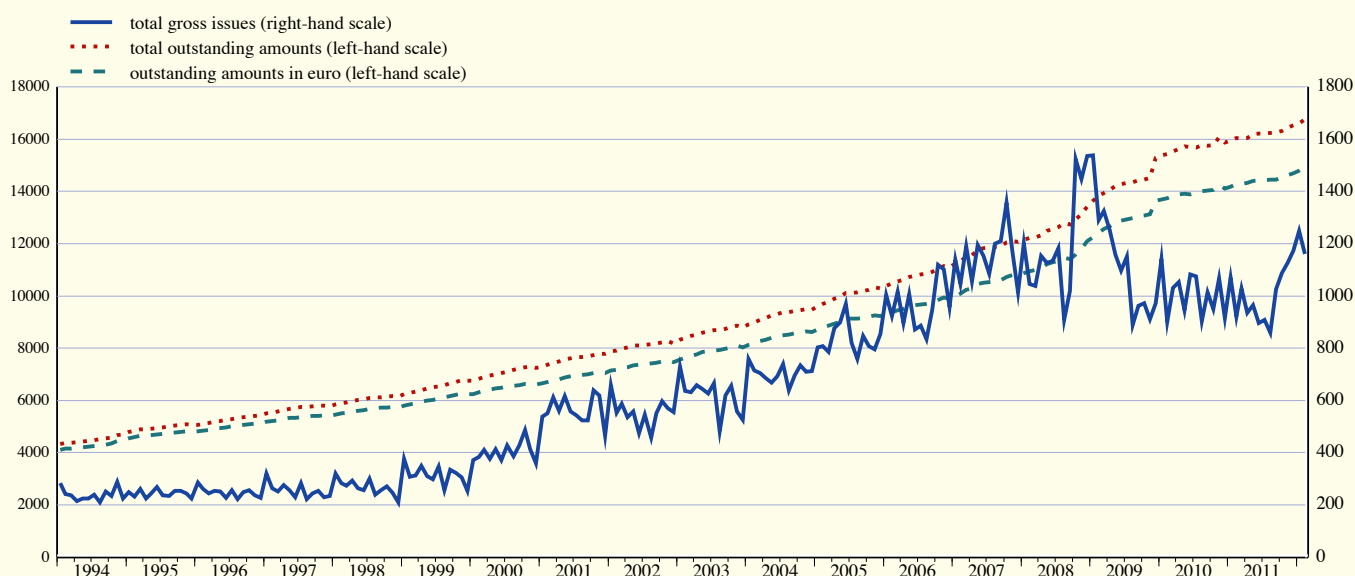
4.1 Securities other than shares by original maturity, residency of the issuer and currency

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

	Total in euro ¹⁾			By euro area residents									
				In euro			In all currencies						
	Outstanding amounts	Gross issues	Net issues	Outstanding amounts	Gross issues	Net issues	Outstanding amounts	Gross issues	Net issues	Annual growth rates	Seasonally adjusted ²⁾		
											Net issues	6-month growth rates	
	1	2	3	4	5	6	7	8	9	10	11	12	
	Total												
2011 Feb.	16,464.2	866.8	100.3	14,279.2	813.9	92.1	16,039.9	920.2	98.7	4.1	48.5	4.1	
Mar.	16,462.3	986.9	-1.6	14,270.1	919.9	-8.9	16,015.7	1,028.0	0.3	3.3	9.8	3.5	
Apr.	16,483.1	889.7	21.4	14,317.0	850.3	47.5	16,041.6	934.9	50.9	3.2	25.0	3.3	
May	16,586.4	922.5	101.6	14,409.5	865.9	90.9	16,190.0	963.7	118.1	3.6	41.7	1.8	
June	16,619.1	851.8	32.7	14,433.6	799.9	24.0	16,207.5	896.8	24.6	3.8	50.7	3.2	
July	16,589.3	852.6	-30.3	14,423.9	825.3	-10.4	16,221.0	907.2	-11.1	3.7	14.3	2.4	
Aug.	16,619.5	806.8	30.4	14,454.9	772.4	31.3	16,228.8	858.3	19.0	3.2	47.7	2.4	
Sep.	16,652.2	1,002.0	33.0	14,461.3	926.1	6.9	16,274.8	1,026.6	8.7	3.3	61.1	3.0	
Oct.	16,703.2	1,034.5	51.8	14,539.8	992.9	79.1	16,318.4	1,086.5	69.6	3.3	59.4	3.5	
Nov.	16,787.2	1,061.8	83.4	14,629.9	1,014.6	89.3	16,441.5	1,125.8	93.8	2.4	5.0	3.0	
Dec.	16,858.2	1,124.5	71.0	14,698.8	1,082.1	68.9	16,538.7	1,173.3	68.9	4.0	194.6	4.8	
2012 Jan.	.	.	.	14,794.5	1,117.0	98.7	16,617.7	1,249.2	91.2	4.0	77.2	5.6	
Feb.	.	.	.	14,930.9	1,042.1	141.5	16,752.6	1,159.7	159.1	4.3	104.6	6.3	
	Long-term												
2011 Feb.	15,018.9	284.2	105.7	12,911.6	253.2	95.5	14,468.2	285.1	92.1	5.0	42.8	5.6	
Mar.	15,029.3	313.5	10.9	12,928.6	277.4	17.4	14,461.2	311.7	14.9	4.2	20.4	5.1	
Apr.	15,082.7	303.3	53.7	12,992.9	278.4	64.6	14,507.5	308.9	67.8	4.2	48.4	4.8	
May	15,158.8	275.8	75.0	13,060.5	243.4	66.5	14,613.2	266.4	80.2	4.5	14.8	3.4	
June	15,212.0	259.0	52.7	13,111.8	227.7	50.7	14,662.1	256.6	53.7	4.6	44.0	3.8	
July	15,193.8	203.3	-20.4	13,100.8	192.1	-13.3	14,673.5	213.8	-12.8	4.4	25.9	2.7	
Aug.	15,188.6	121.6	-5.2	13,099.9	112.0	-1.0	14,653.5	122.0	-9.6	4.0	28.4	2.5	
Sep.	15,180.2	229.2	-7.7	13,087.7	189.8	-11.4	14,682.1	213.9	-4.1	4.0	42.7	2.8	
Oct.	15,253.9	278.3	75.6	13,167.2	250.9	81.4	14,728.1	268.0	69.8	4.0	73.9	3.2	
Nov.	15,325.5	210.8	71.4	13,248.7	191.6	81.0	14,841.3	212.2	87.6	3.2	4.8	3.0	
Dec.	15,382.7	236.9	56.1	13,318.9	227.7	69.2	14,939.5	245.3	72.6	4.1	142.5	4.4	
2012 Jan.	.	.	.	13,389.7	301.3	74.1	14,991.6	330.3	62.8	4.0	89.5	5.3	
Feb.	.	.	.	13,518.1	305.0	132.6	15,113.4	335.7	143.3	4.3	92.5	6.2	

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												
2010	15,872	5,246	3,291	850	5,932	554	1,007	625	80	69	205	29
2011	16,539	5,530	3,301	868	6,216	624	999	609	98	62	191	39
2011 Q1	16,016	5,347	3,257	824	6,024	564	1,006	592	92	59	220	43
Q2	16,208	5,363	3,249	832	6,167	597	932	551	86	60	192	43
Q3	16,275	5,425	3,229	854	6,160	607	931	580	78	60	180	33
Q4	16,539	5,530	3,301	868	6,216	624	1,129	714	136	70	172	36
2011 Nov. Dec.	16,441 16,539	5,457 5,530	3,265 3,301	870 868	6,229 6,216	621 624	1,126 1,173	730 784	107 156	63 60	181 139	45 34
2012 Jan. Feb.	16,618 16,753	5,541 5,606	3,295 3,296	878 883	6,271 6,314	633 654	1,249 1,160	767 742	118 81	65 65	249 218	51 54
Short-term												
2010	1,540	572	122	67	724	54	759	534	34	57	115	19
2011	1,599	702	110	77	634	77	747	511	47	53	107	29
2011 Q1	1,554	618	114	71	700	52	701	462	41	49	118	30
Q2	1,545	582	124	72	702	65	654	440	31	51	102	32
Q3	1,593	613	113	83	712	72	747	512	42	53	114	26
Q4	1,599	702	110	77	634	77	887	629	75	60	94	28
2011 Nov. Dec.	1,600 1,599	652 702	105 110	84 77	686 634	74 77	914 928	665 679	68 89	54 52	95 78	31 29
2012 Jan. Feb.	1,626 1,639	709 716	109 114	80 82	649 644	79 83	919 824	626 572	67 51	53 53	139 122	34 27
Long-term ²⁾												
2010	14,332	4,674	3,168	783	5,207	499	248	91	46	12	90	9
2011	14,939	4,827	3,191	791	5,583	547	252	98	50	9	84	10
2011 Q1	14,461	4,729	3,143	752	5,325	512	306	130	50	10	102	13
Q2	14,662	4,781	3,125	759	5,465	532	277	111	55	9	90	12
Q3	14,682	4,812	3,116	770	5,448	535	183	67	36	7	66	7
Q4	14,939	4,827	3,191	791	5,583	547	242	85	61	10	78	8
2011 Nov. Dec.	14,841 14,939	4,805 4,827	3,160 3,191	786 791	5,544 5,583	547 547	212 245	65 106	39 67	9 8	85 61	13 4
2012 Jan. Feb.	14,992 15,113	4,832 4,889	3,186 3,182	797 801	5,622 5,670	554 571	330 336	141 171	51 30	12 12	110 96	17 27
of which: Long-term fixed rate												
2010	9,477	2,633	1,099	671	4,697	377	156	50	13	10	77	6
2011	10,026	2,777	1,151	697	4,994	408	151	54	12	8	70	7
2011 Q1	9,639	2,700	1,109	655	4,787	387	195	78	13	8	87	9
Q2	9,862	2,743	1,141	666	4,912	401	173	62	20	8	74	8
Q3	9,887	2,773	1,149	678	4,887	400	112	35	8	6	58	5
Q4	10,026	2,777	1,151	697	4,994	408	123	41	7	9	61	5
2011 Nov. Dec.	9,970 10,026	2,765 2,777	1,144 1,151	692 697	4,962 4,994	407 408	117 119	29 48	7 8	9 7	64 53	8 3
2012 Jan. Feb.	10,088 10,208	2,799 2,845	1,157 1,163	703 707	5,021 5,076	409 417	218 240	95 106	16 18	11 11	86 88	9 16
of which: Long-term variable rate												
2010	4,384	1,761	1,964	106	432	121	78	34	29	1	10	4
2011	4,409	1,781	1,886	91	513	139	84	37	32	1	11	3
2011 Q1	4,330	1,741	1,916	93	458	123	90	42	32	1	11	4
Q2	4,299	1,765	1,838	89	477	129	84	42	23	1	13	4
Q3	4,289	1,767	1,808	88	491	133	56	26	21	0	5	3
Q4	4,409	1,781	1,886	91	513	139	106	36	51	1	15	3
2011 Nov. Dec.	4,358 4,409	1,762 1,781	1,860 1,886	90 91	507 513	138 139	81 116	28 53	28 55	1 1	19 7	5 1
2012 Jan. Feb.	4,394 4,398	1,766 1,775	1,874 1,861	91 91	519 520	143 151	92 81	37 56	30 11	1 0	16 5	8 10

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

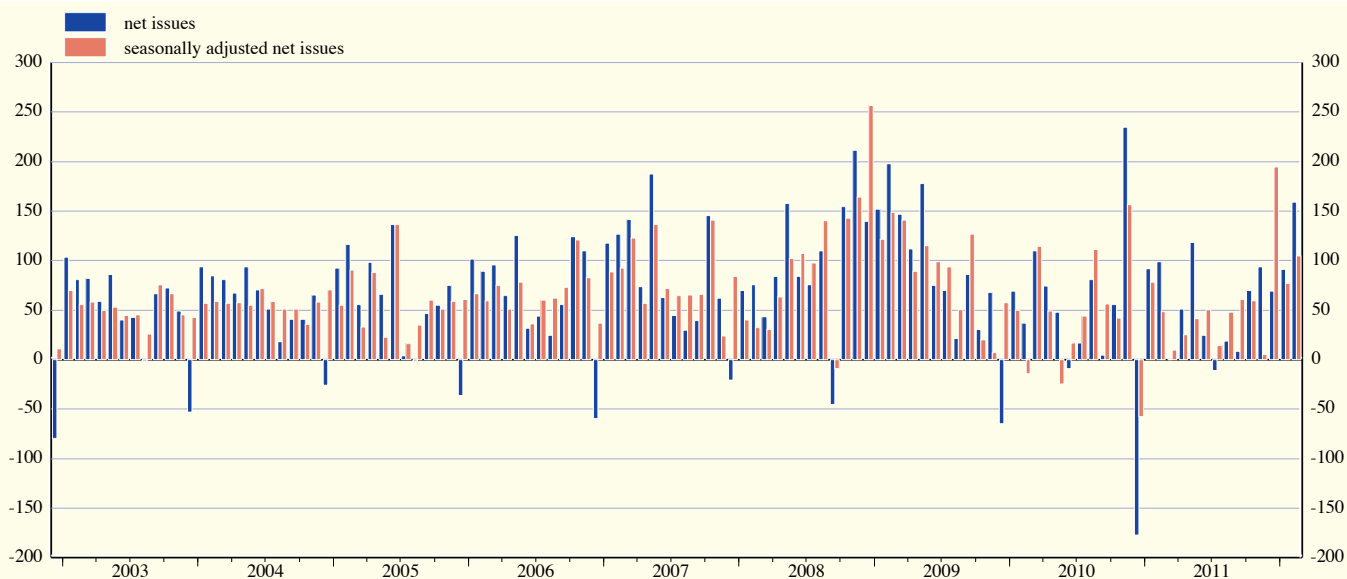
(EUR billions unless otherwise indicated; transactions during the period; nominal values)

2. Net issues

	Non-seasonally adjusted ¹⁾						Seasonally adjusted ¹⁾					
	Total	MFIs (including Eurosysteem)	Non-MFI corporations		General government		Total	MFIs (including Eurosysteem)	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												
2010	45.4	-1.2	4.7	5.0	31.6	5.3	45.3	-1.4	4.8	5.0	31.8	5.1
2011	52.8	22.7	-2.5	3.7	23.4	5.6	53.0	23.0	-2.3	3.8	23.1	5.3
2011 Q1	63.7	43.0	-20.3	4.3	32.5	4.3	45.5	24.0	-3.9	2.8	16.7	5.9
Q2	64.5	5.0	-1.7	2.7	47.5	11.0	39.1	0.6	-6.9	-0.2	34.2	11.5
Q3	5.5	12.8	-10.1	4.5	-3.8	2.0	41.0	20.4	5.2	6.2	5.6	3.7
Q4	77.4	29.8	22.0	3.2	17.6	4.9	86.3	47.2	-3.6	6.4	36.1	0.3
2011 Nov.	93.8	29.0	1.9	6.5	45.1	11.1	5.0	21.5	-41.1	5.8	8.1	10.7
Dec.	68.9	58.3	30.9	-5.9	-15.6	1.3	194.6	110.0	18.2	5.3	65.2	-4.2
2012 Jan.	91.2	16.4	-0.9	10.8	55.5	9.4	77.2	-7.6	18.7	7.1	39.3	19.7
Feb.	159.1	74.4	10.5	7.4	44.9	22.0	104.6	41.1	19.4	5.2	16.2	22.6
Long-term												
2010	54.0	1.9	2.0	5.3	41.3	3.5	54.3	1.9	2.2	5.3	41.4	3.5
2011	48.3	12.0	-1.3	2.7	31.0	3.9	48.8	12.1	-1.1	2.8	31.1	3.9
2011 Q1	58.1	27.4	-16.9	2.3	40.5	4.9	53.4	17.1	-1.9	2.5	31.2	4.6
Q2	67.2	16.7	-5.1	2.4	46.7	6.5	35.7	5.6	-9.4	-0.6	35.1	5.0
Q3	-8.8	3.1	-6.5	0.9	-6.9	0.6	32.3	10.9	7.3	2.2	9.1	2.7
Q4	76.7	0.8	23.1	5.4	43.8	3.6	73.8	15.0	-0.4	7.0	48.9	3.2
2011 Nov.	87.6	3.2	5.8	6.8	63.4	8.4	4.8	7.6	-38.4	6.3	21.0	8.4
Dec.	72.6	9.5	26.2	1.1	36.6	-0.8	142.5	40.8	16.8	5.4	80.5	-0.9
2012 Jan.	62.8	8.8	-0.6	7.4	40.7	6.6	89.5	5.4	20.6	9.0	46.0	8.4
Feb.	143.3	64.7	5.6	5.8	49.6	17.7	92.5	39.6	9.3	4.6	20.2	18.9

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.

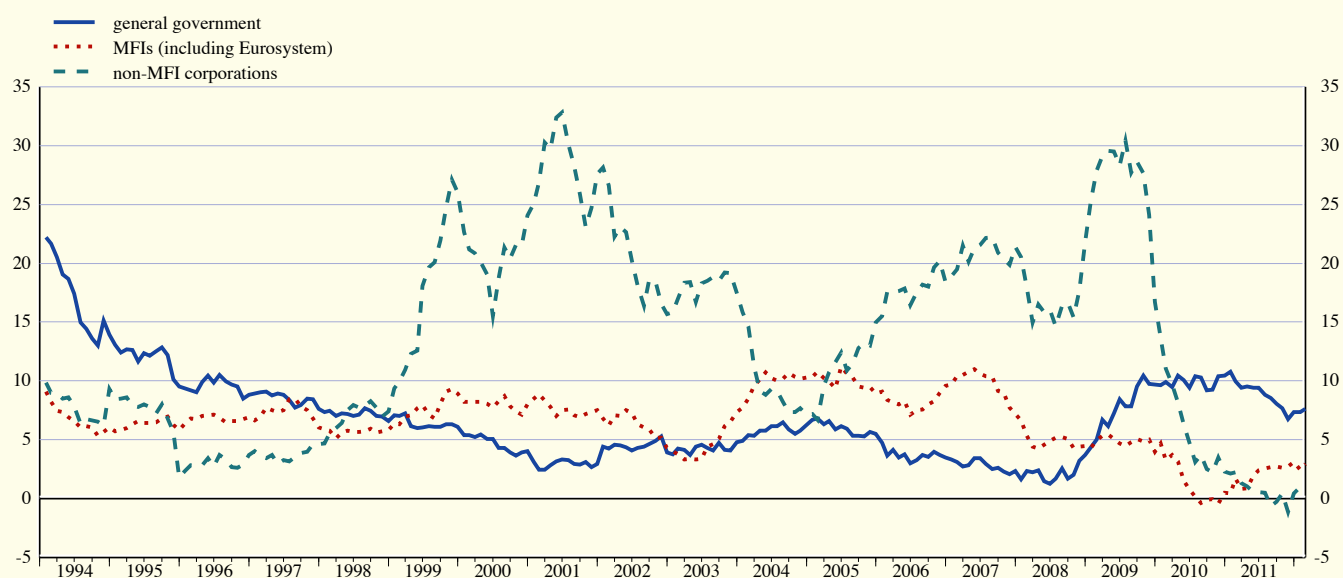
4.3 Growth rates of securities other than shares issued by euro area residents ¹⁾

(percentage changes)

	Annual growth rates (non-seasonally adjusted)						6-month seasonally adjusted growth rates					
	Total	MFIs (including Eurosysteem)	Non-MFI corporations		General government		Total	MFIs (including Eurosysteem)	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												
2011 Feb.	4.1	1.6	2.3	5.5	6.7	11.9	4.1	2.5	1.4	6.1	6.4	9.4
Mar.	3.3	0.8	1.2	4.8	5.9	14.5	3.5	2.2	-1.0	5.2	6.3	12.1
Apr.	3.2	0.4	1.1	3.4	6.0	14.6	3.3	2.9	-0.8	2.5	5.3	12.3
May	3.6	1.7	0.3	4.3	6.1	17.4	1.8	3.0	-4.1	3.7	2.7	15.8
June	3.8	1.8	0.5	4.2	6.5	16.1	3.2	2.8	-2.0	1.8	5.2	20.1
July	3.7	1.8	0.4	4.9	6.2	13.3	2.4	1.2	-2.8	2.9	5.1	16.0
Aug.	3.2	1.9	-1.2	5.2	5.6	15.3	2.4	1.3	-3.9	4.4	4.9	22.0
Sep.	3.3	2.3	-0.6	4.8	5.1	14.2	3.0	2.4	-0.3	4.4	4.0	16.8
Oct.	3.3	2.9	-0.2	4.7	4.7	12.8	3.5	2.9	0.4	7.1	4.2	12.9
Nov.	2.4	3.2	-2.3	5.1	3.0	13.6	3.0	3.4	-0.7	6.5	3.4	11.0
Dec.	4.0	5.2	-0.9	5.4	4.7	12.1	4.8	7.7	0.3	9.3	4.1	4.0
2012 Jan.	4.0	4.3	-0.6	6.2	4.8	15.4	5.6	7.6	1.6	9.6	4.5	14.9
Feb.	4.3	4.5	0.0	6.6	4.8	19.9	6.3	7.8	3.9	8.7	4.7	17.8
Long-term												
2011 Feb.	5.0	1.7	1.3	6.4	10.1	8.6	5.6	4.1	0.2	6.1	10.0	8.5
Mar.	4.2	0.8	0.2	5.7	9.4	9.0	5.1	3.3	-2.0	5.6	11.0	9.4
Apr.	4.2	0.9	0.1	5.0	9.5	9.5	4.8	3.5	-1.6	4.0	10.0	8.7
May	4.5	2.0	-0.6	5.2	9.1	12.1	3.4	3.6	-4.9	3.1	7.9	11.0
June	4.6	2.4	-0.3	4.4	9.4	9.4	3.8	2.9	-2.1	1.5	7.8	11.9
July	4.4	2.6	-0.5	4.8	8.7	9.8	2.7	1.4	-2.9	2.1	6.6	12.2
Aug.	4.0	2.6	-1.8	4.4	8.4	10.2	2.5	1.2	-3.9	2.8	6.8	12.1
Sep.	4.0	2.7	-1.1	3.4	7.9	9.4	2.8	2.1	-0.4	1.3	5.0	9.3
Oct.	4.0	2.6	-0.3	3.5	7.6	8.7	3.2	1.7	1.0	3.0	5.3	8.5
Nov.	3.2	2.7	-2.3	4.0	6.4	10.0	3.0	1.9	0.1	4.8	4.9	9.1
Dec.	4.1	3.1	-0.5	4.4	7.2	9.4	4.4	3.3	1.3	7.4	6.5	6.9
2012 Jan.	4.0	2.4	-0.1	5.7	7.0	11.1	5.3	3.5	2.7	9.4	7.3	10.1
Feb.	4.3	2.9	0.0	6.0	7.0	13.5	6.2	4.7	4.1	9.3	7.3	15.2

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.

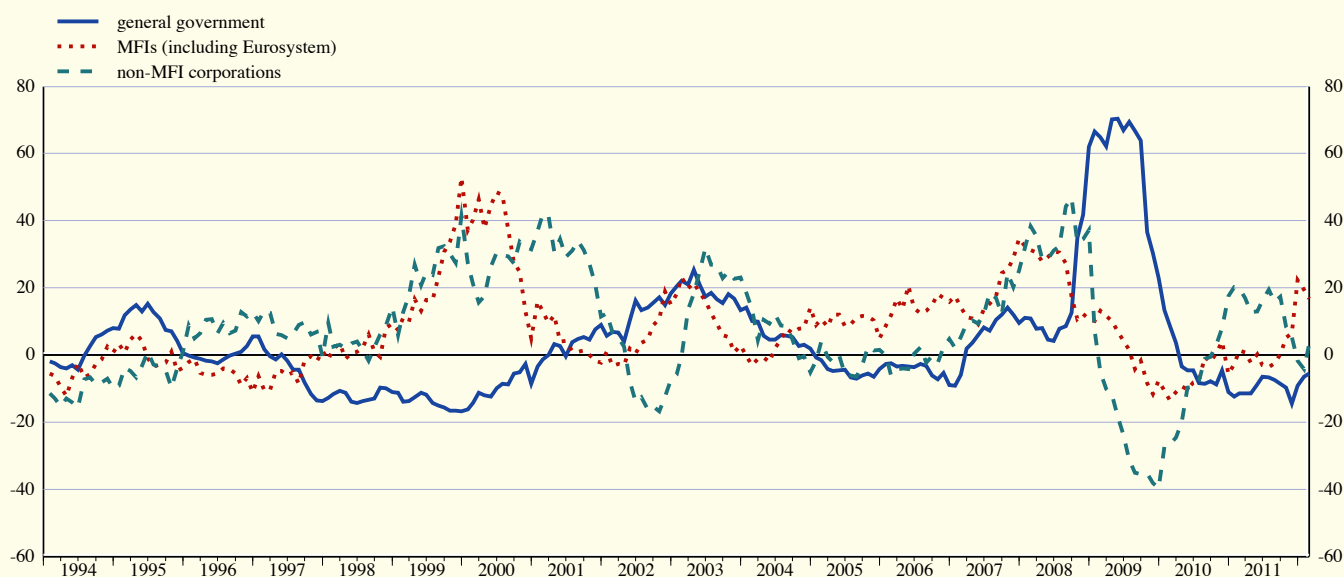
4.3 Growth rates of securities other than shares issued by euro area residents ¹⁾ (cont'd)

(percentage changes)

	Long-term fixed rate						Long-term variable rate					
	Total	MFIs (including Eurosysteem)	Non-MFI corporations		General government		Total	MFIs (including Eurosysteem)	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												
2010	8.8	5.7	6.4	19.6	9.9	8.8	-0.6	-3.9	0.7	-1.5	6.4	27.5
2011	6.4	5.0	3.4	6.3	7.8	7.6	-0.6	-1.4	-5.3	-1.9	22.3	16.1
2011 Q1	6.9	3.4	3.1	9.2	9.7	5.6	0.4	-1.8	-1.9	-1.2	19.0	20.0
Q2	6.5	4.6	3.7	6.4	8.2	7.9	-0.5	-2.1	-4.7	-1.5	23.5	18.4
Q3	6.6	6.2	4.2	5.2	7.4	8.9	-1.5	-1.4	-7.7	-2.3	25.7	13.0
Q4	5.6	5.7	2.7	4.5	6.1	8.1	-1.0	-0.5	-6.9	-2.5	21.0	13.9
2011 Sep.	6.1	6.4	4.7	4.3	6.4	8.3	-1.6	-1.2	-8.5	-3.7	28.3	13.4
Oct.	5.7	5.7	3.6	4.2	6.2	7.5	-0.6	-1.0	-6.3	-2.9	25.8	12.7
Nov.	5.2	5.2	1.6	4.6	5.8	8.5	-1.8	0.0	-7.9	-2.3	14.6	15.1
Dec.	5.5	5.7	1.1	5.0	6.3	8.0	0.4	0.3	-4.4	-1.0	18.7	14.3
2012 Jan.	5.7	5.2	2.1	6.4	6.4	8.7	-0.1	-0.5	-4.5	-0.9	15.6	19.3
Feb.	6.1	5.6	3.1	6.5	6.7	10.1	0.2	0.4	-4.9	-0.8	15.3	24.4
In euro												
2010	9.1	5.6	7.4	19.9	10.0	8.3	-0.3	-3.3	0.4	-1.9	5.9	26.2
2011	6.5	4.2	3.6	6.6	8.1	7.2	-0.2	0.0	-5.9	-2.8	22.2	15.3
2011 Q1	7.0	2.2	3.3	9.6	9.9	4.5	1.0	-0.1	-2.8	-1.7	19.1	21.0
Q2	6.6	3.8	4.0	6.5	8.5	7.3	0.3	-0.6	-4.8	-2.6	23.5	18.1
Q3	6.7	5.5	4.5	5.9	7.6	8.6	-1.2	-0.2	-8.4	-3.5	25.6	11.1
Q4	5.7	5.5	2.6	4.7	6.4	8.5	-0.6	0.9	-7.6	-3.5	20.8	12.3
2011 Sep.	6.2	5.7	4.6	4.8	6.6	8.4	-1.5	-0.1	-9.8	-4.6	28.3	11.4
Oct.	5.8	5.4	3.5	4.5	6.4	8.2	-0.1	0.5	-6.9	-3.9	25.6	11.0
Nov.	5.5	5.2	1.8	4.7	6.1	9.0	-1.3	1.5	-8.4	-3.4	14.3	13.7
Dec.	5.7	5.7	0.8	5.0	6.5	8.6	0.6	1.8	-5.3	-2.1	18.4	13.1
2012 Jan.	6.0	5.5	2.6	6.1	6.6	10.0	0.7	1.5	-4.7	-2.2	15.3	18.2
Feb.	6.4	6.0	3.6	6.1	6.8	10.7	1.0	2.5	-5.1	-2.1	15.1	22.6

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)

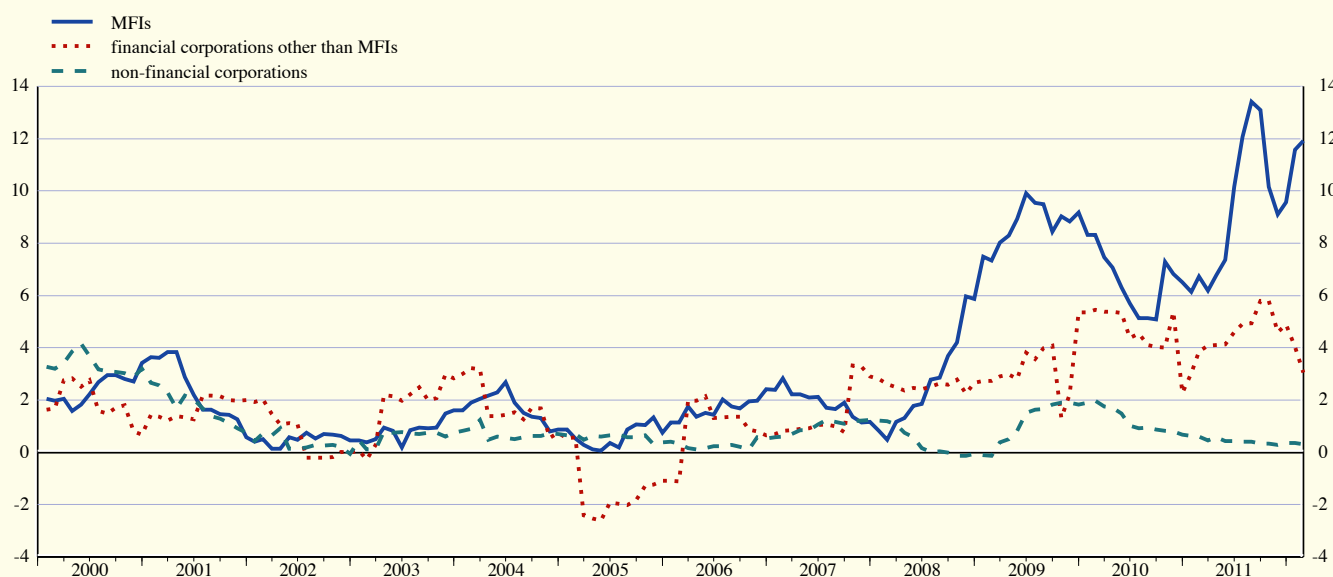
1. Outstanding amounts and annual growth rates

(outstanding amounts as at end of period)

	Total			MFIs		Financial corporations other than MFIs		Non-financial corporations	
	Total	Index: Dec. 2008 = 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
2010 Feb.	4,161.5	103.2	3.0	499.3	8.3	339.2	5.4	3,323.0	2.0
Mar.	4,474.4	103.4	2.8	543.6	7.5	365.2	5.4	3,565.5	1.8
Apr.	4,409.1	103.4	2.7	508.4	7.1	345.7	5.4	3,555.0	1.7
May	4,093.4	103.5	2.4	445.9	6.3	322.7	5.3	3,324.9	1.5
June	4,054.6	103.7	1.9	446.4	5.7	315.5	4.4	3,292.7	1.0
July	4,256.1	103.7	1.7	519.8	5.1	338.0	4.5	3,398.3	0.9
Aug.	4,121.2	103.7	1.7	479.3	5.1	314.4	4.1	3,327.5	0.9
Sep.	4,345.2	103.8	1.6	487.0	5.1	326.6	4.0	3,531.6	0.9
Oct.	4,531.0	104.2	1.8	514.4	7.3	333.5	4.0	3,683.1	0.8
Nov.	4,413.3	104.4	1.8	437.8	6.8	316.6	5.4	3,658.9	0.8
Dec.	4,596.2	104.4	1.4	458.4	6.5	334.0	2.3	3,803.8	0.7
2011 Jan.	4,759.8	104.5	1.4	514.3	6.1	365.8	3.0	3,879.7	0.6
Feb.	4,845.8	104.7	1.5	535.0	6.7	378.9	3.9	3,931.9	0.6
Mar.	4,767.3	104.8	1.4	491.7	6.2	363.2	4.1	3,912.5	0.5
Apr.	4,891.8	105.0	1.5	497.5	6.8	371.5	4.1	4,022.8	0.6
May	4,777.5	105.0	1.4	475.9	7.4	356.2	4.1	3,945.4	0.4
June	4,722.7	105.5	1.7	491.6	10.2	350.5	4.6	3,880.5	0.4
July	4,504.3	105.7	1.9	458.8	12.1	325.5	4.9	3,720.0	0.4
Aug.	3,975.3	105.9	2.0	383.0	13.4	281.6	4.9	3,310.7	0.4
Sep.	3,749.2	105.9	2.0	350.7	13.1	264.3	5.8	3,134.2	0.3
Oct.	4,044.0	105.9	1.7	361.3	10.2	288.0	5.8	3,394.7	0.3
Nov.	3,893.4	106.0	1.5	330.6	9.1	271.5	4.6	3,291.3	0.3
Dec.	3,906.8	106.1	1.6	340.1	9.6	270.7	4.9	3,296.0	0.3
2012 Jan.	4,121.3	106.3	1.7	376.5	11.6	298.0	4.0	3,446.8	0.4
Feb.	4,290.7	106.4	1.6	399.0	11.9	311.3	3.1	3,580.3	0.3

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

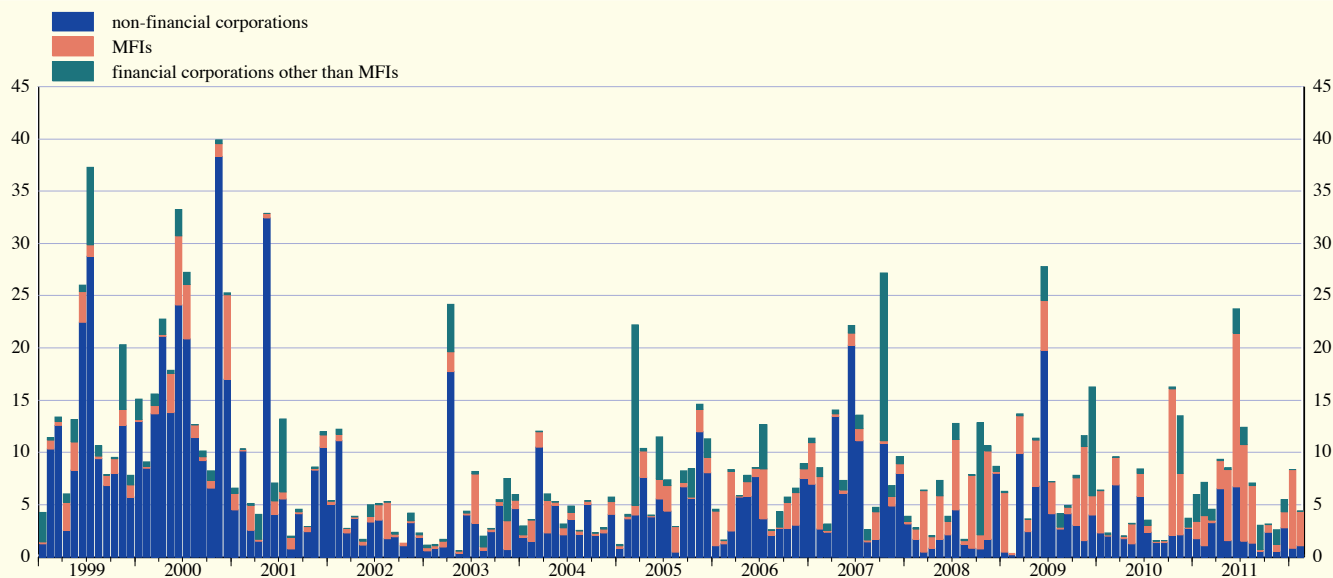
(EUR billions; market values)

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
2010 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	0.6	9.0	2.6	0.0	2.6	0.1	0.0	0.1	6.9	0.6	6.3
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
May	3.2	0.8	2.4	1.9	0.0	1.9	0.1	0.0	0.1	1.3	0.8	0.4
June	8.4	0.4	8.0	2.2	0.0	2.2	0.4	0.0	0.4	5.8	0.4	5.4
July	3.6	0.8	2.7	0.7	0.0	0.7	0.5	0.0	0.5	2.4	0.8	1.6
Aug.	1.4	1.2	0.2	0.0	0.0	0.0	0.0	0.0	0.0	1.4	1.2	0.2
Sep.	1.6	0.2	1.4	0.2	0.0	0.2	0.0	0.0	0.0	1.4	0.2	1.2
Oct.	16.3	0.2	16.0	14.0	0.0	14.0	0.2	0.1	0.1	2.0	0.2	1.9
Nov.	13.5	1.5	12.0	5.9	0.0	5.9	5.5	0.1	5.4	2.1	1.4	0.7
Dec.	3.7	3.5	0.2	0.2	0.0	0.2	0.9	0.3	0.5	2.7	3.2	-0.5
2011 Jan.	6.0	1.3	4.7	1.6	0.0	1.6	2.6	0.0	2.6	1.8	1.3	0.5
Feb.	7.1	0.2	6.9	2.9	0.0	2.9	3.2	0.0	3.2	1.1	0.2	0.8
Mar.	4.4	1.0	3.5	0.1	0.0	0.1	1.0	0.2	0.8	3.3	0.7	2.6
Apr.	9.4	0.5	8.8	2.7	0.0	2.7	0.1	0.0	0.1	6.5	0.5	6.0
May	8.6	8.8	-0.2	6.8	2.1	4.6	0.2	0.0	0.2	1.6	6.6	-5.0
June	23.7	1.3	22.5	14.7	0.0	14.7	2.3	0.3	2.0	6.7	1.0	5.7
July	12.4	0.7	11.7	9.3	0.0	9.3	1.6	0.0	1.6	1.5	0.7	0.8
Aug.	7.1	1.1	6.0	5.5	0.0	5.5	0.3	0.2	0.1	1.3	0.9	0.4
Sep.	2.9	2.9	0.0	0.0	0.9	-0.9	2.3	0.0	2.3	0.5	2.0	-1.4
Oct.	3.1	0.4	2.7	0.7	0.0	0.7	0.1	0.0	0.1	2.3	0.4	1.9
Nov.	2.6	1.5	1.1	0.7	0.0	0.7	1.4	0.0	1.4	0.5	1.5	-1.0
Dec.	5.5	1.0	4.5	1.5	0.0	1.5	1.2	0.0	1.2	2.8	1.0	1.8
2012 Jan.	8.3	0.4	7.9	7.5	0.0	7.5	0.0	0.1	-0.1	0.9	0.3	0.5
Feb.	4.4	2.3	2.1	3.3	0.0	3.3	0.0	0.2	-0.2	1.0	2.0	-1.0

C20 Gross issues of quoted shares by sector of the issuer

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



Source: ECB.

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	With an agreed maturity of:			Redeemable at notice of: ²⁾		Overnight	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
2011 Mar.	0.45	2.34	2.78	2.90	1.61	1.88	0.54	1.37	2.53	2.81	1.14
Apr.	0.46	2.47	2.85	3.08	1.65	1.90	0.61	1.58	2.62	2.95	1.30
May	0.49	2.52	2.96	3.07	1.67	1.91	0.63	1.65	2.78	3.08	1.30
June	0.49	2.58	3.25	3.15	1.70	1.92	0.67	1.78	2.82	2.94	1.47
July	0.52	2.74	3.16	3.10	1.70	1.93	0.66	1.77	2.66	3.03	1.41
Aug.	0.54	2.73	3.16	2.99	1.77	1.93	0.68	1.64	2.69	2.99	1.42
Sep.	0.55	2.73	3.15	2.92	1.79	1.94	0.69	1.71	2.72	2.79	1.47
Oct.	0.55	2.88	3.17	3.14	1.80	1.96	0.69	1.67	2.74	3.23	1.65
Nov.	0.55	2.78	3.08	3.03	1.80	1.96	0.66	1.46	2.61	2.85	1.62
Dec.	0.54	2.78	3.20	3.06	1.81	1.97	0.65	1.50	2.76	2.90	1.38
2012 Jan.	0.53	2.94	3.48	3.15	1.83	1.96	0.61	1.27	2.95	2.92	1.23
Feb.	0.52	2.90	3.37	3.15	1.83	1.96	0.60	1.22	2.96	3.01	1.06

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

	Revolving loans and overdrafts	Extended credit card debt ³⁾	Consumer credit				Lending for house purchase					Lending to sole proprietors and unincorporated partnerships		
			By initial rate fixation			APRC ⁴⁾	By initial rate fixation				APRC ⁴⁾	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 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	14
2011 Mar.	8.04	16.88	5.43	6.22	7.82	7.32	3.00	3.82	4.15	4.01	3.93	3.43	4.69	4.43
Apr.	8.12	16.92	5.17	6.23	7.80	7.25	3.12	3.95	4.24	4.15	4.03	3.54	4.68	4.53
May	8.19	16.91	5.35	6.37	7.99	7.49	3.23	4.01	4.30	4.18	4.09	3.75	4.81	4.60
June	8.24	16.95	5.37	6.47	7.87	7.42	3.26	4.04	4.29	4.18	4.09	3.82	4.78	4.62
July	8.28	16.94	5.13	6.53	7.98	7.43	3.33	4.02	4.26	4.19	4.10	3.83	4.82	4.60
Aug.	8.31	17.10	5.34	6.54	7.97	7.57	3.47	3.96	4.20	4.15	4.16	3.95	4.96	4.39
Sep.	8.41	17.18	5.77	6.57	7.94	7.64	3.41	3.86	4.02	4.02	4.02	3.97	4.86	4.20
Oct.	8.43	17.17	5.60	6.53	7.94	7.54	3.44	3.79	3.86	3.94	3.95	3.98	4.76	4.16
Nov.	8.41	17.11	5.56	6.47	7.78	7.39	3.43	3.74	3.84	3.94	3.96	4.22	4.93	4.02
Dec.	8.37	17.08	5.26	6.44	7.64	7.16	3.49	3.74	3.81	3.95	4.02	4.13	4.84	3.92
2012 Jan.	8.46	17.06	5.61	6.58	8.08	7.57	3.50	3.71	3.75	4.03	4.03	3.89	4.76	3.93
Feb.	8.41	17.05	5.70	6.58	8.09	7.62	3.44	3.64	3.70	3.95	3.92	3.87	4.71	4.04

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

	Revolving loans and overdrafts	Other loans of up to EUR 0.25 million by initial rate fixation						Other loans of over EUR 1 million by initial rate fixation					
		Floating rate and up to 3 months	Over 3 months and up to 1 year	Over 1 and up to 3 years	Over 3 and up to 5 years	Over 5 and up to 10 years	Over 10 years	Floating rate and up to 3 months	Over 3 months and up to 1 year	Over 1 and up to 3 years	Over 3 and up to 5 years	Over 5 and up to 10 years	Over 10 years
	1	2	3	4	5	6	7	8	9	10	11	12	13
2011 Mar.	4.12	4.02	4.38	4.63	4.99	4.49	4.02	2.53	3.26	3.00	3.61	3.84	3.84
Apr.	4.25	4.07	4.47	4.73	5.05	4.57	4.15	2.72	3.31	3.38	3.78	4.36	4.15
May	4.30	4.18	4.65	4.79	5.14	4.67	4.19	2.65	3.37	3.17	3.63	3.65	4.11
June	4.41	4.23	4.68	4.74	5.16	4.67	4.44	2.78	3.49	3.50	3.61	2.77	4.00
July	4.43	4.38	4.79	4.79	5.10	4.68	4.44	2.87	3.45	3.46	3.98	4.09	3.24
Aug.	4.49	4.44	4.94	4.85	5.03	4.58	4.35	2.79	3.56	3.64	3.99	3.87	4.06
Sep.	4.54	4.59	4.94	4.79	4.94	4.46	4.31	2.84	3.44	3.69	3.63	3.64	3.74
Oct.	4.61	4.70	5.10	4.86	4.99	4.56	4.27	2.98	3.54	3.78	3.89	3.60	3.71
Nov.	4.61	4.77	5.26	4.98	5.10	4.65	4.26	2.80	3.66	3.42	3.92	3.60	3.71
Dec.	4.67	4.89	5.15	4.98	5.05	4.58	4.27	3.02	3.74	3.11	3.95	3.73	3.75
2012 Jan.	4.64	4.93	5.36	4.78	5.04	4.40	4.33	2.66	3.70	3.06	3.45	2.70	3.80
Feb.	4.59	4.86	5.25	4.71	5.02	4.65	4.41	2.50	3.76	3.31	3.92	3.77	3.64

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, 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.

3) This instrument category excludes convenience credit card debt, i.e. credit granted at an interest rate of 0% during the billing cycle.

4) The annual percentage rate of charge (APRC) 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
2011 Mar.	0.45	2.38	2.71	1.61	1.88	0.54	1.85	3.13	1.65
Apr.	0.46	2.41	2.73	1.65	1.90	0.61	1.94	3.12	1.72
May	0.49	2.45	2.74	1.67	1.91	0.63	1.99	3.12	1.76
June	0.49	2.49	2.75	1.70	1.92	0.67	2.07	3.11	1.93
July	0.52	2.54	2.77	1.70	1.93	0.66	2.13	3.13	1.94
Aug.	0.54	2.59	2.77	1.77	1.93	0.68	2.12	3.14	1.97
Sep.	0.55	2.62	2.79	1.79	1.94	0.69	2.14	3.15	2.07
Oct.	0.55	2.65	2.78	1.80	1.96	0.69	2.16	3.14	2.15
Nov.	0.55	2.70	2.80	1.80	1.96	0.66	2.17	3.16	2.24
Dec.	0.54	2.73	2.78	1.81	1.97	0.65	2.14	3.13	2.37
2012 Jan.	0.53	2.76	2.78	1.83	1.96	0.61	2.09	3.16	2.46
Feb.	0.52	2.79	2.80	1.83	1.96	0.60	2.08	3.20	2.62

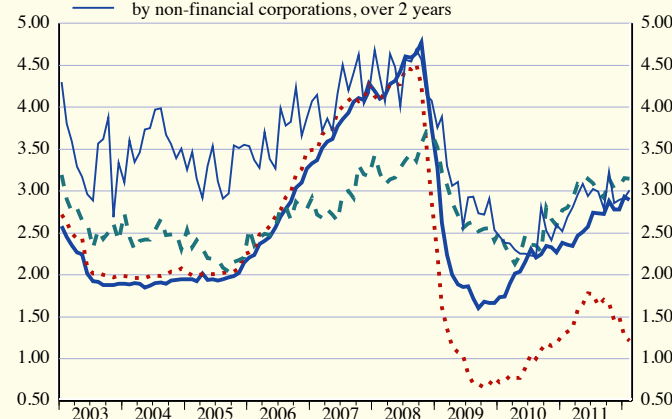
5. Interest rates on loans (outstanding amounts)

	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
2011 Mar.	3.71	3.80	3.84	7.92	6.40	5.20	3.68	3.49	3.48
Apr.	3.81	3.78	3.84	7.94	6.43	5.23	3.78	3.60	3.53
May	3.81	3.78	3.85	7.96	6.38	5.24	3.84	3.65	3.56
June	3.87	3.78	3.86	7.95	6.45	5.28	3.93	3.73	3.63
July	4.03	3.79	3.90	8.03	6.42	5.30	4.00	3.80	3.69
Aug.	4.06	3.78	3.89	8.07	6.42	5.31	4.06	3.84	3.72
Sep.	4.13	3.79	3.92	8.14	6.48	5.32	4.11	3.85	3.73
Oct.	4.12	3.78	3.91	8.17	6.44	5.33	4.18	3.86	3.74
Nov.	4.12	3.77	3.91	8.09	6.44	5.34	4.20	3.89	3.75
Dec.	4.12	3.74	3.89	8.11	6.43	5.31	4.26	3.87	3.72
2012 Jan.	4.06	3.71	3.87	8.14	6.40	5.28	4.23	3.81	3.68
Feb.	4.04	3.69	3.86	8.10	6.42	5.28	4.18	3.78	3.67

C21 New deposits with an agreed maturity

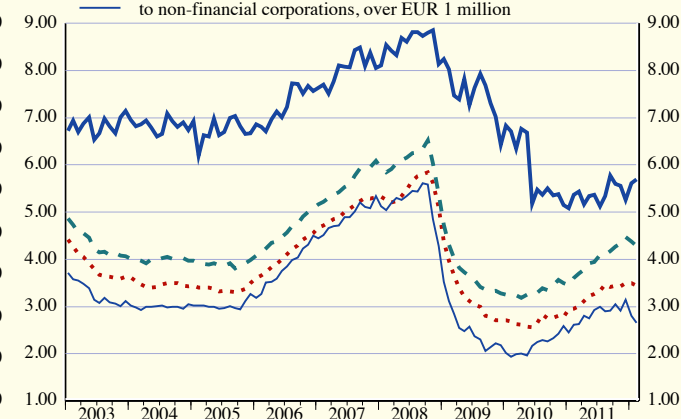
(percentages per annum excluding charges; period averages)

- by households, up to 1 year
- ... by non-financial corporations, up to 1 year
- - - by households, over 2 years
- by non-financial corporations, over 2 years

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

(percentages per annum excluding charges; period averages)

- to households for consumption
- ... to households for house purchase
- - - to non-financial corporations, up to EUR 1 million
- to non-financial corporations, over EUR 1 million



Source: ECB.

* For the source of the data in the table and the related footnotes, please see page S42.

4.6 Money market interest rates

(percentages per annum; period averages)

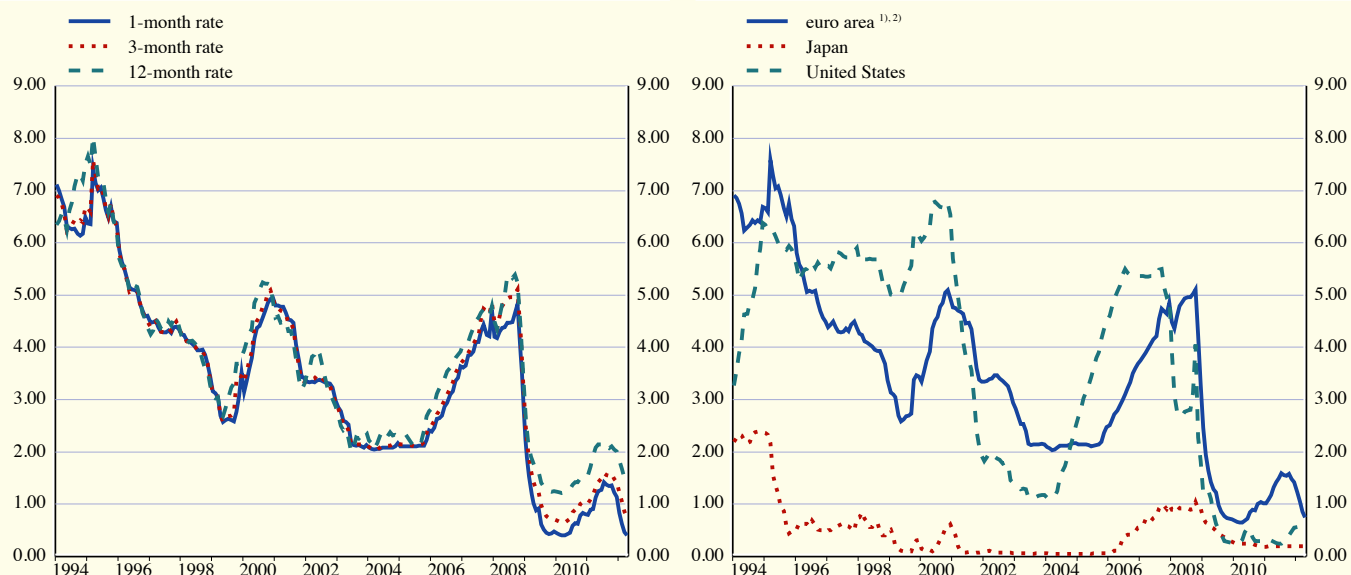
	Euro area ^{1), 2)}					United States	Japan
	Overnight deposits (EONIA)	1-month deposits (EURIBOR)	3-month deposits (EURIBOR)	6-month deposits (EURIBOR)	12-month deposits (EURIBOR)	3-month deposits (LIBOR)	3-month deposits (LIBOR)
	1	2	3	4	5	6	7
2009	0.71	0.89	1.22	1.43	1.61	0.69	0.47
2010	0.44	0.57	0.81	1.08	1.35	0.34	0.23
2011	0.87	1.18	1.39	1.64	2.01	0.34	0.19
2011 Q1	0.67	0.86	1.10	1.37	1.74	0.31	0.19
Q2	1.04	1.22	1.42	1.70	2.13	0.26	0.20
Q3	0.97	1.38	1.56	1.77	2.11	0.30	0.19
Q4	0.79	1.24	1.50	1.72	2.05	0.48	0.20
2012 Q1	0.37	0.64	1.04	1.34	1.67	0.51	0.20
2011 Apr.	0.97	1.13	1.32	1.62	2.09	0.28	0.20
May	1.03	1.24	1.43	1.71	2.15	0.26	0.20
June	1.12	1.28	1.49	1.75	2.14	0.25	0.20
July	1.01	1.42	1.60	1.82	2.18	0.25	0.20
Aug.	0.91	1.37	1.55	1.75	2.10	0.29	0.19
Sep.	1.01	1.35	1.54	1.74	2.07	0.35	0.19
Oct.	0.96	1.36	1.58	1.78	2.11	0.41	0.19
Nov.	0.79	1.23	1.48	1.71	2.04	0.48	0.20
Dec.	0.63	1.14	1.43	1.67	2.00	0.56	0.20
2012 Jan.	0.38	0.84	1.22	1.50	1.84	0.57	0.20
Feb.	0.37	0.63	1.05	1.35	1.68	0.50	0.20
Mar.	0.36	0.47	0.86	1.16	1.50	0.47	0.20
Apr.	0.35	0.41	0.74	1.04	1.37	0.47	0.20

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.

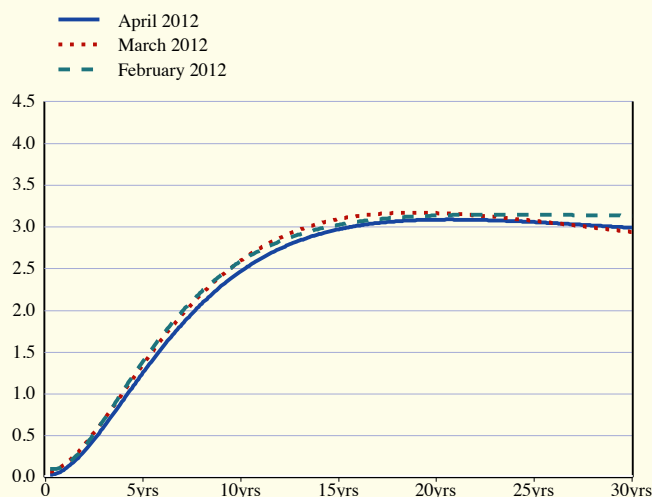
4.7 Euro area yield curves ¹⁾

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

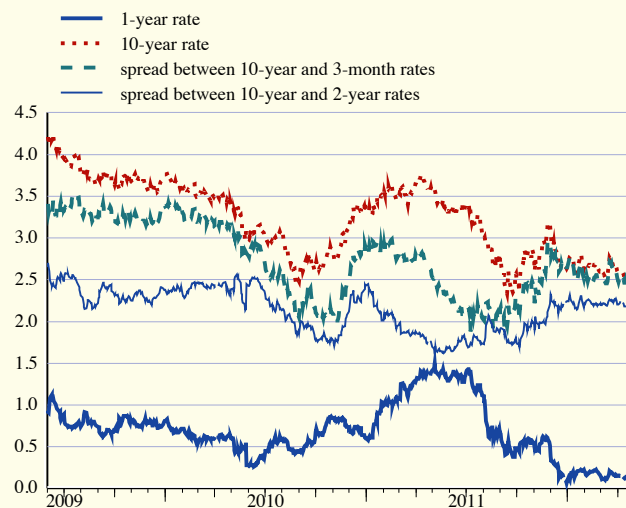
	Spot rates								Instantaneous forward rates			
	3 months	1 year	2 years	5 years	7 years	10 years	10 years - 3 months (spread)	10 years - 2 years (spread)	1 year	2 years	5 years	10 years
	1	2	3	4	5	6	7	8	9	10	11	12
2009	0.38	0.81	1.38	2.64	3.20	3.76	3.38	2.38	1.41	2.44	4.27	5.20
2010	0.49	0.60	0.93	2.15	2.78	3.36	2.87	2.43	0.85	1.70	3.99	4.69
2011	0.00	0.09	0.41	1.56	2.13	2.65	2.65	2.24	0.32	1.15	3.24	3.84
2011 Q2	1.24	1.39	1.65	2.50	2.94	3.41	2.17	1.75	1.63	2.22	3.76	4.60
Q3	0.27	0.47	0.75	1.55	1.99	2.48	2.21	1.74	0.74	1.31	2.77	3.79
Q4	0.00	0.09	0.41	1.56	2.13	2.65	2.65	2.24	0.32	1.15	3.24	3.84
2012 Q1	0.07	0.16	0.39	1.36	1.95	2.60	2.53	2.21	0.34	0.95	2.97	4.26
2011 Apr.	1.02	1.41	1.86	2.80	3.19	3.55	2.53	1.70	1.90	2.67	3.96	4.46
May	1.03	1.32	1.67	2.52	2.93	3.37	2.34	1.69	1.69	2.34	3.69	4.51
June	1.24	1.39	1.65	2.50	2.94	3.41	2.17	1.75	1.63	2.22	3.76	4.60
July	1.01	1.11	1.32	2.09	2.55	3.06	2.05	1.74	1.28	1.79	3.34	4.39
Aug.	0.61	0.67	0.86	1.69	2.21	2.76	2.15	1.90	0.80	1.33	3.09	4.22
Sep.	0.27	0.47	0.75	1.55	1.99	2.48	2.21	1.74	0.74	1.31	2.77	3.79
Oct.	0.38	0.54	0.81	1.71	2.22	2.79	2.41	1.98	0.78	1.39	3.12	4.29
Nov.	0.20	0.38	0.74	1.92	2.51	3.07	2.87	2.33	0.69	1.53	3.64	4.41
Dec.	0.00	0.09	0.41	1.56	2.13	2.65	2.65	2.24	0.32	1.15	3.24	3.84
2012 Jan.	0.11	0.21	0.45	1.44	2.03	2.67	2.55	2.22	0.39	1.03	3.07	4.26
Feb.	0.11	0.15	0.37	1.39	1.99	2.59	2.49	2.22	0.29	0.95	3.06	4.06
Mar.	0.07	0.16	0.39	1.36	1.95	2.60	2.53	2.21	0.34	0.95	2.97	4.26
Apr.	0.03	0.10	0.32	1.26	1.84	2.47	2.44	2.15	0.26	0.85	2.84	4.10

C25 Euro area spot yield curves ²⁾

(percentages per annum; end of period)

**C26 Euro area spot rates and spreads ²⁾**

(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.

2) Data cover AAA-rated euro area central government bonds.

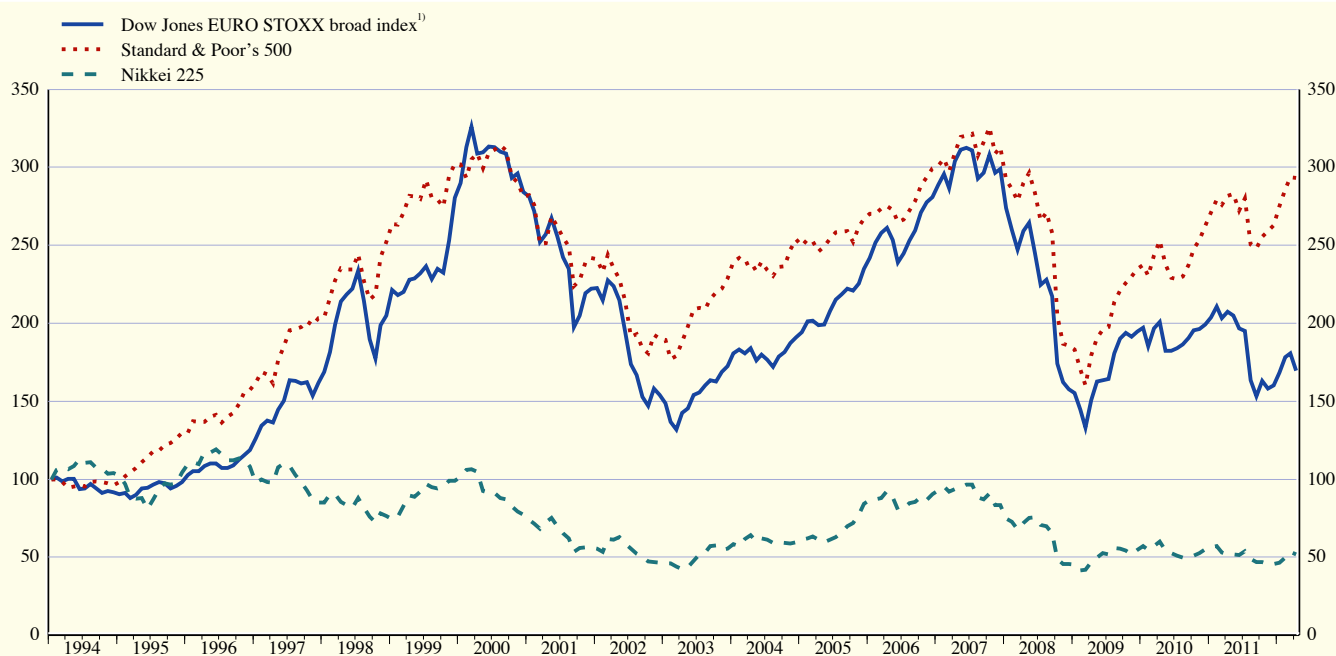
4.8 Stock market indices

(index levels in points; period averages)

	Dow Jones EURO STOXX indices ¹⁾												United States	Japan
	Benchmark		Main industry indices										Standard & Poor's 500	Nikkei 225
	Broad index	50	Basic materials	Consumer services	Consumer goods	Oil and gas	Financials	Industrials	Technology	Utilities	Telecoms	Health care		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
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
2010	265.5	2,779.3	463.1	166.2	323.4	307.2	182.8	337.6	224.1	344.9	389.6	408.4	1,140.0	10,006.5
2011	256.0	2,611.0	493.4	158.1	351.2	311.6	152.6	349.4	222.5	301.7	358.4	432.7	1,267.6	9,425.4
2011 Q1	285.5	2,932.9	532.7	175.5	366.3	341.1	185.0	388.0	249.6	347.7	396.7	415.0	1,302.5	10,285.3
Q2	281.2	2,862.7	552.0	169.6	370.7	328.8	175.2	391.5	239.7	333.7	385.0	448.4	1,318.3	9,609.4
Q3	236.0	2,381.6	463.7	146.0	341.5	282.0	133.8	323.0	199.8	270.2	333.0	435.0	1,225.3	9,246.3
Q4	222.4	2,277.8	427.1	142.1	327.1	295.5	117.2	296.6	201.8	256.5	320.3	432.4	1,225.7	8,580.6
2012 Q1	243.7	2,473.6	499.1	150.3	372.3	324.6	129.7	333.3	221.7	253.7	300.6	480.6	1,348.8	9,295.3
2011 Apr.	287.5	2,947.2	557.3	172.5	366.6	343.8	182.4	397.9	250.0	346.9	402.8	435.4	1,331.5	9,644.6
May	284.0	2,885.8	557.0	171.7	374.9	330.4	176.3	395.5	246.5	337.8	386.4	457.8	1,338.3	9,650.8
June	272.9	2,766.6	542.5	164.9	370.0	314.3	168.0	382.0	224.1	318.3	368.2	450.3	1,287.3	9,541.5
July	270.5	2,743.5	550.7	160.8	384.4	317.4	160.6	375.7	221.0	307.8	360.0	467.4	1,325.2	9,996.7
Aug.	226.9	2,297.2	443.7	141.1	329.7	268.6	129.0	307.3	189.7	258.4	329.3	420.7	1,185.3	9,072.9
Sep.	212.6	2,124.3	401.4	137.0	312.8	262.4	113.3	289.2	190.1	246.7	311.1	419.0	1,173.9	8,695.4
Oct.	226.1	2,312.3	424.8	142.4	325.6	290.2	123.1	302.3	203.0	269.9	334.1	426.1	1,207.2	8,733.6
Nov.	219.2	2,239.6	423.6	141.5	325.9	293.5	112.8	292.2	205.7	250.6	316.6	423.3	1,226.4	8,506.1
Dec.	222.2	2,283.3	433.2	142.4	329.9	302.9	115.9	295.5	196.6	249.3	310.3	448.4	1,243.3	8,506.0
2012 Jan.	233.4	2,382.1	477.6	146.9	351.8	317.3	120.4	319.2	206.9	248.8	305.0	473.6	1,300.6	8,616.7
Feb.	247.2	2,508.2	507.2	152.1	377.3	327.0	134.4	336.3	223.9	254.6	300.1	477.6	1,352.5	9,242.3
Mar.	250.7	2,532.2	512.9	152.0	388.0	329.5	134.6	344.6	234.3	257.7	296.7	490.5	1,389.2	9,962.3
Apr.	235.0	2,340.8	497.6	145.9	380.9	301.1	116.8	327.8	221.2	237.7	275.2	488.5	1,386.4	9,627.4

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 in 2012	100.0	100.0	81.8	58.5	41.5	100.0	11.9	7.2	28.5	11.0	41.5	88.2	11.8
	1	2	3	4	5	6	7	8	9	10	11	12	13
2008	107.8	3.3	2.4	3.8	2.6	-	-	-	-	-	-	3.4	2.7
2009	108.1	0.3	1.3	-0.9	2.0	-	-	-	-	-	-	0.1	1.8
2010	109.8	1.6	1.0	1.8	1.4	-	-	-	-	-	-	1.6	1.5
2011	112.8	2.7	1.7	3.3	1.8	-	-	-	-	-	-	2.6	3.5
2011 Q1	111.3	2.5	1.3	3.1	1.6	1.0	0.9	0.5	0.2	6.3	0.5	2.4	3.3
Q2	113.1	2.8	1.8	3.3	1.9	0.8	1.1	0.3	0.3	2.8	0.6	2.6	3.6
Q3	112.9	2.7	1.7	3.2	2.0	0.3	1.1	0.1	-0.3	0.4	0.5	2.6	3.5
Q4	114.1	2.9	2.0	3.7	1.9	0.8	1.1	1.0	1.1	1.5	0.3	2.9	3.5
2012 Q1	114.3	2.7	1.9	3.3	1.8	0.8	0.7	0.6	0.2	4.1	0.5	2.6	3.4
2011 Nov.	114.0	3.0	2.0	3.9	1.9	0.2	0.2	0.4	0.1	0.7	0.1	3.0	3.5
Dec.	114.4	2.7	2.0	3.3	1.9	0.1	0.2	0.1	0.0	-0.1	0.2	2.7	3.5
2012 Jan.	113.4	2.7	1.9	3.2	1.9	0.4	0.2	-0.2	0.0	2.6	0.2	2.5	3.5
Feb.	114.0	2.7	1.9	3.4	1.8	0.3	0.3	0.8	0.1	1.1	0.1	2.6	3.4
Mar.	115.5	2.7	1.9	3.3	1.8	0.3	0.3	0.2	0.2	1.6	0.1	2.6	3.3
Apr. ³⁾	.	2.6	.	.	.	.	.	.	.	.	.	.	.

	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 in 2012	19.1	11.9	7.2	39.5	28.5	11.0	10.1	6.0	6.5	3.1	14.5	7.3
	14	15	16	17	18	19	20	21	22	23	24	25
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
2010	1.1	0.9	1.3	2.2	0.5	7.4	1.8	1.5	2.3	-0.8	1.0	1.5
2011	2.7	3.3	1.8	3.7	0.8	11.9	1.8	1.4	2.9	-1.3	2.0	2.1
2011 Q1	2.2	2.1	2.3	3.6	0.5	12.7	1.8	1.3	2.0	-0.4	1.5	1.9
Q2	2.6	3.0	1.9	3.7	1.0	11.5	1.9	1.4	3.2	-1.0	2.0	2.1
Q3	2.8	3.7	1.3	3.4	0.4	12.0	1.8	1.5	3.3	-1.8	2.3	2.1
Q4	3.3	4.2	1.8	3.9	1.2	11.5	1.7	1.4	3.0	-1.8	2.2	2.1
2012 Q1	3.2	4.0	2.0	3.3	1.1	9.1	1.7	1.5	2.9	-2.7	2.1	2.4
2011 Oct.	3.3	4.3	1.8	4.2	1.3	12.4	1.7	1.4	2.9	-1.9	2.2	2.0
Nov.	3.4	4.3	1.9	4.1	1.3	12.3	1.7	1.3	2.9	-1.7	2.1	2.2
Dec.	3.1	4.1	1.6	3.4	1.2	9.7	1.7	1.4	3.2	-1.9	2.2	2.3
2012 Jan.	3.1	4.1	1.6	3.2	0.9	9.2	1.8	1.5	2.8	-2.4	2.1	2.6
Feb.	3.3	4.1	2.2	3.4	1.0	9.5	1.7	1.5	2.8	-3.0	2.2	2.4
Mar.	3.3	3.9	2.2	3.4	1.4	8.5	1.7	1.4	3.1	-2.8	2.0	2.2

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) 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			
			Manu- facturing	Total	Intermediate goods	Capital goods	Consumer goods					
							Total	Durable		Non-durable		
% of total in 2005	100.0	100.0	82.8	75.6	30.0	22.0	23.7	2.7	21.0	24.4		
	1	2	3	4	5	6	7	8	9	10	11	12
2008	114.4	6.1	4.8	3.4	3.9	2.1	3.9	2.8	4.1	14.2	3.8	1.9
2009	108.6	-5.1	-5.4	-2.9	-5.3	0.4	-2.1	1.2	-2.5	-11.8	0.1	-3.2
2010	111.7	2.9	3.4	1.6	3.5	0.3	0.4	0.9	0.3	6.4	1.9	1.1
2011	118.3	5.9	5.5	3.8	5.9	1.4	3.1	2.1	3.3	11.9	3.3	1.0
2010 Q4	113.5	4.8	4.6	3.1	5.9	0.8	1.5	1.4	1.5	9.6	2.8	1.9
2011 Q1	116.7	6.5	6.3	4.4	7.9	1.3	2.5	1.8	2.6	12.5	4.1	2.0
Q2	118.5	6.3	5.8	4.3	6.8	1.3	3.4	1.9	3.7	11.9	3.0	1.1
Q3	118.9	5.9	5.5	3.8	5.6	1.5	3.3	2.2	3.5	11.8	3.3	1.0
Q4	119.3	5.1	4.5	2.9	3.4	1.5	3.3	2.5	3.4	11.3	2.9	-0.2
2011 Sep.	119.0	5.8	5.3	3.5	5.0	1.5	3.4	2.5	3.5	12.2	-	-
Oct.	119.2	5.5	5.0	3.2	4.1	1.6	3.4	2.5	3.5	12.3	-	-
Nov.	119.5	5.4	4.7	3.0	3.5	1.4	3.4	2.5	3.6	12.3	-	-
Dec.	119.2	4.3	3.7	2.5	2.7	1.4	3.1	2.3	3.3	9.4	-	-
2012 Jan.	120.1	3.8	3.2	1.9	1.6	1.2	3.0	2.3	3.1	9.2	-	-
Feb.	120.8	3.6	3.0	1.6	1.0	1.1	2.8	2.4	2.9	9.3	-	-

3. Commodity prices and gross domestic product deflators

	Oil prices ³⁾ (EUR per barrel)	Non-energy commodity prices						GDP deflators								
		Import-weighted ⁴⁾			Use-weighted ⁵⁾			Total (s.a.; index: 2005 = 100)	Total	Domestic demand				Exports ⁶⁾	Imports ⁶⁾	
		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
2008	65.9	2.0	18.4	-4.4	-1.7	9.7	-8.6	106.2	2.0	2.6	2.7	2.8	2.3	2.4	3.9	
2009	44.6	-18.5	-8.9	-23.0	-18.0	-11.4	-22.8	107.1	0.9	-0.1	-0.4	2.0	-0.4	-3.4	-6.0	
2010	60.7	44.6	21.4	57.9	42.1	27.1	54.5	107.9	0.7	1.5	1.7	0.9	1.0	2.8	5.0	
2011	79.7	12.2	22.4	7.7	12.9	20.7	7.5	109.3	1.3	2.2	2.5	0.9	2.0	3.7	5.9	
2011 Q1	77.3	42.9	46.1	41.4	41.0	47.2	36.6	108.8	1.2	2.2	2.5	0.7	2.3	5.1	7.9	
Q2	81.3	11.6	28.8	4.6	13.3	26.2	5.1	109.2	1.3	2.1	2.5	0.8	1.9	3.7	5.7	
Q3	79.3	3.8	16.7	-1.6	4.9	11.7	0.3	109.5	1.3	2.2	2.4	0.9	1.9	3.2	5.3	
Q4	80.7	-2.5	3.6	-5.2	-1.7	4.4	-6.0	109.7	1.4	2.1	2.4	1.3	1.8	2.7	4.5	
2012 Q1	90.1	-5.8	-7.8	-4.9	-4.9	-4.0	-5.6	.	.	.	.	.	.	.	.
2011 Nov.	81.4	-1.9	4.7	-4.9	-0.7	6.0	-5.5	-	-	-	-	-	-	-	-	
Dec.	81.7	-6.7	-3.6	-8.1	-6.3	-2.5	-9.0	-	-	-	-	-	-	-	-	
2012 Jan.	86.2	-4.6	-4.1	-4.8	-4.1	-1.9	-5.8	-	-	-	-	-	-	-	-	
Feb.	89.7	-7.5	-10.5	-6.0	-6.5	-6.5	-6.5	-	-	-	-	-	-	-	-	
Mar.	94.2	-5.4	-8.6	-3.8	-4.0	-3.3	-4.6	-	-	-	-	-	-	-	-	
Apr.	91.4	-3.9	-5.6	-3.1	-2.5	0.1	-4.5	-	-	-	-	-	-	-	-	

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 Reuters 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) Brent Blend (for one-month forward delivery).

4) Refers to prices expressed in euro. Weighted according to the structure of euro area imports in the period 2004-06.

5) 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).

6) 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)

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

(quarterly data seasonally adjusted; annual data unadjusted)

	Total (index: 2005 = 100)	Total	By economic activity									
			Agriculture, forestry and fishing	Manufactu- ring, energy and utilities	Construction	Trade, transport, accommoda- tion and food services	Information and commu- nication	Finance and insurance	Real estate	Professional, business and support services	Public admini- stration, education, health and social work	Arts, enter- tainment and other services
	1	2	3	4	5	6	7	8	9	10	11	12
Unit labour costs ¹⁾												
2010	109.2	-0.8	-1.3	-6.0	1.2	-2.0	-1.3	0.1	2.7	1.8	1.1	1.5
2011	110.2	0.9	-1.7	-0.2	0.3	0.6	3.0	1.6	3.8	3.3	0.9	1.4
2011 Q1	109.6	0.0	0.2	-2.4	0.5	-1.2	1.8	2.5	4.6	3.3	0.8	0.8
Q2	110.2	1.1	-1.8	-0.4	1.7	0.4	3.3	3.3	4.0	3.5	0.8	1.9
Q3	110.1	1.2	-2.3	-0.2	0.6	1.8	3.5	0.5	2.0	2.9	1.0	1.5
Q4	110.7	1.3	-2.8	1.6	-1.6	1.4	3.1	0.1	4.8	3.4	0.8	1.6
Compensation per employee												
2010	111.5	1.6	1.5	3.7	0.8	1.3	2.4	2.2	3.5	1.5	0.8	1.1
2011	114.0	2.3	2.5	3.5	3.2	2.0	2.1	2.2	2.1	3.0	1.4	1.5
2011 Q1	113.3	2.2	3.6	4.0	3.8	1.7	1.8	1.8	2.2	2.9	1.0	0.7
Q2	113.9	2.3	2.1	4.4	2.7	1.6	1.9	3.2	2.4	3.0	1.3	1.4
Q3	114.2	2.3	2.4	3.4	2.9	2.3	2.4	2.5	1.8	2.9	1.5	1.6
Q4	114.7	2.2	2.0	2.2	3.5	2.2	2.3	1.5	2.0	3.2	1.7	2.5
Labour productivity per person employed ²⁾												
2010	102.1	2.4	2.8	10.3	-0.4	3.3	3.7	2.1	0.8	-0.3	-0.2	-0.3
2011	103.5	1.3	4.3	3.7	2.9	1.3	-0.8	0.6	-1.7	-0.3	0.5	0.1
2011 Q1	103.4	2.2	3.4	6.5	3.2	3.0	0.1	-0.7	-2.3	-0.4	0.1	-0.1
Q2	103.3	1.3	4.0	4.7	1.0	1.2	-1.3	-0.2	-1.5	-0.5	0.5	-0.5
Q3	103.7	1.1	4.8	3.6	2.3	0.4	-1.0	2.0	-0.2	0.0	0.5	0.0
Q4	103.6	0.9	5.0	0.6	5.2	0.7	-0.8	1.4	-2.6	-0.2	0.9	0.9
Compensation per hour worked												
2010	113.3	1.1	0.1	1.2	1.3	1.1	2.0	1.8	2.5	0.6	0.8	1.3
2011	115.6	2.1	0.3	2.5	3.2	2.0	2.4	1.8	2.4	2.4	1.4	1.8
2011 Q1	114.6	1.6	-1.1	1.6	2.7	2.0	1.9	1.6	1.5	2.1	1.0	1.1
Q2	115.8	2.5	1.4	3.7	3.4	2.1	3.1	3.0	3.6	2.8	1.6	2.1
Q3	115.6	2.2	0.4	2.8	3.0	2.0	2.1	1.9	1.4	2.3	1.7	1.9
Q4	116.5	1.9	0.5	1.9	3.8	1.9	2.4	0.8	2.9	2.3	1.3	2.2
Hourly labour productivity ²⁾												
2010	104.1	1.9	2.8	7.7	-0.3	2.9	3.4	1.6	-0.2	-1.1	-0.3	-0.2
2011	105.4	1.2	3.5	3.0	2.7	1.4	-0.6	0.2	-1.2	-0.7	0.5	0.4
2011 Q1	105.1	1.8	0.4	4.5	2.2	3.4	0.2	-1.1	-2.3	-0.8	0.1	0.4
Q2	105.5	1.6	4.3	4.4	1.6	1.8	-0.4	-0.3	-0.1	-0.5	0.7	0.3
Q3	105.5	1.0	4.9	3.3	2.1	0.3	-1.4	1.4	-0.7	-0.5	0.6	0.0
Q4	105.6	0.7	4.5	0.4	5.2	0.5	-0.7	0.9	-1.6	-0.8	0.5	0.7

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 in 2008	100.0	100.0	75.2	24.8	32.4	9.0	58.6	
	1	2	3	4	5	6	7	8
2010	104.3	1.5	1.4	1.8	1.0	1.8	1.8	1.7
2011	107.2	2.8	2.6	3.5	3.2	2.4	2.6	2.0
2011 Q1	106.1	2.5	2.2	3.4	2.4	1.9	2.5	2.0
Q2	107.2	3.3	3.1	3.8	4.2	2.6	2.9	1.9
Q3	107.3	2.6	2.5	3.1	2.8	2.3	2.6	2.1
Q4	108.1	2.8	2.6	3.5	3.3	2.6	2.6	2.0

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 labour productivity per person employed.

2) Total GDP and value added by economic activity (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).

5.2 Output and demand

(quarterly data seasonally adjusted; annual data unadjusted)

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)									
2008	9,244.2	9,158.9	5,207.1	1,898.9	1,989.7	63.2	85.3	3,882.1	3,796.8
2009	8,922.9	8,804.8	5,126.5	1,986.5	1,741.4	-49.7	118.0	3,273.6	3,155.6
2010	9,158.0	9,043.8	5,262.2	2,013.5	1,749.7	18.4	114.2	3,746.1	3,631.9
2011	9,414.3	9,281.5	5,403.1	2,030.9	1,807.2	40.3	132.8	4,121.4	3,988.6
2010 Q4	2,310.2	2,282.0	1,334.3	504.3	439.4	3.9	28.2	978.9	950.7
2011 Q1	2,338.3	2,316.2	1,343.2	506.8	450.6	15.6	22.0	1,008.5	986.5
Q2	2,350.9	2,322.7	1,346.1	507.9	452.2	16.6	28.2	1,023.8	995.6
Q3	2,361.8	2,323.2	1,354.4	507.7	452.1	9.0	38.6	1,044.5	1,005.9
Q4	2,359.3	2,315.6	1,357.6	508.4	451.1	-1.5	43.6	1,041.8	998.1
percentage of GDP									
2011	100.0	98.6	57.4	21.6	19.2	0.4	1.4	-	-
Chain-linked volumes (prices for the previous year)									
quarter-on-quarter percentage changes									
2010 Q4	0.3	0.3	0.4	0.1	-0.5	-	-	1.5	1.5
2011 Q1	0.7	0.4	0.0	0.0	1.6	-	-	1.3	0.7
Q2	0.1	-0.2	-0.5	0.0	-0.2	-	-	1.2	0.4
Q3	0.1	-0.2	0.2	-0.2	-0.2	-	-	1.4	0.7
Q4	-0.3	-0.7	-0.5	-0.3	-0.5	-	-	-0.4	-1.4
annual percentage changes									
2008	0.4	0.3	0.4	2.3	-1.1	-	-	1.0	0.9
2009	-4.3	-3.8	-1.2	2.5	-12.1	-	-	-12.7	-11.7
2010	1.9	1.2	0.9	0.5	-0.5	-	-	11.2	9.6
2011	1.5	0.5	0.2	0.0	1.3	-	-	6.2	3.8
2010 Q4	2.1	1.7	1.2	-0.2	1.1	-	-	11.8	11.1
2011 Q1	2.4	1.6	0.9	0.3	3.2	-	-	9.9	8.1
Q2	1.6	0.7	0.3	0.1	1.1	-	-	6.4	4.2
Q3	1.3	0.4	0.2	-0.1	0.8	-	-	5.6	3.3
Q4	0.7	-0.6	-0.7	-0.4	0.8	-	-	3.6	0.4
contributions to quarter-on-quarter percentage changes in GDP; percentage points									
2010 Q4	0.3	0.3	0.3	0.0	-0.1	0.1	0.0	-	-
2011 Q1	0.7	0.4	0.0	0.0	0.3	0.1	0.3	-	-
Q2	0.1	-0.2	-0.3	0.0	0.0	0.1	0.4	-	-
Q3	0.1	-0.2	0.1	0.0	0.0	-0.2	0.3	-	-
Q4	-0.3	-0.7	-0.3	-0.1	-0.1	-0.3	0.4	-	-
contributions to annual percentage changes in GDP; percentage points									
2008	0.4	0.3	0.2	0.5	-0.2	-0.1	0.1	-	-
2009	-4.3	-3.8	-0.7	0.5	-2.6	-1.0	-0.6	-	-
2010	1.9	1.2	0.5	0.1	-0.1	0.7	0.7	-	-
2011	1.5	0.5	0.1	0.0	0.2	0.1	1.0	-	-
2010 Q4	2.1	1.6	0.7	0.0	0.2	0.8	0.5	-	-
2011 Q1	2.4	1.6	0.5	0.1	0.6	0.4	0.8	-	-
Q2	1.6	0.7	0.2	0.0	0.2	0.3	0.9	-	-
Q3	1.3	0.3	0.1	0.0	0.1	0.1	1.0	-	-
Q4	0.7	-0.6	-0.4	-0.1	0.2	-0.3	1.3	-	-

Sources: Eurostat and ECB calculations.

- 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.
- Including acquisitions less disposals of valuables.

5.2 Output and demand

(quarterly data seasonally adjusted; annual data unadjusted)

2. Value added by economic activity

	Gross value added (basic prices)											Taxes less subsidies on products
	Total	Agriculture, forestry and fishing	Manufactu- ring, energy and utilities	Construction	Trade, transport, accommoda- tion and food services	Information and commu- nication	Finance and insurance	Real estate	Professional, business and support services	Public admi- nistration, education, health and social work	Arts, enter- tainment and other services	
	1	2	3	4	5	6	7	8	9	10	11	12
Current prices (EUR billions)												
2008	8,298.9	141.9	1,652.6	561.5	1,597.8	356.5	385.3	930.7	859.8	1,520.8	291.9	945.3
2009	8,029.5	125.8	1,466.1	536.4	1,517.0	359.6	428.0	905.0	810.2	1,582.0	299.4	893.4
2010	8,218.5	137.1	1,553.3	512.3	1,561.9	357.6	439.3	921.9	823.3	1,609.3	302.3	939.5
2011	8,443.3	144.3	1,636.0	518.2	1,614.7	354.9	437.4	957.0	845.6	1,628.0	307.3	970.9
2010 Q4	2,072.9	35.1	396.6	126.8	395.4	89.0	109.4	234.1	208.1	402.2	76.0	237.3
2011 Q1	2,096.6	36.7	404.4	129.9	401.7	88.7	108.3	235.6	209.3	405.6	76.4	241.7
Q2	2,106.5	36.8	407.6	129.1	403.4	88.6	108.6	238.7	210.8	406.9	76.0	244.4
Q3	2,118.2	35.5	413.3	128.8	404.2	88.9	110.2	240.7	212.0	407.5	77.0	243.6
Q4	2,118.0	35.3	408.4	130.1	404.5	88.6	110.2	242.1	213.2	407.9	77.8	241.3
percentage of value added												
2011	100.0	1.7	19.4	6.1	19.1	4.2	5.2	11.3	10.0	19.3	3.6	-
Chain-linked volumes (prices for the previous year)												
quarter-on-quarter percentage changes												
2010 Q4	0.4	0.6	1.5	-1.5	0.4	0.9	-0.2	0.4	0.3	-0.1	0.0	-0.1
2011 Q1	0.7	1.7	1.4	0.9	1.0	-0.9	1.2	-0.2	0.9	0.3	-0.2	1.0
Q2	0.2	0.2	0.6	-0.5	-0.1	0.3	0.0	0.3	0.5	0.1	-0.8	0.1
Q3	0.2	-0.4	0.3	-0.7	0.1	0.3	0.8	0.3	0.4	0.2	0.8	-0.4
Q4	-0.2	0.2	-1.7	0.3	-0.1	0.9	-0.6	0.5	-0.1	0.2	0.3	-1.0
annual percentage changes												
2008	0.6	1.8	-2.3	-1.1	1.1	2.8	1.2	1.2	1.6	1.9	1.7	-1.3
2009	-4.3	-0.5	-13.4	-6.8	-5.5	1.7	3.9	0.4	-6.7	1.3	0.7	-4.4
2010	2.0	1.8	6.9	-4.2	2.6	2.6	1.0	0.3	1.7	0.8	0.4	0.7
2011	1.5	1.6	3.6	-1.0	1.9	0.7	0.4	0.9	2.3	0.6	-0.2	1.3
2010 Q4	2.2	1.7	7.4	-3.1	3.0	2.7	-0.2	0.7	2.4	0.2	0.0	1.1
2011 Q1	2.3	0.7	6.2	-0.2	3.3	1.1	-0.9	0.9	2.8	0.5	0.2	3.5
Q2	1.6	1.6	4.6	-2.0	2.3	0.7	-0.5	1.0	2.7	0.5	-0.9	1.5
Q3	1.4	2.2	3.8	-1.8	1.3	0.7	1.9	0.8	2.1	0.5	-0.1	0.6
Q4	0.8	1.7	0.6	0.0	0.8	0.6	1.4	0.9	1.8	0.8	0.1	-0.3
contributions to quarter-on-quarter percentage changes in value added; percentage points												
2010 Q4	0.4	0.0	0.3	-0.1	0.1	0.0	0.0	0.0	0.0	0.0	0.0	-
2011 Q1	0.7	0.0	0.3	0.1	0.2	0.0	0.1	0.0	0.1	0.1	0.0	-
Q2	0.2	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.1	0.0	0.0	-
Q3	0.2	0.0	0.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-
Q4	-0.2	0.0	-0.3	0.0	0.0	0.0	0.0	0.1	0.0	0.0	0.0	-
contributions to annual percentage changes in value added; percentage points												
2008	0.6	0.0	-0.5	-0.1	0.2	0.1	0.1	0.1	0.2	0.3	0.1	-
2009	-4.3	0.0	-2.7	-0.5	-1.1	0.1	0.2	0.0	-0.7	0.2	0.0	-
2010	2.0	0.0	1.2	-0.3	0.5	0.1	0.1	0.0	0.2	0.2	0.0	-
2011	1.5	0.0	0.7	-0.1	0.4	0.0	0.0	0.1	0.2	0.1	0.0	-
2010 Q4	2.2	0.0	1.4	-0.2	0.6	0.1	0.0	0.1	0.2	0.0	0.0	-
2011 Q1	2.3	0.0	1.1	0.0	0.6	0.0	0.0	0.1	0.3	0.1	0.0	-
Q2	1.6	0.0	0.9	-0.1	0.4	0.0	0.0	0.1	0.3	0.1	0.0	-
Q3	1.4	0.0	0.7	-0.1	0.3	0.0	0.1	0.1	0.2	0.1	0.0	-
Q4	0.8	0.0	0.1	0.0	0.2	0.0	0.1	0.1	0.2	0.1	0.0	-

Sources: Eurostat and ECB calculations.

5.2 Output and demand

(annual percentage changes, unless otherwise indicated)

3. Industrial production

	Total	Industry excluding construction										Construction
		Total (s.a.; index: 2005 = 100)	Total	Industry excluding construction and energy							Energy	
				Manu- facturing	Total	Intermediate goods	Capital goods	Consumer goods				
								Total	Durable	Non-durable		
% of total in 2005	100.0	77.8	77.8	69.2	68.7	28.1	22.3	18.3	2.6	15.7	9.1	22.2
	1	2	3	4	5	6	7	8	9	10	11	12
2009	-13.7	90.5	-14.9	-16.0	-16.1	-19.2	-20.9	-5.0	-17.4	-3.0	-5.5	-7.8
2010	4.1	97.1	7.3	7.7	7.7	10.0	9.2	3.0	2.7	3.1	3.8	-8.0
2011	2.5	100.5	3.5	4.7	4.7	4.3	8.9	0.5	0.5	0.6	-4.8	-0.9
2011 Q1	4.5	100.6	6.5	8.1	8.1	9.1	13.2	0.9	2.5	0.7	-2.3	-2.4
Q2	2.2	100.7	4.1	5.3	5.3	4.4	9.4	1.7	1.2	1.7	-5.3	-4.8
Q3	3.5	101.5	3.9	4.7	4.8	3.8	9.7	0.6	1.8	0.4	-3.2	1.9
Q4	0.0	99.4	-0.2	1.1	1.1	0.0	4.0	-0.9	-3.3	-0.6	-8.2	2.1
2011 Sep.	1.9	100.1	2.1	2.7	2.8	2.1	5.9	0.1	-1.0	0.2	-3.3	1.0
Oct.	0.3	100.0	0.9	1.8	1.7	0.2	4.9	0.0	-3.2	0.6	-5.0	-1.8
Nov.	0.3	99.6	0.0	0.9	1.0	-0.3	4.7	-2.0	-3.4	-1.8	-6.4	1.4
Dec.	0.1	98.7	-1.6	0.4	0.5	0.1	2.3	-0.8	-3.3	-0.6	-12.4	10.1
2012 Jan.	-1.8	98.6	-1.7	-0.7	-0.7	-1.6	1.7	-2.4	-3.0	-2.3	-7.0	-2.6
Feb.	-3.1	99.0	-1.9	-2.6	-2.6	-4.3	0.9	-5.2	-6.1	-4.9	3.0	-12.6
	month-on-month percentage changes (s.a.)											
2011 Sep.	-2.2	-	-2.5	-2.5	-2.8	-2.0	-3.6	-1.7	-3.9	-1.3	-1.9	-1.7
Oct.	-0.2	-	0.0	0.0	0.2	-0.7	0.8	0.4	-1.2	0.4	-0.9	-1.0
Nov.	0.1	-	-0.4	-0.5	-0.3	0.0	0.0	-1.5	0.0	-1.6	0.0	1.9
Dec.	-0.9	-	-0.9	-0.6	-0.5	-1.0	-1.0	0.1	0.0	0.0	-2.3	-2.1
2012 Jan.	0.0	-	0.0	-0.1	-0.3	0.7	-0.4	-0.8	0.5	-0.8	0.7	-0.5
Feb.	-0.6	-	0.4	-0.7	-0.7	-1.3	0.7	-1.6	-2.1	-1.5	6.9	-7.0

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

	Industrial new orders		Industrial turnover		Retail sales (including automotive fuel)								New passenger car registrations	
	Manufacturing ¹⁾ (current prices)		Manufacturing (current prices)		Current prices	Constant prices							Total (s.a.; thousands) ²⁾	Total
	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		Fuel			
									Textiles, clothing, footwear	Household equipment				
% of total in 2005	100.0	100.0	100.0	100.0	100.0	100.0	100.0	38.4	51.0	9.0	12.8	10.6		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2009	87.3	-22.7	95.6	-18.3	-4.3	100.5	-2.4	-1.7	-2.4	-1.9	-4.2	-5.7	925	3.3
2010	102.8	17.7	105.2	10.2	2.1	101.5	0.9	0.5	1.8	2.2	1.1	-2.8	843	-8.5
2011	111.6	8.6	114.7	8.9	1.6	100.9	-0.6	-1.0	0.1	-1.3	0.0	-3.6	838	-1.1
2011 Q2	114.3	11.7	114.6	9.6	1.7	100.8	-0.5	-0.5	0.0	1.8	-1.2	-3.8	826	-1.8
Q3	110.8	5.4	115.7	8.8	1.8	101.2	-0.5	-0.8	0.1	-2.2	-0.1	-4.6	824	2.9
Q4	108.6	-0.6	114.5	4.0	1.0	100.1	-1.3	-1.7	-0.8	-4.1	-0.3	-4.3	835	-1.7
2012 Q1	.	.	.	.	.	.	.	.	.	.	.	.	769	-11.4
2011 Oct.	108.3	0.9	113.9	4.7	1.8	100.7	-0.7	-0.4	-0.9	-4.3	-0.4	-4.8	822	-0.6
Nov.	106.9	-2.3	114.7	3.9	1.1	100.4	-1.4	-1.5	-1.0	-4.1	-1.3	-4.5	827	-3.3
Dec.	110.7	-0.3	114.7	3.4	0.2	99.2	-1.7	-2.9	-0.7	-3.8	0.6	-3.7	856	-1.1
2012 Jan.	107.5	-4.3	114.7	1.2	1.0	100.3	-1.1	-1.7	-0.5	0.1	-2.5	-3.4	752	-13.3
Feb.	106.7	-5.7	115.2	0.3	0.1	100.3	-2.0	-0.8	-1.6	.	.	.	759	-14.8
Mar.	.	.	.	.	.	.	.	.	.	.	.	.	796	-7.2
	month-on-month percentage changes (s.a.)													
2011 Nov.	-	-1.3	-	0.7	-0.1	-	-0.3	-0.7	-0.1	0.9	-0.9	-0.3	-	0.6
Dec.	-	3.5	-	0.0	-1.0	-	-1.2	-1.4	-0.9	-0.1	1.2	-1.2	-	3.5
2012 Jan.	-	-2.8	-	0.0	1.1	-	1.1	0.9	1.0	1.1	-1.3	1.7	-	-12.2
Feb.	-	-0.8	-	0.4	0.1	-	0.0	0.8	0.1	.	.	.	-	1.0
Mar.	-	.	-	.	.	-	.	.	.	.	.	.	-	4.9

Sources: Eurostat, except columns 13 and 14 in Table 4 in Section 5.2 (which comprise ECB calculations based on data from the European Automobile Manufacturers' Association).

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

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

5.2 Output and demand

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

5. Business and Consumer Surveys

	Economic sentiment indicator ²⁾ (long-term average = 100)	Manufacturing industry					Consumer confidence indicator				
		Industrial confidence indicator				Capacity utilisation ³⁾ (%)	Total ⁴⁾	Financial situation over next 12 months	Economic situation over next 12 months	Unemployment situation over next 12 months	Savings over next 12 months
		Total ⁴⁾	Order books	Stocks of finished products	Production expectations						
	1	2	3	4	5	6	7	8	9	10	11
2008	93.5	-8.4	-13.4	10.8	-1.0	82.0	-18.4	-10.1	-25.4	23.9	-14.1
2009	80.2	-28.7	-56.7	14.8	-14.7	70.8	-24.8	-7.0	-26.1	55.3	-10.7
2010	100.5	-4.7	-24.7	0.8	11.4	76.7	-14.2	-5.3	-12.3	31.2	-8.1
2011	101.0	0.1	-6.9	2.3	9.4	80.3	-14.5	-7.5	-18.2	23.3	-9.2
2011 Q1	106.9	6.1	-2.1	-1.8	18.7	80.7	-11.0	-6.2	-10.0	20.1	-7.5
Q2	105.2	4.0	-2.0	-0.7	13.1	80.9	-10.7	-6.7	-12.6	15.2	-8.3
Q3	98.4	-2.8	-9.0	4.5	5.2	80.0	-15.9	-7.4	-21.8	24.1	-10.1
Q4	93.6	-7.0	-14.6	7.0	0.6	79.7	-20.6	-9.7	-28.4	33.8	-10.8
2012 Q1	94.1	-6.6	-15.8	6.1	2.1	79.7	-20.0	-10.1	-24.2	34.7	-11.2
2011 Nov.	93.5	-7.3	-14.2	7.1	-0.5	-	-20.5	-9.2	-28.8	33.9	-10.2
Dec.	92.8	-7.2	-16.2	7.4	2.0	-	-21.3	-10.7	-27.7	34.8	-12.2
2012 Jan.	93.4	-7.0	-16.4	6.5	1.9	79.8	-20.7	-10.9	-27.4	33.1	-11.6
Feb.	94.5	-5.7	-14.2	5.9	3.0	-	-20.3	-10.0	-24.2	36.2	-10.7
Mar.	94.5	-7.1	-16.8	6.0	1.5	-	-19.1	-9.4	-21.0	34.7	-11.3
Apr.	92.8	-9.0	-19.4	6.1	-1.5	79.6	-19.9	-10.5	-24.0	33.5	-11.7

	Construction confidence indicator			Retail trade confidence indicator				Services confidence indicator			
	Total ⁴⁾	Order books	Employment expectations	Total ⁴⁾	Present business situation	Volume of stocks	Expected business situation	Total ⁴⁾	Business climate	Demand in recent months	Demand in the months ahead
	12	13	14	15	16	17	18	19	20	21	22
2008	-14.2	-20.7	-7.7	-10.0	-11.0	15.8	-3.3	0.4	-3.8	0.5	4.7
2009	-33.1	-42.1	-24.1	-15.5	-21.4	9.8	-15.4	-15.8	-20.8	-18.2	-8.5
2010	-28.8	-39.3	-18.4	-4.1	-6.6	7.2	1.6	4.5	1.9	3.5	8.0
2011	-27.4	-34.9	-20.0	-5.5	-5.8	11.1	0.5	5.4	2.2	5.4	8.6
2011 Q1	-27.8	-38.2	-17.3	-0.9	-0.5	8.1	5.9	10.1	7.6	9.8	12.9
Q2	-26.9	-33.8	-20.0	-2.4	-1.6	9.7	4.1	9.5	7.1	9.7	11.6
Q3	-27.7	-35.0	-20.4	-7.5	-7.3	12.8	-2.3	3.5	0.3	3.7	6.5
Q4	-27.4	-32.5	-22.3	-11.1	-13.6	14.0	-5.7	-1.6	-6.4	-1.7	3.3
2012 Q1	-26.5	-31.7	-21.2	-13.8	-14.7	16.2	-10.6	-0.6	-6.6	-0.4	5.1
2011 Nov.	-26.0	-30.5	-21.4	-11.2	-14.1	13.8	-5.8	-2.0	-7.0	-1.8	2.8
Dec.	-28.9	-33.5	-24.4	-12.2	-14.5	14.4	-7.6	-2.6	-8.4	-2.6	3.3
2012 Jan.	-28.1	-33.2	-22.9	-15.5	-18.3	16.3	-11.9	-0.7	-7.3	0.6	4.7
Feb.	-24.6	-31.4	-17.9	-14.0	-14.3	16.8	-11.0	-0.9	-6.9	-1.3	5.4
Mar.	-26.7	-30.6	-22.8	-12.0	-11.6	15.5	-8.9	-0.3	-5.5	-0.6	5.2
Apr.	-27.4	-30.7	-24.1	-11.4	-12.2	12.9	-9.0	-2.4	-8.2	-2.2	3.1

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

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

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

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

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

5.3 Labour markets ¹⁾

(quarterly data seasonally adjusted; annual data unadjusted)

1. Employment

	By employment status			By economic activity									
	Total	Employees	Self-employed	Agriculture, forestry and fishing	Manufacturing, energy and utilities	Construction	Trade, transport, accommodation and food services	Information and communication	Finance and insurance	Real estate	Professional, business and support services	Public administration, education, health and social work	Arts, entertainment and other services
	1	2	3	4	5	6	7	8	9	10	11	12	13
Persons employed													
levels (thousands)													
2011	146,684	125,631	21,053	4,951	23,066	9,901	35,996	4,022	4,127	1,322	18,088	34,487	10,724
percentage of total persons employed													
2011	100.0	85.6	14.4	3.4	15.7	6.8	24.5	2.7	2.8	0.9	12.3	23.5	7.3
annual percentage changes													
2009	-1.8	-1.8	-1.8	-2.2	-5.0	-6.8	-1.7	-0.7	0.1	-2.8	-2.5	1.4	1.0
2010	-0.5	-0.5	-0.7	-0.9	-3.1	-3.8	-0.7	-1.1	-1.0	-0.4	2.0	1.0	0.8
2011	0.1	0.3	-1.0	-2.6	-0.1	-3.8	0.6	1.6	-0.2	2.6	2.6	0.1	-0.2
2011 Q1	0.2	0.4	-0.7	-2.6	-0.3	-3.3	0.3	1.1	-0.2	3.3	3.2	0.4	0.3
Q2	0.4	0.5	-0.7	-2.2	-0.2	-3.0	1.0	2.0	-0.4	2.6	3.2	0.0	-0.4
Q3	0.2	0.4	-1.1	-2.5	0.2	-4.0	0.9	1.7	-0.1	1.0	2.1	0.1	-0.1
Q4	-0.2	0.0	-1.3	-3.1	0.0	-4.9	0.1	1.5	0.0	3.6	2.0	-0.1	-0.7
quarter-on-quarter percentage changes													
2011 Q1	0.0	0.0	0.1	-1.7	0.2	-1.2	0.0	1.3	0.3	2.4	0.9	0.0	-0.2
Q2	0.2	0.3	-0.5	0.4	0.0	-0.5	0.6	0.5	-0.3	-0.5	0.9	-0.1	-0.5
Q3	-0.2	-0.1	-0.5	-1.0	0.1	-1.6	-0.1	-0.3	0.1	-0.5	-0.2	0.1	0.0
Q4	-0.2	-0.2	-0.4	-0.8	-0.3	-1.6	-0.4	0.0	0.0	2.2	0.4	-0.1	-0.1
Hours worked													
levels (millions)													
2011	231,690	186,577	45,113	10,305	36,637	17,590	60,292	6,436	6,519	2,011	27,723	49,073	15,103
percentage of total hours worked													
2011	100.0	80.5	19.5	4.4	15.8	7.6	26.0	2.8	2.8	0.9	12.0	21.2	6.5
annual percentage changes													
2009	-3.4	-3.6	-2.7	-3.0	-8.9	-7.8	-3.0	-1.2	-1.5	-3.6	-3.7	1.1	-0.6
2010	0.0	0.0	-0.3	-0.9	-0.8	-3.9	-0.3	-0.8	-0.6	0.6	2.8	1.1	0.6
2011	0.2	0.5	-1.0	-1.9	0.6	-3.6	0.4	1.4	0.2	2.1	3.0	0.1	-0.5
2011 Q1	0.6	0.9	-0.6	0.3	1.6	-2.3	-0.1	1.0	0.2	3.3	3.7	0.4	-0.2
Q2	0.0	0.3	-1.3	-2.5	0.1	-3.5	0.5	1.0	-0.2	1.2	3.2	-0.2	-1.3
Q3	0.3	0.6	-0.9	-2.6	0.5	-3.8	1.1	2.2	0.4	1.5	2.6	-0.1	-0.1
Q4	0.0	0.3	-1.3	-2.7	0.2	-4.9	0.3	1.3	0.5	2.5	2.6	0.3	-0.6
quarter-on-quarter percentage changes													
2011 Q1	0.5	0.6	0.0	-0.4	0.4	0.1	0.4	1.7	1.1	1.2	1.5	0.4	0.0
Q2	-0.3	-0.1	-0.8	-0.9	-0.4	-1.3	0.2	-0.1	-0.5	-0.7	0.5	-0.3	-1.3
Q3	0.2	0.2	-0.1	-1.2	0.4	-1.1	0.5	0.4	0.2	0.8	0.1	0.1	1.0
Q4	-0.4	-0.4	-0.4	-0.3	-0.2	-2.6	-0.8	-0.7	-0.3	1.2	0.5	0.1	-0.3
Hours worked per person employed													
levels (thousands)													
2011	1,580	1,485	2,143	2,081	1,588	1,777	1,675	1,600	1,580	1,521	1,533	1,423	1,408
annual percentage changes													
2009	-1.7	-1.8	-1.0	-0.8	-4.1	-1.0	-1.4	-0.5	-1.6	-0.8	-1.3	-0.3	-1.6
2010	0.5	0.5	0.4	0.0	2.4	-0.1	0.4	0.3	0.5	1.0	0.8	0.0	-0.2
2011	0.1	0.2	-0.1	0.8	0.6	0.2	-0.1	-0.2	0.4	-0.5	0.4	0.0	-0.3
2011 Q1	0.4	0.5	0.1	3.0	1.9	1.0	-0.3	-0.1	0.4	0.1	0.5	0.0	-0.5
Q2	-0.3	-0.2	-0.6	-0.3	0.3	-0.6	-0.6	-1.0	0.2	-1.4	0.0	-0.2	-0.8
Q3	0.1	0.2	0.2	0.0	0.2	0.2	0.2	0.4	0.5	0.5	0.5	-0.2	0.0
Q4	0.2	0.3	0.0	0.4	0.2	-0.1	0.2	-0.1	0.5	-1.0	0.6	0.4	0.2
quarter-on-quarter percentage changes													
2011 Q1	0.5	0.8	-1.1	-0.9	0.3	0.0	0.4	1.1	1.8	0.2	0.2	1.6	0.3
Q2	-2.3	-3.1	1.3	3.9	-2.8	0.6	-1.9	-4.8	-4.1	-3.4	-3.7	-3.8	-1.8
Q3	-1.1	-0.9	-1.4	-0.6	-1.7	-0.7	-1.3	0.7	-0.8	1.2	-1.5	-1.0	-0.4
Q4	2.8	3.2	0.9	-2.1	4.1	-0.3	2.6	2.7	3.2	1.0	5.4	3.3	1.9

Source: ECB calculations based on Eurostat data.

1) Data for employment are based on the ESA 95.

5.3 Labour markets

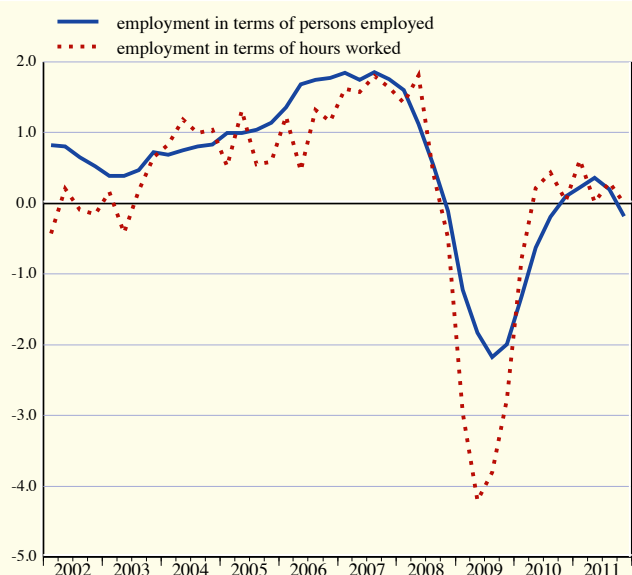
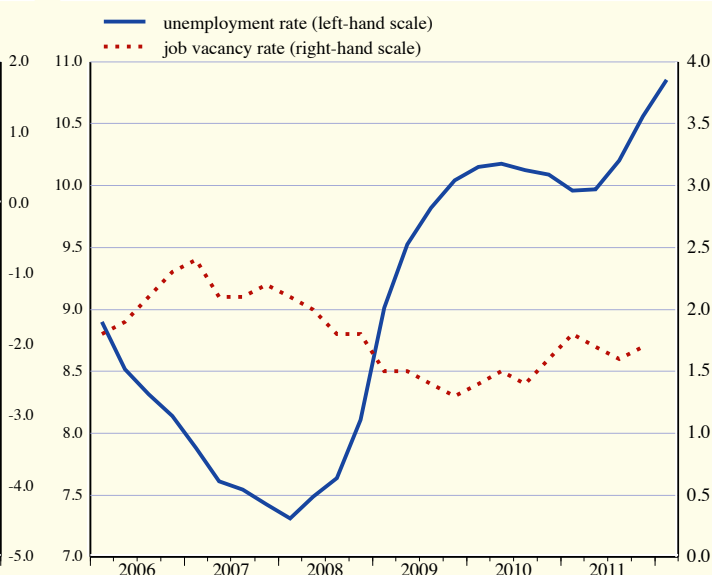
(seasonally adjusted, unless otherwise indicated)

2. Unemployment and job vacancies ¹⁾

	Unemployment										Job vacancy rate ²⁾
	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 in 2010	100.0		79.5		20.5		54.0		46.0		
	1	2	3	4	5	6	7	8	9	10	11
2008	11.950	7.6	9.278	6.6	2.672	16.0	6.037	7.0	5.913	8.5	1.9
2009	15.064	9.6	11.779	8.4	3.285	20.3	8.151	9.4	6.912	9.8	1.4
2010	15.931	10.1	12.660	8.9	3.271	20.9	8.595	10.0	7.336	10.3	1.5
2011	16.051	10.2	12.846	9.0	3.205	20.8	8.547	9.9	7.504	10.5	1.7
2011 Q1	15.662	10.0	12.483	8.8	3.179	20.6	8.331	9.7	7.331	10.3	1.8
Q2	15.720	10.0	12.566	8.8	3.155	20.5	8.374	9.7	7.347	10.3	1.7
Q3	16.108	10.2	12.912	9.1	3.197	20.8	8.541	9.9	7.568	10.6	1.6
Q4	16.713	10.6	13.424	9.4	3.290	21.5	8.941	10.3	7.772	10.8	1.7
2012 Q1	17.206	10.9	13.881	9.7	3.325	21.9	9.214	10.7	7.992	11.1	.
2011 Oct.	16.515	10.4	13.262	9.3	3.254	21.3	8.835	10.2	7.681	10.7	-
Nov.	16.753	10.6	13.435	9.4	3.318	21.6	8.940	10.3	7.813	10.9	-
Dec.	16.872	10.6	13.575	9.5	3.297	21.6	9.049	10.5	7.822	10.9	-
2012 Jan.	17.056	10.8	13.746	9.6	3.310	21.7	9.134	10.6	7.922	11.0	-
Feb.	17.196	10.8	13.877	9.7	3.319	21.9	9.200	10.6	7.996	11.1	-
Mar.	17.365	10.9	14.020	9.8	3.345	22.1	9.307	10.8	8.058	11.2	-

C28 Employment - persons employed and hours worked

(annual percentage changes)

**C29 Unemployment and job vacancy ²⁾ rates**

Source: Eurostat.

1) Data for unemployment refer to persons and follow ILO recommendations.

2) Industry, construction and services (excluding households as employers and extra-territorial organisations and bodies); non-seasonally adjusted.

3) Adult: 25 years of age and over; youth: below 25 years of age; rates are expressed as a percentage of the labour force for the relevant age group.

4) Rates are expressed as a percentage of the labour force for the relevant gender.



GOVERNMENT FINANCE

6.1 Revenue, expenditure and deficit/surplus ¹⁾

(as a percentage of GDP)

1. Euro area – revenue

	Total	Current revenue										Capital revenue		Memo item: Fiscal burden ²⁾
		Direct taxes			Indirect taxes	Social contributions			Sales	Capital taxes				
		Households	Corporations	Received by EU institutions		Employers	Employees							
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2003	44.9	44.2	11.5	8.8	2.7	13.2	0.4	15.7	8.2	4.6	2.3	0.6	0.5	40.9
2004	44.5	44.0	11.5	8.5	2.9	13.2	0.3	15.5	8.1	4.5	2.2	0.5	0.4	40.6
2005	44.8	44.3	11.7	8.6	3.0	13.3	0.3	15.4	8.1	4.5	2.3	0.5	0.3	40.7
2006	45.3	45.0	12.3	8.7	3.4	13.4	0.3	15.3	8.0	4.5	2.3	0.3	0.3	41.3
2007	45.3	45.1	12.7	8.9	3.6	13.3	0.3	15.1	8.0	4.4	2.3	0.3	0.3	41.3
2008	45.1	44.8	12.5	9.1	3.2	12.9	0.3	15.3	8.1	4.5	2.3	0.2	0.3	40.9
2009	44.9	44.5	11.6	9.2	2.3	12.8	0.3	15.8	8.3	4.5	2.5	0.3	0.4	40.6
2010	44.7	44.5	11.6	9.0	2.5	12.9	0.3	15.6	8.2	4.5	2.6	0.3	0.3	40.4
2011	45.3	45.0	11.8	9.1	2.7	13.0	0.3	15.7	8.2	4.6	2.6	0.3	0.3	40.9

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
2003	48.0	44.1	10.6	5.0	3.3	25.2	22.3	1.8	0.5	4.0	2.6	1.4	0.1	44.7
2004	47.4	43.5	10.5	5.0	3.1	24.9	22.1	1.7	0.5	3.9	2.5	1.5	0.1	44.3
2005	47.3	43.4	10.5	5.0	3.0	24.9	22.1	1.7	0.5	3.9	2.5	1.4	0.0	44.3
2006	46.7	42.8	10.3	5.0	2.9	24.6	21.8	1.6	0.5	3.9	2.5	1.4	0.0	43.8
2007	46.0	42.2	10.1	5.0	3.0	24.2	21.4	1.6	0.4	3.8	2.6	1.2	0.0	43.1
2008	47.2	43.3	10.3	5.2	3.0	24.8	21.9	1.6	0.4	3.9	2.6	1.3	0.0	44.2
2009	51.3	47.0	11.0	5.7	2.9	27.4	24.3	1.8	0.4	4.3	2.8	1.4	0.0	48.4
2010	51.0	46.6	10.8	5.7	2.8	27.3	24.2	1.8	0.4	4.4	2.5	1.9	0.0	48.2
2011	49.4	46.0	10.6	5.5	3.0	26.9	23.9	1.7	0.4	3.4	2.3	1.2	0.0	46.4

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

	Deficit (-)/surplus (+)					Primary deficit (-)/surplus (+)	Government consumption ⁴⁾							Collective consumption	Individual consumption
	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)			
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	
2003	-3.2	-2.5	-0.5	-0.2	0.0	0.2	20.5	10.6	5.0	5.2	1.9	2.3	8.1	12.3	
2004	-2.9	-2.5	-0.4	-0.3	0.2	0.2	20.4	10.5	5.0	5.1	1.9	2.2	8.1	12.3	
2005	-2.6	-2.2	-0.3	-0.2	0.2	0.5	20.4	10.5	5.0	5.1	1.9	2.3	8.0	12.4	
2006	-1.4	-1.5	-0.1	-0.2	0.4	1.5	20.3	10.3	5.0	5.2	1.9	2.3	7.9	12.4	
2007	-0.7	-1.2	0.0	0.0	0.6	2.3	20.0	10.1	5.0	5.1	1.9	2.3	7.7	12.3	
2008	-2.1	-2.3	-0.2	-0.2	0.5	0.9	20.5	10.3	5.2	5.3	2.0	2.3	8.0	12.6	
2009	-6.4	-5.2	-0.5	-0.3	-0.4	-3.5	22.3	11.0	5.7	5.8	2.1	2.5	8.6	13.6	
2010	-6.2	-5.1	-0.7	-0.3	-0.1	-3.4	22.0	10.8	5.7	5.8	2.1	2.6	8.4	13.6	
2011	-4.1	-3.2	-0.7	-0.2	0.0	-1.1	21.5	10.6	5.5	5.8	2.1	2.6	8.2	13.3	

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

	BE	DE	EE	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	17
2008	-1.0	-0.1	-2.9	-7.3	-9.8	-4.5	-3.3	-2.7	0.9	3.0	-4.6	0.5	-0.9	-3.6	-1.9	-2.1	4.3
2009	-5.6	-3.2	-2.0	-14.0	-15.6	-11.2	-7.5	-5.4	-6.1	-0.8	-3.8	-5.6	-4.1	-10.2	-6.1	-8.0	-2.5
2010	-3.8	-4.3	0.2	-31.2	-10.3	-9.3	-7.1	-4.6	-5.3	-0.9	-3.7	-5.1	-4.5	-9.8	-6.0	-7.7	-2.5
2011	-3.7	-1.0	1.0	-13.1	-9.1	-8.5	-5.2	-3.9	-6.3	-0.6	-2.7	-4.7	-2.6	-4.2	-6.4	-4.8	-0.5

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

1) Data refer to the Euro 17. 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
2002	68.0	2.7	11.9	4.6	48.8	40.9	19.6	10.8	10.5	27.2
2003	69.2	2.1	12.5	5.1	49.6	40.2	19.8	11.3	9.1	29.1
2004	69.6	2.2	12.1	4.8	50.5	38.7	18.9	11.1	8.7	30.9
2005	70.5	2.4	12.2	4.5	51.3	37.0	18.1	11.2	7.7	33.5
2006	68.6	2.5	11.9	4.0	50.3	34.9	18.3	9.3	7.3	33.8
2007	66.3	2.2	11.3	3.9	48.9	32.6	17.1	8.5	7.0	33.7
2008	70.1	2.3	11.5	6.5	49.8	33.1	17.7	7.8	7.6	37.0
2009	79.9	2.5	12.6	8.3	56.5	37.3	20.7	8.9	7.7	42.6
2010	85.3	2.4	15.3	7.4	60.2	40.5	23.4	9.7	7.4	44.8
2011	87.2	2.4	15.4	7.4	62.0	42.6	23.8	10.0	8.7	44.7

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

	Total	Issued by: ⁴⁾				Original maturity			Residual maturity			Currencies	
		Central gov.	State gov.	Local gov.	Social security funds	Up to 1 year	Over 1 year	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
2002	68.0	56.3	6.2	4.7	0.8	7.6	60.4	5.3	15.5	25.3	27.2	66.9	1.1
2003	69.2	56.7	6.5	5.0	1.0	7.8	61.4	5.1	14.9	26.0	28.3	68.3	0.9
2004	69.6	56.6	6.6	5.1	1.3	7.7	62.0	4.7	14.7	26.3	28.6	68.6	1.0
2005	70.5	57.1	6.7	5.2	1.4	7.7	62.8	4.6	14.8	25.8	29.9	69.4	1.1
2006	68.6	55.4	6.5	5.4	1.4	7.3	61.3	4.4	14.3	24.2	30.1	67.9	0.7
2007	66.3	53.5	6.2	5.3	1.4	7.1	59.2	4.3	14.5	23.6	28.2	65.8	0.5
2008	70.1	56.9	6.6	5.3	1.3	10.0	60.1	5.0	17.6	23.4	29.1	69.2	0.9
2009	79.9	64.8	7.7	5.8	1.7	12.0	67.9	5.0	19.4	27.3	33.1	78.8	1.1
2010	85.3	69.3	8.3	5.8	1.9	12.9	72.4	5.2	22.6	28.6	34.2	84.1	1.3
2011	87.2	70.7	8.5	5.8	2.2	12.5	74.8	6.2	22.8	29.5	34.9	85.6	1.6

3. Euro area countries

	BE	DE	EE	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	17
2008	89.3	66.7	4.5	44.2	113.0	40.2	68.2	105.7	48.9	13.7	62.3	58.5	63.8	71.6	21.9	27.9	33.9
2009	95.8	74.4	7.2	65.1	129.4	53.9	79.2	116.0	58.5	14.8	68.1	60.8	69.5	83.1	35.3	35.6	43.5
2010	96.0	83.0	6.7	92.5	145.0	61.2	82.3	118.6	61.5	19.1	69.4	62.9	71.9	93.3	38.8	41.1	48.4
2011	98.0	81.2	6.0	108.2	165.3	68.5	85.8	120.1	71.6	18.2	72.0	65.2	72.2	107.8	47.6	43.3	48.6

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

- 1) Data refer to the Euro 17. Gross general government debt at nominal value and consolidated between sub-sectors of government. Holdings by non-resident governments are not consolidated. Intergovernmental lending in the context of the financial crisis is 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
2003	3.1	3.3	-0.2	0.0	-0.6	1.0	0.6	2.1	0.5	0.8	0.8	2.7
2004	3.2	3.3	-0.1	0.0	0.2	0.1	-0.1	2.9	0.2	-0.1	0.3	3.0
2005	3.3	3.1	0.2	0.0	0.3	0.5	-0.1	2.6	-0.4	-0.1	0.5	3.7
2006	1.6	1.5	0.1	0.0	0.2	0.2	-0.3	1.5	-0.3	1.1	-1.4	1.9
2007	1.2	1.2	0.0	0.0	-0.1	0.0	0.1	1.2	-0.5	-0.3	-0.3	1.6
2008	5.3	5.2	0.1	0.0	0.1	0.5	2.7	2.0	1.2	1.1	-0.6	4.1
2009	7.2	7.4	-0.2	0.0	0.1	0.7	1.6	4.9	3.0	2.3	0.9	4.2
2010	7.5	7.7	-0.1	0.0	0.0	3.0	-0.7	5.2	4.2	3.3	1.0	3.3
2011	4.2	4.0	0.2	0.0	0.0	0.5	0.2	3.5	3.1	1.0	0.6	1.1

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
2003	3.1	-3.2	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	3.2	-2.9	0.3	0.2	0.2	0.0	0.1	0.0	-0.5	0.2	-0.1	0.0	0.0	0.1
2005	3.3	-2.6	0.8	0.6	0.3	0.0	0.1	0.1	-0.3	0.2	0.2	0.0	0.0	0.0
2006	1.6	-1.4	0.2	0.2	0.3	-0.1	0.2	-0.2	-0.4	0.1	0.1	0.0	0.0	-0.1
2007	1.2	-0.7	0.5	0.6	0.2	0.0	0.2	0.1	-0.3	0.2	0.0	0.0	0.0	-0.1
2008	5.3	-2.1	3.2	3.0	0.8	0.7	0.7	0.9	-0.1	0.7	0.1	0.0	0.0	0.0
2009	7.2	-6.4	0.9	1.0	0.3	0.0	0.3	0.4	-0.3	0.5	-0.2	0.0	0.0	0.1
2010	7.5	-6.2	1.3	1.8	0.0	0.5	1.1	0.1	0.0	0.1	-0.1	0.0	0.0	-0.3
2011	4.2	-4.1	0.1	-0.3	0.2	-0.2	-0.2	0.0	-0.1	0.2	0.2	0.0	0.0	0.2

Source: ECB.

- 1) Data refer to the Euro 17 and are partially estimated. Annual change in gross nominal consolidated debt is expressed as a percentage of GDP, i.e. $[\text{debt}(t) - \text{debt}(t-1)] \div \text{GDP}(t)$. Intergovernmental lending in the context of the financial crisis is consolidated.
- 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
2005 Q4	48.6	47.8	13.6	14.0	16.1	2.4	0.8	0.8	0.3	44.0
2006 Q1	42.6	42.1	10.4	12.8	15.1	2.2	0.8	0.4	0.3	38.6
Q2	45.6	45.2	12.5	13.1	15.1	2.3	1.4	0.5	0.3	41.0
Q3	43.6	43.1	11.8	12.4	15.1	2.2	0.8	0.5	0.3	39.5
Q4	49.0	48.4	14.4	14.1	15.8	2.3	0.9	0.6	0.3	44.5
2007 Q1	42.3	41.9	10.4	12.8	14.8	2.2	0.9	0.4	0.3	38.3
Q2	45.8	45.4	13.0	13.0	14.9	2.3	1.4	0.4	0.3	41.2
Q3	43.6	43.1	12.3	12.3	14.8	2.2	0.7	0.5	0.3	39.6
Q4	49.2	48.7	14.8	13.9	15.7	2.4	1.0	0.6	0.3	44.7
2008 Q1	42.4	42.1	10.8	12.3	14.8	2.3	1.1	0.3	0.2	38.2
Q2	45.3	44.9	12.9	12.3	15.0	2.3	1.5	0.4	0.3	40.5
Q3	43.4	43.0	12.2	12.0	15.0	2.2	0.8	0.4	0.3	39.5
Q4	48.8	48.3	13.9	13.4	16.4	2.5	1.1	0.5	0.3	44.0
2009 Q1	42.6	42.4	10.4	12.0	15.5	2.5	1.1	0.1	0.2	38.2
Q2	45.3	44.7	11.8	12.5	15.7	2.5	1.4	0.6	0.5	40.5
Q3	42.8	42.4	11.0	12.0	15.5	2.4	0.7	0.4	0.3	38.8
Q4	48.6	47.7	13.0	13.6	16.5	2.6	1.0	0.8	0.5	43.6
2010 Q1	42.2	42.0	10.1	12.2	15.5	2.5	0.9	0.2	0.3	38.0
Q2	45.1	44.7	11.8	12.7	15.4	2.6	1.3	0.4	0.3	40.2
Q3	42.9	42.6	11.0	12.4	15.2	2.4	0.7	0.3	0.3	38.9
Q4	48.4	47.7	13.2	13.4	16.4	2.7	1.0	0.7	0.3	43.3
2011 Q1	42.9	42.6	10.6	12.4	15.3	2.6	1.0	0.3	0.3	38.5
Q2	45.2	44.8	12.0	12.6	15.4	2.6	1.5	0.3	0.3	40.2
Q3	43.7	43.4	11.4	12.5	15.3	2.5	0.8	0.3	0.3	39.6
Q4	49.1	48.0	13.3	13.4	16.7	2.7	1.0	1.0	0.4	43.8

2. Euro area – quarterly expenditure and deficit/surplus

	Total		Current expenditure						Capital expenditure			Deficit (-)/ surplus (+)	Primary deficit (-)/ surplus (+)
	Total	Compensation of employees	Intermediate consumption	Interest	Current transfers			Investment	Capital transfers				
						Social benefits	Subsidies						
	1	2	3	4	5	6	7	8	9	10	11	12	13
2005 Q4	49.4	45.0	11.3	5.8	2.8	25.2	21.6	1.3	4.4	2.7	1.7	-0.8	2.0
2006 Q1 Q2 Q3 Q4	46.0	42.6	10.1	4.6	3.0	24.9	21.4	1.1	3.4	2.2	1.3	-3.4	-0.5
	45.9	42.5	10.3	4.9	3.1	24.1	21.1	1.1	3.4	2.5	1.0	-0.2	2.9
	45.3	41.7	9.8	4.7	2.9	24.3	20.9	1.2	3.6	2.6	1.0	-1.7	1.2
	49.3	44.3	10.8	5.7	2.7	25.1	21.3	1.3	4.9	2.8	2.2	-0.3	2.4
2007 Q1 Q2 Q3 Q4	45.0	41.5	9.9	4.5	2.9	24.1	20.7	1.1	3.5	2.3	1.2	-2.7	0.2
	45.1	41.7	10.0	4.9	3.2	23.6	20.6	1.1	3.4	2.5	0.9	0.7	3.9
	44.7	41.1	9.6	4.7	3.0	23.8	20.6	1.1	3.6	2.6	0.9	-1.1	1.9
	49.1	44.5	10.8	5.8	2.8	25.1	21.2	1.5	4.5	2.8	1.7	0.2	3.0
2008 Q1 Q2 Q3 Q4	45.6	42.0	9.9	4.7	3.0	24.4	20.8	1.2	3.6	2.3	1.2	-3.2	-0.1
	46.0	42.4	10.2	5.0	3.3	23.9	20.8	1.1	3.6	2.6	1.0	-0.7	2.6
	45.7	42.0	9.8	4.9	3.0	24.4	21.2	1.1	3.7	2.7	1.0	-2.4	0.7
	51.1	46.5	11.2	6.2	2.8	26.3	22.2	1.4	4.6	2.9	1.7	-2.3	0.5
2009 Q1 Q2 Q3 Q4	49.8	45.9	10.7	5.4	2.9	26.9	22.9	1.3	3.8	2.6	1.2	-7.2	-4.3
	50.7	46.5	11.1	5.5	3.0	26.9	23.3	1.3	4.2	2.8	1.3	-5.5	-2.4
	50.0	45.9	10.5	5.3	2.9	27.2	23.5	1.3	4.1	2.8	1.2	-7.2	-4.3
	54.3	49.4	11.8	6.6	2.6	28.4	24.0	1.5	4.9	3.0	1.9	-5.8	-3.1
2010 Q1 Q2 Q3 Q4	50.6	46.7	10.7	5.3	2.8	27.9	23.6	1.4	3.9	2.3	1.6	-8.3	-5.6
	49.6	46.1	10.9	5.5	2.9	26.7	23.2	1.3	3.5	2.5	1.2	-4.5	-1.5
	50.4	45.2	10.2	5.3	2.8	26.9	23.2	1.3	5.2	2.5	2.7	-7.5	-4.8
	53.1	48.3	11.4	6.4	2.7	27.7	23.7	1.5	4.8	2.7	2.1	-4.7	-1.9
2011 Q1 Q2 Q3 Q4	48.7	45.7	10.4	5.1	3.0	27.1	23.1	1.3	3.0	2.1	0.9	-5.8	-2.8
	48.6	45.4	10.6	5.4	3.2	26.2	22.8	1.2	3.2	2.3	0.9	-3.4	-0.2
	48.1	44.7	10.0	5.2	3.0	26.5	23.0	1.2	3.4	2.3	1.0	-4.4	-1.3
	51.9	48.2	11.3	6.3	3.0	27.6	23.6	1.4	3.7	2.5	1.4	-2.8	0.2

Sources: ECB calculations based on Eurostat and national data.

- 1) Data refer to the Euro 17. 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 ¹⁾

(as a percentage of GDP)

1. Euro area – Maastricht debt by financial instrument ²⁾

	Total 1	Financial instruments			
		Currency and deposits 2	Loans 3	Short-term securities 4	Long-term securities 5
2009 Q1	73.9	2.3	11.8	7.7	52.1
Q2	77.1	2.4	12.2	8.2	54.3
Q3	79.0	2.4	12.4	9.0	55.3
Q4	79.9	2.5	12.6	8.3	56.5
2010 Q1	81.6	2.4	12.8	8.2	58.2
Q2	82.9	2.4	13.4	7.8	59.2
Q3	83.0	2.4	13.3	7.9	59.3
Q4	85.3	2.4	15.3	7.4	60.2
2011 Q1	86.2	2.4	15.1	7.4	61.2
Q2	87.1	2.4	14.9	7.5	62.3
Q3	86.7	2.4	15.0	7.8	61.4
Q4	87.2	2.4	15.4	7.4	62.0

2. Euro area – deficit-debt adjustment

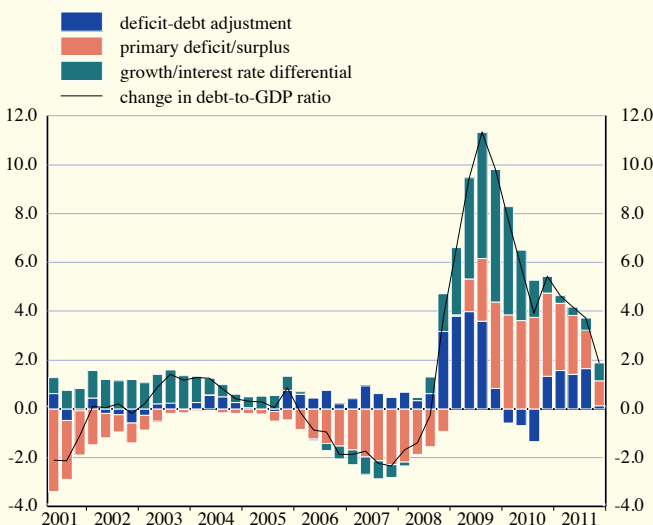
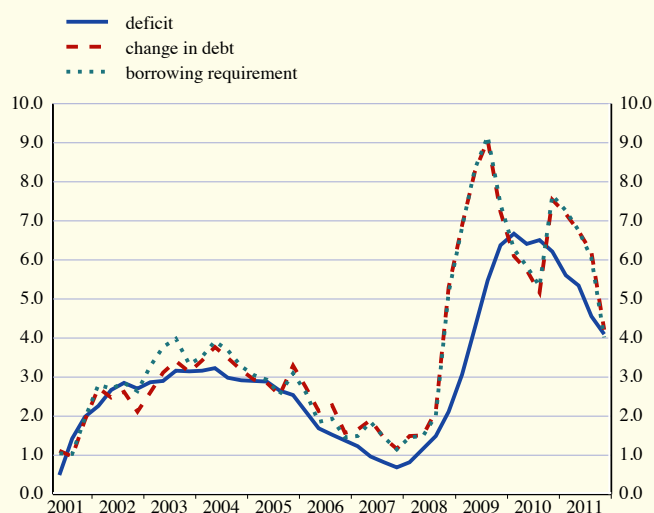
	Change in debt	Deficit (-)/ surplus (+)	Deficit-debt adjustment								Memo item: Borrowing requirement
			Total	Transactions in main financial assets held by general government					Valuation effects and other changes in volume	Other	
				Total	Currency and deposits	Loans	Securities	Shares and other equity			
	1	2	3	4	5	6	7	8	9	10	11
2009 Q1	12.9	-7.2	5.7	6.6	5.2	-0.1	0.8	0.7	-0.5	-0.5	13.3
Q2	9.2	-5.5	3.8	3.2	2.3	-0.4	0.2	1.1	-0.4	0.9	9.6
Q3	5.1	-7.2	-2.1	-2.8	-3.1	0.6	-0.1	-0.2	0.2	0.5	4.8
Q4	2.1	-5.8	-3.6	-2.8	-2.9	-0.1	0.0	0.2	-0.2	-0.7	2.3
2010 Q1	8.2	-8.3	-0.2	0.7	0.9	-0.1	-0.3	0.2	-0.4	-0.6	8.5
Q2	7.7	-4.5	3.2	3.3	2.0	1.1	-0.2	0.5	-0.1	0.0	7.8
Q3	2.8	-7.5	-4.7	-2.9	-2.3	-0.6	0.0	0.0	0.0	-1.8	2.8
Q4	11.4	-4.7	6.7	5.7	-0.4	1.7	4.7	-0.3	0.0	1.0	11.4
2011 Q1	6.7	-5.8	0.9	0.7	2.0	-0.7	-0.3	-0.2	-0.2	0.4	6.9
Q2	6.0	-3.4	2.5	2.9	2.8	0.5	-0.4	-0.1	0.2	-0.6	5.7
Q3	0.7	-4.4	-3.6	-3.8	-3.7	-0.3	0.2	0.1	0.6	-0.5	0.1
Q4	3.5	-2.8	0.7	-0.8	-0.5	-0.3	-0.3	0.2	0.1	1.4	3.4

C30 Deficit, borrowing requirement and change in debt

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

C31 Maastricht debt

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



Sources: ECB calculations based on Eurostat and national data.

1) Data refer to the Euro 17. Intergovernmental lending in the context of the financial crisis is consolidated.

2) The stock data in quarter t are expressed as a percentage of the sum of GDP in t and the previous three quarters.



EXTERNAL TRANSACTIONS AND POSITIONS

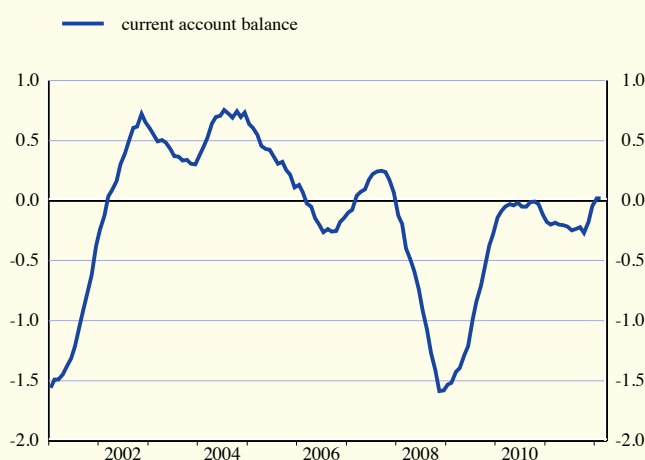
7.1 Summary balance of payments ¹⁾

(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
2009	-21.9	31.3	36.4	3.5	-93.1	6.7	-15.2	9.4	-105.1	265.7	20.0	-175.7	4.6	5.8
2010	-6.8	15.1	49.6	31.8	-103.3	6.4	-0.4	-2.5	-113.9	165.1	18.5	-61.7	-10.5	3.0
2011	-3.2	4.6	61.1	31.7	-100.6	10.8	7.6	-24.6	-151.1	308.3	-20.8	-150.7	-10.2	17.0
2010 Q4	14.2	6.1	11.5	13.7	-17.1	1.6	15.8	-12.3	49.3	27.7	9.0	-96.6	-1.8	-3.5
2011 Q1	-21.3	-10.1	7.9	14.9	-33.9	2.3	-18.9	-5.3	-42.8	136.0	-0.4	-86.4	-11.7	24.2
Q2	-18.6	-2.4	16.4	-11.7	-20.9	0.8	-17.9	21.2	-31.8	139.1	3.6	-94.1	4.5	-3.3
Q3	2.7	2.8	19.6	8.8	-28.5	1.7	4.4	3.5	-19.2	35.0	-14.8	-1.2	3.7	-7.9
Q4	33.9	14.3	17.2	19.8	-17.3	6.0	39.9	-44.0	-57.3	-1.8	-9.2	31.0	-6.8	4.1
2011 Feb.	-5.5	0.8	2.4	6.0	-14.7	2.1	-3.4	-3.6	-36.7	92.8	1.6	-62.4	1.1	7.0
Mar.	1.0	3.4	1.9	6.0	-10.3	-0.1	0.9	-8.1	-10.4	72.8	-1.4	-62.3	-6.9	7.2
Apr.	-5.0	-3.6	3.9	1.4	-6.7	-0.1	-5.1	-4.7	-31.2	5.3	3.3	11.9	6.0	9.8
May	-13.9	0.5	6.2	-14.4	-6.2	0.4	-13.5	18.9	-4.2	44.5	-1.6	-16.6	-3.1	-5.4
June	0.3	0.8	6.3	1.3	-8.0	0.4	0.8	7.0	3.6	89.2	1.9	-89.3	1.6	-7.7
July	3.4	4.2	7.2	2.7	-10.7	-0.1	3.2	-6.2	-17.3	-24.0	0.3	36.0	-1.2	3.0
Aug.	-1.4	-4.3	5.2	5.6	-7.9	2.1	0.6	-0.6	7.2	26.2	-8.0	-29.4	3.4	-0.1
Sep.	0.8	3.0	7.2	0.5	-9.9	-0.2	0.6	10.3	-9.0	32.7	-7.1	-7.9	1.6	-10.9
Oct.	3.4	0.4	6.0	6.1	-9.1	1.8	5.2	-1.3	-6.5	-1.4	-2.2	9.9	-1.1	-3.9
Nov.	8.9	5.7	4.4	5.5	-6.7	2.6	11.5	-21.9	-42.6	35.2	-3.8	-10.4	-0.2	10.4
Dec.	21.6	8.2	6.8	8.2	-1.5	1.6	23.3	-20.8	-8.2	-35.6	-3.2	31.5	-5.4	-2.4
2012 Jan.	-10.1	-9.2	2.2	4.1	-7.3	0.1	-10.0	10.4	-6.4	-43.4	-4.1	64.8	-0.5	-0.4
Feb.	-5.9	2.4	2.7	5.0	-16.0	1.6	-4.3	3.2	-5.3	18.0	6.2	-14.0	-1.8	1.0
12-month cumulated transactions														
2012 Feb.	3.1	11.4	60.1	32.0	-100.3	10.1	13.2	-13.8	-130.4	219.7	-19.7	-75.7	-7.7	0.6
12-month cumulated transactions as a percentage of GDP														
2012 Feb.	0.0	0.1	0.6	0.3	-1.1	0.1	0.1	-0.1	-1.4	2.3	-0.2	-0.8	-0.1	0.0

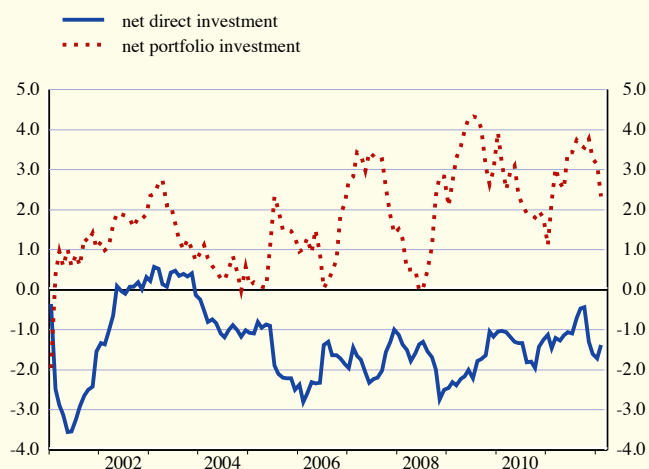
C32 Euro area b.o.p.: current account

(seasonally adjusted; 12-month cumulated transactions as a percentage of GDP)



C33 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

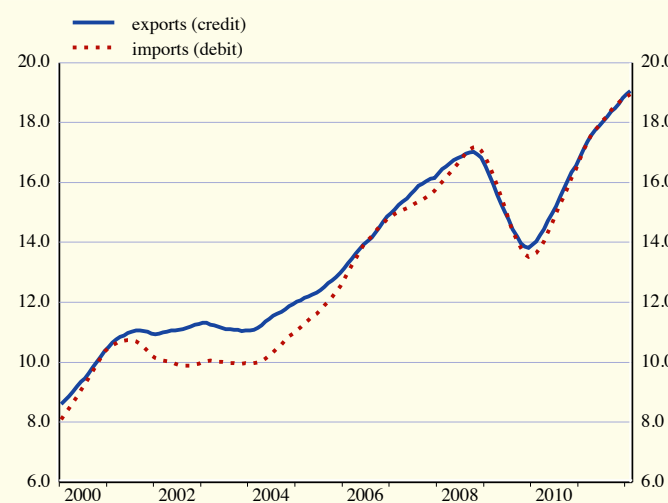
(EUR billions; transactions)

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
2009	2,307.2	2,329.2	-21.9	1,304.1	1,272.8	478.9	442.5	429.9	426.5	94.3	6.4	187.4	22.5	20.5	13.7
2010	2,657.8	2,664.6	-6.8	1,566.8	1,551.7	524.0	474.4	479.4	447.6	87.6	6.3	190.9	22.3	21.4	15.0
2011	2,930.5	2,933.7	-3.2	1,773.8	1,769.1	550.1	489.0	513.9	482.2	92.7	6.4	193.4	22.3	25.5	14.7
2010 Q4	716.0	701.8	14.2	423.4	417.3	137.6	126.1	124.3	110.6	30.8	1.6	47.8	6.0	7.3	5.7
2011 Q1	698.0	719.3	-21.3	427.8	437.9	124.6	116.8	121.1	106.2	24.5	1.5	58.4	5.4	5.0	2.7
Q2	727.8	746.4	-18.6	438.7	441.0	134.4	118.0	135.5	147.3	19.1	1.6	40.0	5.6	4.0	3.2
Q3	732.7	730.0	2.7	444.6	441.8	147.3	127.7	124.0	115.3	16.8	1.8	45.3	5.7	5.2	3.5
Q4	772.0	738.1	33.9	462.7	448.4	143.7	126.6	133.3	113.5	32.3	1.5	49.6	5.6	11.3	5.3
2011 Dec.	270.1	248.5	21.6	151.8	143.6	51.0	44.3	51.0	42.8	16.3	.	17.8	.	4.5	2.9
2012 Jan.	235.8	245.9	-10.1	142.9	152.1	41.1	38.9	42.3	38.1	9.5	.	16.8	.	1.0	0.9
Feb.	242.6	248.5	-5.9	152.7	150.2	40.9	38.2	37.8	32.8	11.2	.	27.2	.	2.4	0.8
	Seasonally adjusted														
2011 Q2	722.9	729.0	-6.1	436.7	438.0	134.8	120.5	129.0	122.3	22.4	.	48.1	.	.	.
Q3	735.2	735.4	-0.2	443.7	442.5	138.5	122.8	129.4	121.9	23.6	.	48.2	.	.	.
Q4	747.2	742.9	4.3	452.4	450.1	139.9	122.9	131.1	121.1	23.8	.	48.7	.	.	.
2011 Dec.	250.4	247.4	3.0	152.7	150.5	46.4	41.0	43.5	39.8	7.9	.	16.3	.	.	.
2012 Jan.	253.2	249.5	3.7	154.7	151.4	44.6	40.5	45.7	41.5	8.2	.	16.2	.	.	.
Feb.	250.0	251.3	-1.3	155.8	154.3	46.3	41.6	40.1	39.0	7.7	.	16.5	.	.	.
	12-month cumulated transactions														
2012 Feb.	2,952.2	2,950.1	2.1	1,792.1	1,782.7	549.2	489.1	517.6	484.5	93.2	.	193.7	.	.	.
	12-month cumulated transactions as a percentage of GDP														
2012 Feb.	31.4	31.3	0.0	19.0	18.9	5.8	5.2	5.5	5.1	1.0	.	2.1	.	.	.

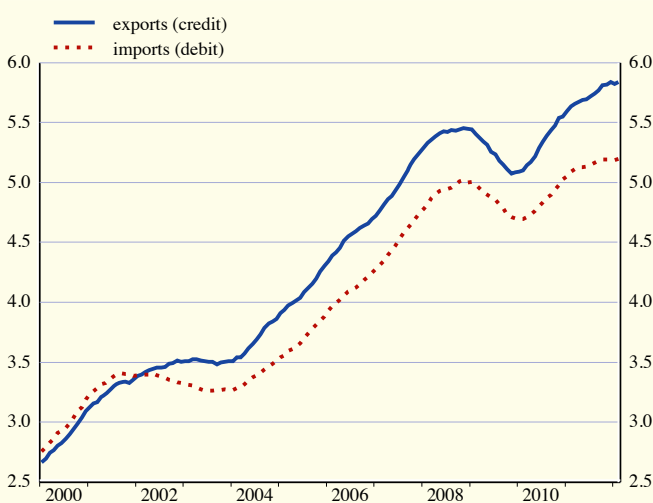
C34 Euro area b.o.p.: goods

(seasonally adjusted; 12-month cumulated transactions as a percentage of GDP)



C35 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
2009	22.2	12.0	407.7	414.4	156.8	20.7	100.6	15.4	25.0	24.7	24.5	77.5	100.9	121.3	100.4	90.3
2010	24.2	12.0	455.1	435.6	220.5	41.6	137.7	32.7	23.9	22.1	28.7	86.6	102.2	124.0	79.9	65.2
2011	25.1	12.3	488.8	469.9	239.8	65.5	153.1	53.1	25.0	21.9	35.9	96.3	102.6	131.7	85.5	66.8
2010 Q4	6.6	2.9	117.7	107.8	57.1	1.6	34.0	0.7	6.3	7.8	6.3	18.7	26.9	30.0	21.1	17.3
2011 Q1	6.0	2.2	115.1	104.0	55.4	16.0	35.4	20.6	5.8	4.8	7.4	14.4	25.7	32.7	20.7	16.7
Q2	6.1	3.3	129.4	144.0	65.5	13.7	42.3	9.9	5.4	5.5	12.3	46.6	25.7	32.3	20.5	17.2
Q3	6.0	3.7	118.0	111.5	54.5	21.3	37.6	17.7	6.8	5.5	9.0	18.7	25.9	33.2	21.9	16.5
Q4	7.0	3.1	126.3	110.4	64.3	14.5	37.8	4.8	6.9	6.1	7.2	16.6	25.3	33.5	22.5	16.4

3. Geographical breakdown

(cumulated transactions)

2011 Q1 to 2011 Q4	Total	EU Member States outside the euro area						Brazil	Canada	China	India	Japan	Russia	Switzer- land	United States	Other
		Total	Den- mark	Sweden	United Kingdom	Other EU countries	EU insti- tutions									
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
	Credits															
Current account	2,930.5	959.1	53.5	91.0	445.7	307.5	61.3	58.8	40.1	149.6	41.2	64.2	107.9	228.5	376.2	904.9
Goods	1,773.8	565.8	33.7	59.1	232.0	240.9	0.2	30.3	20.7	115.7	30.9	39.6	80.6	123.6	199.1	567.5
Services	550.1	170.6	11.2	15.4	105.2	32.2	6.6	8.9	9.1	17.8	6.9	13.0	18.2	55.2	81.5	168.9
Income	513.9	160.6	7.5	14.8	97.8	31.4	9.0	19.3	9.6	15.4	3.2	10.6	8.6	40.9	89.2	156.5
Investment income	488.8	153.3	6.7	14.7	96.3	30.8	4.8	19.2	9.5	15.4	3.2	10.6	8.5	28.6	87.5	153.0
Current transfers	92.7	62.0	1.1	1.7	10.7	3.0	45.5	0.4	0.7	0.7	0.3	1.0	0.5	8.7	6.5	12.0
Capital account	25.5	20.8	0.0	0.1	1.4	0.4	19.0	0.1	0.0	0.0	0.0	0.2	0.1	0.6	0.4	3.2
	Debits															
Current account	2,933.7	901.4	46.0	89.6	386.7	272.8	106.4	-	32.7	-	-	95.7	-	189.3	374.7	-
Goods	1,769.1	490.3	30.3	51.5	185.5	223.0	0.0	31.2	15.0	210.1	28.4	52.7	134.5	99.7	142.4	564.9
Services	489.0	140.5	8.3	12.8	83.7	35.5	0.3	5.4	6.5	13.1	6.1	9.3	10.1	42.8	100.5	154.6
Income	482.2	152.2	6.6	23.8	105.9	9.8	6.2	-	9.3	-	-	33.0	-	39.3	125.4	-
Investment income	469.9	146.1	6.5	23.6	104.3	5.4	6.2	-	9.1	-	-	32.8	-	38.9	124.1	-
Current transfers	193.4	118.4	0.8	1.5	11.6	4.5	100.0	1.5	1.8	4.1	0.7	0.6	0.7	7.5	6.4	51.6
Capital account	14.7	2.1	0.3	0.1	1.1	0.4	0.2	0.2	0.3	0.4	0.3	0.1	0.1	0.6	1.8	8.8
	Net															
Current account	-3.2	57.7	7.6	1.4	59.0	34.8	-45.2	-	7.4	-	-	-31.4	-	39.1	1.5	-
Goods	4.6	75.6	3.4	7.6	46.5	17.9	0.2	-0.9	5.6	-94.3	2.4	-13.1	-53.9	23.9	56.7	2.6
Services	61.1	30.0	3.0	2.6	21.5	-3.3	6.3	3.5	2.6	4.7	0.8	3.6	8.1	12.4	-19.0	14.2
Income	31.7	8.4	0.9	-8.9	-8.0	21.6	2.8	-	0.3	-	-	-22.3	-	1.6	-36.2	-
Investment income	18.9	7.2	0.2	-9.0	-8.0	25.4	-1.4	-	0.4	-	-	-22.2	-	-10.3	-36.6	-
Current transfers	-100.6	-56.3	0.4	0.2	-0.9	-1.5	-54.5	-1.1	-1.1	-3.4	-0.5	0.3	-0.2	1.2	0.0	-39.5
Capital account	10.8	18.7	-0.3	-0.1	0.3	0.0	18.8	-0.1	-0.2	-0.4	-0.2	0.1	0.1	0.0	-1.4	-5.6

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)														
2008	13,377.1	14,961.4	-1,584.3	144.7	161.8	-17.1	3,878.4	3,247.8	3,834.9	5,976.8	-0.5	5,290.0	5,736.7	374.2
2009	13,764.1	15,170.3	-1,406.2	154.3	170.0	-15.8	4,287.2	3,403.0	4,341.3	6,781.9	0.2	4,675.9	4,985.4	459.6
2010	15,234.8	16,461.7	-1,226.9	166.4	179.8	-13.4	4,798.2	3,714.8	4,907.5	7,442.9	-61.6	5,002.9	5,304.0	587.8
2011 Q2	15,377.0	16,636.0	-1,259.0	165.1	178.7	-13.5	5,030.5	3,837.6	4,762.1	7,646.7	-48.3	5,051.8	5,151.6	580.9
Q3	15,558.2	16,782.4	-1,224.2	166.0	179.1	-13.1	5,089.1	3,896.4	4,573.8	7,523.4	-45.9	5,294.5	5,362.6	646.6
Q4	15,786.0	16,922.4	-1,136.4	167.7	179.8	-12.1	5,238.8	3,938.1	4,744.0	7,677.3	-30.4	5,166.5	5,307.0	667.1
Changes to outstanding amounts														
2008	-615.7	-305.5	-310.3	-6.7	-3.3	-3.4	151.7	25.9	-796.2	-561.3	28.4	-26.7	229.9	27.0
2009	387.1	208.9	178.1	4.3	2.3	2.0	408.8	155.2	506.4	805.1	0.7	-614.1	-751.4	85.4
2010	1,470.7	1,291.5	179.3	16.1	14.1	2.0	511.0	311.8	566.2	661.0	-61.7	327.1	318.7	128.2
2011	551.2	460.7	90.5	5.9	4.9	1.0	440.7	223.3	-163.5	234.5	31.2	163.5	3.0	79.3
2011 Q3	181.2	146.4	34.8	7.7	6.2	1.5	58.7	58.7	-188.3	-123.3	2.4	242.7	211.0	65.8
Q4	227.8	140.0	87.8	9.4	5.8	3.6	149.7	41.8	170.2	153.9	15.4	-128.0	-55.6	20.5
Transactions														
2008	429.9	551.3	-121.3	4.7	6.0	-1.3	336.6	105.5	5.0	266.4	84.5	0.5	179.4	3.4
2009	-131.4	-121.9	-9.4	-1.5	-1.4	-0.1	337.0	231.9	90.4	356.1	-20.0	-534.2	-709.9	-4.6
2010	589.9	587.4	2.5	6.4	6.4	0.0	275.8	161.8	143.0	308.1	-18.5	179.1	117.4	10.5
2011	491.0	466.5	24.6	5.2	5.0	0.3	348.3	197.2	-47.2	261.1	20.8	158.9	8.2	10.2
2011 Q2	193.5	214.7	-21.2	8.2	9.1	-0.9	60.0	28.2	39.9	178.9	-3.6	101.7	7.6	-4.5
Q3	133.0	136.5	-3.5	5.7	5.8	-0.1	56.6	37.4	-63.1	-28.1	14.8	128.4	127.2	-3.7
Q4	-78.5	-122.5	44.0	-3.2	-5.1	1.8	106.9	49.5	-46.8	-48.6	9.2	-154.5	-123.5	6.8
2011 Oct.	-40.5	-41.8	1.3	.	.	.	20.4	13.8	-33.6	-35.0	2.2	-30.6	-20.7	1.1
Nov.	-15.5	-37.4	21.9	.	.	.	47.8	5.2	-30.2	5.0	3.8	-37.2	-47.6	0.2
Dec.	-22.5	-43.3	20.8	.	.	.	38.7	30.5	17.0	-18.6	3.2	-86.7	-55.2	5.4
2012 Jan.	74.2	84.6	-10.4	.	.	.	26.8	20.4	28.3	-15.1	4.1	14.4	79.3	0.5
Feb.	51.8	55.0	-3.2	.	.	.	12.4	7.2	26.9	44.9	-6.2	16.9	2.9	1.8
Other changes														
2007	-332.3	-84.4	-247.9	-3.7	-0.9	-2.7	59.9	64.3	-180.8	25.1	-75.1	-152.6	-173.8	16.3
2008	-1,045.7	-856.7	-188.9	-11.3	-9.3	-2.0	-184.9	-79.5	-801.2	-827.7	-56.0	-27.2	50.5	23.7
2009	518.4	330.8	187.6	5.8	3.7	2.1	71.8	-76.7	416.0	449.0	20.7	-80.0	-41.5	89.9
2010	880.8	704.1	176.7	9.6	7.7	1.9	235.2	150.0	423.2	352.9	-43.2	147.9	201.2	117.7
Other changes due to exchange rate changes														
2007	-522.0	-339.7	-182.3	-5.8	-3.8	-2.0	-104.2	-17.1	-217.4	-146.8	.	-186.6	-175.8	-13.7
2008	-49.8	27.9	-77.7	-0.5	0.3	-0.8	-25.0	-34.0	6.6	41.9	.	-40.7	20.1	9.3
2009	-49.6	-55.1	5.5	-0.6	-0.6	0.1	-4.6	5.7	-30.5	-32.9	.	-11.9	-27.9	-2.7
2010	535.4	323.9	211.5	5.8	3.5	2.3	160.8	57.6	179.4	101.7	.	182.2	164.6	13.0
Other changes due to price changes														
2007	78.7	113.4	-34.6	0.9	1.3	-0.4	45.2	5.8	77.3	107.6	-75.1	.	.	31.3
2008	-1,002.7	-975.7	-27.1	-10.8	-10.6	-0.3	-159.2	-60.7	-809.5	-915.0	-56.0	.	.	22.0
2009	634.2	483.5	150.7	7.1	5.4	1.7	142.5	28.4	425.2	455.2	20.7	.	.	45.8
2010	296.3	153.8	142.5	3.2	1.7	1.5	50.2	2.2	187.3	151.7	-43.2	.	.	102.0
Other changes due to other adjustments														
2007	110.9	142.0	-31.0	1.2	1.6	-0.3	118.8	75.6	-40.7	64.3	.	34.1	2.0	-1.3
2008	6.8	91.0	-84.1	0.1	1.0	-0.9	-0.7	15.2	1.8	45.4	.	13.4	30.4	-7.7
2009	-66.2	-97.6	31.4	-0.8	-1.2	0.4	-66.2	-110.8	21.2	26.8	.	-68.1	-13.6	46.8
2010	49.1	226.4	-177.3	1.6	3.1	-1.4	24.2	90.1	56.5	99.6	.	-34.3	36.7	2.7
Growth rates of outstanding amounts														
2007	15.6	14.3	-	.	.	.	15.8	15.1	10.0	9.4	.	20.2	20.2	1.6
2008	3.0	3.6	-	.	.	.	9.2	3.3	-0.2	4.2	.	0.0	3.3	1.0
2009	-1.0	-0.8	-	.	.	.	8.7	7.3	2.3	5.9	.	-10.1	-12.3	-1.2
2010	4.1	3.8	-	.	.	.	6.2	4.6	3.2	4.4	.	3.8	2.3	2.0
2011 Q2	4.4	4.1	-	.	.	.	6.1	5.3	3.2	6.5	.	4.5	-0.2	2.4
Q3	4.5	4.2	-	.	.	.	5.7	6.3	0.9	5.3	.	6.9	1.2	0.9
Q4	3.2	2.9	-	.	.	.	7.2	5.3	-1.1	3.5	.	3.3	0.2	1.6

Source: ECB.

1) Net financial derivatives are included in assets.

7.3 Financial account

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

2. Direct investment

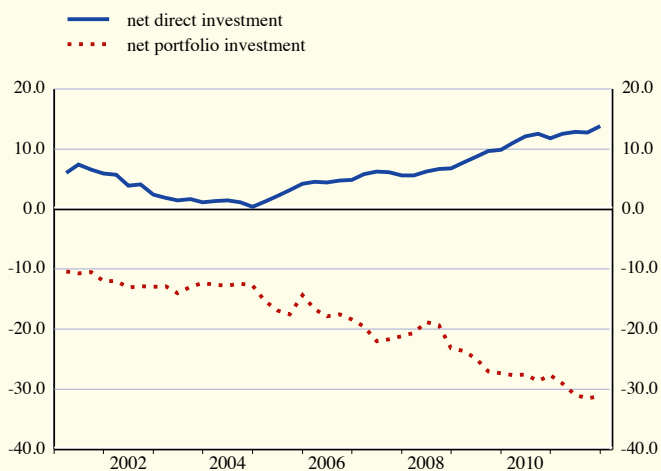
	By resident units abroad							By non-resident units in the euro area						
	Total	Equity capital and reinvested earnings			Other capital (mostly inter-company loans)			Total	Equity capital and reinvested earnings			Other capital (mostly inter-company loans)		
		Total	MFIs	Non-MFIs	Total	MFIs	Non-MFIs		Total	Into MFIs	Into non-MFIs	Total	To MFIs	To non-MFIs
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Outstanding amounts (international investment position)														
2009	4,287.2	3,305.5	236.2	3,069.3	981.7	14.8	966.9	3,403.0	2,501.9	74.2	2,427.7	901.1	18.1	883.0
2010	4,798.2	3,667.1	277.9	3,389.2	1,131.1	17.8	1,113.3	3,714.8	2,820.2	83.2	2,737.0	894.6	12.7	881.9
2011 Q3	5,089.1	3,926.1	287.7	3,638.4	1,163.0	13.2	1,149.8	3,896.4	3,019.1	85.4	2,933.7	877.2	8.7	868.5
Q4	5,238.8	4,067.8	291.3	3,776.6	1,171.0	14.2	1,156.8	3,938.1	3,056.9	85.3	2,971.6	881.2	8.2	873.0
Transactions														
2008	336.6	193.8	9.3	184.5	142.8	-0.3	143.1	105.5	64.3	-8.2	72.5	41.1	1.6	39.6
2009	337.0	258.1	21.6	236.5	78.9	2.6	76.3	231.9	236.3	5.6	230.7	-4.4	-0.6	-3.8
2010	275.8	157.0	14.9	142.2	118.7	1.2	117.5	161.8	203.2	6.1	197.1	-41.3	-7.5	-33.8
2011 Q2	60.0	53.8	8.9	44.9	6.2	-2.6	8.9	28.2	33.2	1.3	31.9	-5.0	-1.6	-3.3
Q3	56.6	35.9	2.3	33.5	20.7	-1.7	22.5	37.4	58.7	1.0	57.7	-21.3	-0.8	-20.5
Q4	106.9	105.8	1.2	104.6	1.1	1.0	0.1	49.5	41.7	0.7	41.0	7.9	0.2	7.7
2011 Oct.	20.4	20.8	0.5	20.4	-0.5	0.2	-0.7	13.8	12.2	0.3	11.9	1.6	-0.2	1.8
Nov.	47.8	54.4	0.0	54.4	-6.6	0.3	-6.8	5.2	9.5	0.8	8.7	-4.3	-0.1	-4.1
Dec.	38.7	30.5	0.7	29.8	8.1	0.5	7.7	30.5	19.9	-0.4	20.3	10.5	0.4	10.1
2012 Jan.	26.8	27.1	2.4	24.7	-0.4	0.2	-0.6	20.4	23.8	0.2	23.5	-3.4	-0.5	-2.8
Feb.	12.4	13.7	-3.0	16.6	-1.2	0.2	-1.4	7.2	8.8	1.3	7.5	-1.6	0.2	-1.8
Growth rates														
2009	8.7	8.6	9.9	8.5	9.0	20.5	8.8	7.3	10.4	8.6	10.4	-0.5	-3.2	-0.4
2010	6.2	4.5	6.2	4.4	12.0	7.8	12.0	4.6	7.9	8.0	7.9	-4.6	-41.3	-3.8
2011 Q2	6.1	6.4	5.8	6.5	5.2	-12.7	5.5	5.3	6.0	6.6	6.0	2.8	-47.2	3.8
Q3	5.7	5.5	5.9	5.4	6.5	-24.0	7.0	6.3	6.9	5.2	6.9	4.5	-51.2	5.7
Q4	7.2	8.2	6.1	8.3	4.0	-19.6	4.4	5.3	7.3	4.2	7.4	-1.2	-27.6	-0.9

C36 Euro area international investment position

(outstanding amounts at end of period; as a percentage of GDP)

**C37 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	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)															
2009	4,341.3	1,514.5	80.8	3.4	1,433.6	36.6	2,426.6	924.6	17.1	1,502.0	36.6	400.2	330.2	44.9	69.9	2.0
2010	4,907.5	1,914.2	93.8	3.6	1,820.5	47.6	2,588.8	810.7	15.6	1,778.1	75.7	404.5	314.9	41.7	89.6	0.2
2011 Q3	4,573.8	1,620.4	76.2	3.4	1,544.2	38.1	2,552.5	748.7	17.7	1,803.8	93.9	400.9	301.4	54.9	99.5	0.5
Q4	4,744.0	1,706.8	70.6	3.1	1,636.2	39.4	2,579.1	727.4	16.0	1,851.7	94.2	458.2	298.8	57.5	159.4	0.5
	Transactions															
2008	5.0	-93.7	-34.3	0.7	-59.4	-0.1	72.1	37.7	3.2	34.4	2.7	26.5	49.6	13.1	-23.0	0.4
2009	90.4	53.1	-1.3	0.0	54.4	2.5	42.9	-93.0	-3.8	135.9	17.5	-5.6	0.5	-12.9	-6.1	0.9
2010	143.0	76.7	5.6	-0.2	71.1	1.7	106.7	-125.3	-0.9	232.0	51.5	-40.4	-55.7	-11.7	15.3	-1.9
2011 Q2	39.9	26.8	3.1	0.1	23.7	-2.4	25.5	-4.6	0.4	30.1	-1.2	-12.5	-11.1	4.8	-1.3	-0.5
Q3	-63.1	-53.7	-12.9	0.0	-40.8	-2.0	-17.8	-19.4	-0.1	1.6	0.1	8.4	8.1	3.5	0.4	0.0
Q4	-46.8	-36.8	-9.2	-0.3	-27.6	-0.9	-21.5	-17.3	-1.7	-4.2	-1.7	11.5	14.8	0.6	-3.3	0.0
2011 Oct.	-33.6	-9.3	-4.9	-0.1	-4.4	.	-11.6	-0.8	7.2	-10.7	.	-12.7	-14.5	-13.0	1.8	.
Nov.	-30.2	-19.8	-2.7	0.0	-17.1	.	-13.3	-14.6	0.6	1.3	.	2.9	3.6	-1.6	-0.7	.
Dec.	17.0	-7.7	-1.6	-0.2	-6.1	.	3.4	-1.9	-9.5	5.2	.	21.3	25.8	15.2	-4.5	.
2012 Jan.	28.3	2.9	-0.6	0.0	3.5	.	20.5	1.3	0.8	19.2	.	5.0	2.7	-7.2	2.2	.
Feb.	26.9	3.5	0.5	0.0	3.0	.	19.2	5.6	0.1	13.6	.	4.1	1.5	2.4	2.6	.
	Growth rates															
2009	2.3	3.8	-2.4	-0.6	4.2	8.5	1.8	-9.4	-19.0	10.5	93.4	-2.0	-0.9	-22.3	-7.9	67.2
2010	3.2	4.8	7.0	-5.2	4.7	4.8	4.2	-13.5	-4.9	14.8	122.5	-9.5	-16.0	-25.4	21.1	-91.9
2011 Q2	3.2	3.7	4.9	-9.8	3.7	-14.6	3.5	-12.4	9.6	12.0	118.6	-0.6	-4.0	9.2	13.2	97.4
Q3	0.9	0.6	-7.3	-8.7	1.0	-16.4	0.5	-14.9	9.3	8.6	130.0	6.1	1.0	0.9	28.1	-4.8
Q4	-1.1	-4.0	-21.3	-16.7	-3.1	-15.8	-0.4	-6.9	2.0	2.6	-3.1	7.9	9.8	26.5	2.5	112.5

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)											
2009	6,781.9	2,781.9	686.2	2,095.7	3,493.1	1,093.2	2,399.9	1,481.2	506.9	66.2	440.7	409.3
2010	7,442.9	3,150.7	658.0	2,492.7	3,823.0	1,165.4	2,657.5	1,680.3	469.2	77.2	392.0	352.6
2011 Q3	7,523.4	2,842.5	618.0	2,224.5	4,148.9	1,222.6	2,926.3	1,844.4	532.0	110.1	421.9	376.8
Q4	7,677.3	3,078.2	553.6	2,524.6	4,141.2	1,235.2	2,906.0	1,836.6	457.9	98.2	359.8	315.1
	Transactions											
2008	266.4	-108.6	78.1	-186.7	175.5	-15.6	191.0	159.4	199.5	-25.0	224.6	191.0
2009	356.1	124.6	10.7	113.9	140.5	-14.4	154.9	101.3	90.9	-18.5	109.4	144.3
2010	308.1	144.2	-16.3	160.4	184.2	59.1	125.1	194.5	-20.3	19.2	-39.5	-34.9
2011 Q2	178.9	-4.3	-4.4	0.2	170.8	43.9	127.0	95.1	12.4	7.3	5.0	0.3
Q3	-28.1	-22.3	-10.6	-11.7	2.1	14.2	-12.0	-22.9	-7.9	-12.7	4.8	17.9
Q4	-48.6	42.3	29.0	13.3	-31.5	-31.5	0.1	-4.1	-59.4	0.4	-59.8	-71.6
2011 Oct.	-35.0	-15.8	7.0	-22.9	-2.9	-18.1	15.3	.	-16.3	-1.8	-14.5	.
Nov.	5.0	26.6	18.1	8.5	-8.0	-4.2	-3.9	.	-13.5	6.8	-20.3	.
Dec.	-18.6	31.5	3.8	27.7	-20.6	-9.2	-11.3	.	-29.6	-4.5	-25.0	.
2012 Jan.	-15.1	9.9	4.1	5.8	-32.0	-6.6	-25.4	.	7.1	-3.4	10.4	.
Feb.	44.9	-1.0	-3.3	2.3	44.6	19.6	25.0	.	1.4	0.7	0.6	.
	Growth rates											
2009	5.9	5.4	1.7	6.8	4.1	-1.2	7.0	7.2	23.1	-29.1	33.1	53.5
2010	4.4	5.1	-2.4	7.5	5.1	5.2	5.1	12.9	-4.2	26.3	-9.1	-8.7
2011 Q2	6.5	7.5	0.9	9.4	5.7	10.1	3.8	7.7	7.8	78.0	-2.8	2.6
Q3	5.3	4.5	-2.8	6.5	6.7	10.3	5.2	8.5	-0.4	9.3	-2.4	5.3
Q4	3.5	4.0	3.2	4.1	4.5	5.2	4.2	6.1	-4.9	24.6	-10.9	-10.7

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)														
2009	4,675.9	30.2	29.8	0.4	2,834.7	2,804.2	30.5	122.1	8.4	74.9	15.9	1,688.9	201.4	1,344.7	402.6
2010	5,002.9	32.6	32.0	0.7	2,972.3	2,939.9	32.4	166.3	7.6	117.6	21.0	1,831.8	214.4	1,468.5	428.6
2011 Q3	5,294.5	42.4	42.1	0.3	3,206.3	3,148.7	57.6	141.7	7.4	93.5	16.5	1,904.1	228.5	1,518.4	480.5
Q4	5,166.5	35.5	35.2	0.3	3,065.7	3,007.3	58.4	165.8	7.5	116.8	30.2	1,899.5	230.4	1,521.0	463.4
	Transactions														
2008	0.5	-9.5	-9.5	0.0	-42.6	-59.2	16.6	-5.7	-1.1	-5.9	-4.7	58.3	-1.1	48.0	-22.0
2009	-534.2	0.1	0.0	0.1	-420.4	-399.9	-20.5	11.8	-0.4	10.4	0.2	-125.6	7.5	-129.0	-34.8
2010	179.1	-2.9	-2.9	0.0	8.6	-0.2	8.8	41.7	-0.3	41.3	4.9	131.7	7.6	101.7	46.7
2011 Q2	101.7	4.6	4.6	0.0	61.3	54.7	6.6	-0.6	0.0	-1.0	2.4	36.4	-0.7	34.9	31.9
Q3	128.4	-2.7	-2.7	0.1	82.7	68.3	14.4	-6.0	-0.1	-6.0	-1.5	54.4	2.4	39.2	19.0
Q4	-154.5	-8.2	-8.2	0.0	-156.9	-157.2	0.3	17.0	0.0	17.0	13.3	-6.3	0.2	4.2	-4.1
2011 Oct.	-30.6	-3.2	.	.	-69.7	.	.	5.1	.	.	7.7	37.3	.	.	16.4
Nov.	-37.2	-3.6	.	.	-39.6	.	.	11.4	.	.	6.9	-5.4	.	.	0.3
Dec.	-86.7	-1.4	.	.	-47.6	.	.	0.5	.	.	-1.3	-38.2	.	.	-20.8
2012 Jan.	14.4	1.8	.	.	5.5	.	.	-1.6	.	.	0.6	8.7	.	.	-2.0
Feb.	16.9	0.1	.	.	12.0	.	.	-8.3	.	.	-6.4	13.1	.	.	4.3
	Growth rates														
2009	-10.1	-0.4	-1.4	23.4	-12.8	-12.4	-37.0	10.8	-3.5	17.1	3.5	-6.9	3.8	-8.6	-8.2
2010	3.8	-13.1	-13.0	-9.9	0.4	0.1	27.7	33.2	-3.1	53.2	30.6	7.7	3.7	7.4	11.3
2011 Q2	4.5	65.6	67.1	-0.7	2.8	2.4	37.7	17.5	-2.9	26.8	4.1	5.5	3.9	5.3	18.1
Q3	6.9	46.0	46.3	63.4	6.0	5.1	84.1	16.1	-3.6	25.0	9.1	7.2	4.5	7.0	18.0
Q4	3.3	-5.3	-5.4	40.4	1.8	0.9	88.4	1.2	-3.2	1.4	51.8	6.1	3.8	5.6	12.6

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)														
2009	4,985.4	251.7	251.3	0.4	3,399.7	3,360.7	39.0	85.2	0.0	80.8	4.4	1,248.8	177.8	929.3	141.7
2010	5,304.0	268.8	265.7	3.1	3,508.6	3,462.6	46.0	153.9	0.0	147.2	6.6	1,372.8	200.8	1,016.2	155.8
2011 Q3	5,362.6	315.2	312.3	2.9	3,403.8	3,340.7	63.2	210.2	0.0	204.2	5.9	1,433.4	219.6	1,039.3	174.4
Q4	5,307.0	408.9	406.0	2.8	3,212.4	3,144.8	67.6	222.6	0.1	215.9	6.7	1,463.1	221.5	1,073.7	167.9
	Transactions														
2008	179.4	280.9	280.9	0.0	-174.7	-186.0	11.3	9.5	0.0	10.9	-1.3	63.6	9.4	44.4	9.8
2009	-709.9	-233.2	-233.4	0.2	-352.8	-341.6	-11.2	17.2	0.0	17.2	0.0	-141.1	0.8	-127.6	-14.3
2010	117.4	8.9	6.3	2.6	-10.8	-16.7	5.9	65.6	0.0	64.8	0.8	53.7	15.4	14.9	23.4
2011 Q2	7.6	7.2	4.9	2.4	-18.1	-19.3	1.2	12.8	0.1	12.5	0.3	5.7	0.6	3.4	1.7
Q3	127.2	29.8	29.8	0.0	24.3	5.6	18.7	23.2	-0.1	23.2	0.1	49.8	6.3	24.2	19.4
Q4	-123.5	87.9	88.0	0.0	-232.2	-240.2	8.0	9.1	0.0	8.9	0.1	11.7	0.6	19.0	-7.9
2011 Oct.	-20.7	-7.5	.	.	-31.8	.	.	3.6	.	.	.	15.0	.	.	.
Nov.	-47.6	-2.8	.	.	-46.1	.	.	-0.2	.	.	.	1.5	.	.	.
Dec.	-55.2	98.2	.	.	-154.3	.	.	5.7	.	.	.	-4.8	.	.	.
2012 Jan.	79.3	-35.8	.	.	106.3	.	.	6.3	.	.	.	2.5	.	.	.
Feb.	2.9	0.1	.	.	-6.2	.	.	-2.1	.	.	.	11.1	.	.	.
	Growth rates														
2009	-12.3	-48.1	-48.1	.	-9.4	-9.2	-19.8	24.9	.	26.5	-0.7	-9.9	0.3	-11.6	-9.2
2010	2.3	3.4	2.4	.	-0.2	-0.4	15.5	75.5	.	79.7	11.8	4.1	8.5	1.4	15.4
2011 Q2	-0.2	12.6	11.8	.	-5.2	-5.6	22.8	91.4	.	98.3	-10.6	4.3	7.2	1.3	19.9
Q3	1.2	25.9	25.6	.	-4.3	-5.4	79.4	104.6	.	111.8	-8.4	3.1	10.3	-0.5	19.4
Q4	0.2	50.6	51.2	.	-8.3	-9.5	89.7	48.5	.	51.2	-9.0	6.7	5.1	4.7	22.4

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 ¹⁾

	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 allocations	
		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)																
2008	374.2	217.0	349.207	4.7	7.3	145.1	7.6	8.1	129.5	0.6	111.3	17.6	0.0	0.0	262.8	-245.7	5.5
2009	462.4	266.1	347.180	50.8	10.5	134.9	11.7	8.1	115.2	0.5	92.0	22.7	-0.1	0.0	32.1	-24.2	51.2
2010	591.2	366.2	346.962	54.2	15.8	155.0	7.7	16.1	131.3	0.5	111.2	19.5	0.0	0.0	26.3	-24.4	54.5
2011 Q2	580.9	361.4	346.988	50.5	22.4	146.5	5.1	13.0	128.2	0.5	108.3	19.3	0.2	0.0	20.4	-18.1	52.2
Q3	646.7	416.3	346.989	52.9	26.1	151.4	5.5	11.1	135.1	0.6	120.5	14.0	-0.4	0.0	31.4	-24.5	54.5
Q4	667.1	422.1	346.846	54.0	30.2	160.9	5.3	7.8	148.1	0.6	134.3	13.3	-0.4	0.0	97.4	-86.0	55.9
2012 Feb.	696.4	456.7	346.846	52.5	30.6	156.4	5.1	6.9	144.2	-	-	-	0.2	0.3	97.4	-83.8	54.6
Mar.	671.3	431.7	346.847	52.5	30.9	155.8	4.5	7.6	143.6	-	-	-	0.1	0.3	55.2	-42.5	54.7
	Transactions																
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	-4.6	-2.0	-	0.5	3.4	-6.4	3.1	-1.2	-9.5	0.0	-14.1	4.6	1.2	0.0	-	-	-
2010	10.5	0.0	-	-0.1	4.9	5.7	-5.4	6.7	4.3	0.0	10.6	-6.3	0.0	0.0	-	-	-
2011 Q2	-4.5	0.0	-	-0.2	0.9	-5.2	-0.5	-5.4	0.8	0.0	0.4	0.4	-0.1	0.0	-	-	-
Q3	-3.7	0.0	-	0.2	2.4	-6.3	0.3	-2.9	-3.8	0.0	3.0	-6.7	0.0	0.0	-	-	-
Q4	6.8	0.0	-	-0.4	3.1	4.1	-0.5	-3.0	7.4	-0.2	8.8	-1.2	0.1	0.0	-	-	-
	Growth rates																
2007	1.6	-1.7	-	7.3	-18.3	6.3	15.0	6.4	5.7	1.1	18.6	-27.6	-	-	-	-	-
2008	1.0	-1.3	-	-2.5	105.5	1.7	67.8	-68.9	10.8	28.0	17.9	-20.6	-	-	-	-	-
2009	-1.2	-0.9	-	-2.6	45.5	-4.4	41.1	-21.3	-7.3	1.0	-12.8	25.3	-	-	-	-	-
2010	2.0	0.0	-	-0.1	46.4	3.7	-43.3	76.2	3.6	-5.2	10.3	-24.5	-	-	-	-	-
2011 Q2	2.4	0.0	-	-2.5	49.0	4.8	-34.5	5.0	7.5	1.9	12.4	-14.7	-	-	-	-	-
Q3	0.9	0.0	-	-2.0	64.6	-2.8	-27.0	-37.0	3.2	1.9	9.9	-42.4	-	-	-	-	-
Q4	1.6	0.0	-	-3.0	82.2	-1.1	-30.0	-52.4	6.9	-21.6	14.6	-45.3	-	-	-	-	-

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)											
2008	10,914.5	5,340.8	398.1	3,377.9	184.1	211.8	1,401.7	1,747.0	482.7	5,006.5	2,276.5	
2009	10,391.3	4,622.0	506.9	3,493.1	177.8	185.6	1,405.9	1,975.7	251.7	4,559.1	2,198.9	
2010	11,016.4	4,891.7	469.2	3,823.0	200.8	211.5	1,420.2	2,186.8	268.8	4,751.3	2,389.4	
2011 Q2	11,057.2	4,729.2	522.7	3,961.4	209.6	212.9	1,421.5	2,329.9	278.0	4,604.5	2,423.3	
Q3	11,464.2	4,896.6	532.0	4,148.9	219.7	246.4	1,420.7	2,431.3	315.2	4,736.6	2,560.4	
Q4	11,338.1	4,840.4	457.9	4,141.2	221.5	245.0	1,432.0	2,374.3	408.9	4,545.7	2,577.2	
	Outstanding amounts as a percentage of GDP											
2008	118.2	57.8	4.3	36.6	2.0	2.3	15.2	18.9	5.2	54.2	24.6	
2009	116.5	51.8	5.7	39.2	2.0	2.1	15.8	22.1	2.8	51.1	24.6	
2010	120.4	53.5	5.1	41.8	2.2	2.3	15.5	23.9	2.9	51.9	26.1	
2011 Q2	118.9	50.9	5.6	42.6	2.3	2.3	15.3	25.1	3.0	49.5	26.1	
Q3	122.5	52.3	5.7	44.3	2.3	2.6	15.2	26.0	3.4	50.6	27.4	
Q4	120.5	51.4	4.9	44.0	2.4	2.6	15.2	25.2	4.3	48.3	27.4	

Source: ECB.

1) Data refer to the changing composition of the euro area, in line with the approach adopted for the reserve assets of the Eurosystem. For further information, see the General Notes.

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	Switzer- land	United States	Offshore financial centres	Interna- tional organisa- tions	Other countries
	Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions									
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2010	Outstanding amounts (international investment position)														
Direct investment	1,083.3	116.9	3.8	-6.6	-170.8	291.8	-1.3	50.4	57.1	-3.9	178.9	-23.2	42.7	-0.3	664.8
Abroad	4,798.2	1,490.8	36.2	141.7	994.2	318.7	0.0	154.7	61.5	87.2	479.5	899.7	586.7	0.0	1,037.9
Equity/reinvested earnings	3,667.1	1,114.0	32.2	88.8	733.5	259.4	0.0	121.4	49.5	65.8	374.0	637.1	501.8	0.0	803.6
Other capital	1,131.1	376.8	4.0	52.9	260.7	59.2	0.0	33.3	12.0	21.4	105.6	262.7	85.0	0.0	234.3
In the euro area	3,714.8	1,374.0	32.5	148.4	1,165.0	26.9	1.3	104.3	4.4	91.1	300.6	922.9	544.1	0.4	373.1
Equity/reinvested earnings	2,820.2	1,121.1	22.5	133.9	958.4	4.9	1.3	91.7	3.4	73.5	201.8	702.5	387.3	0.1	238.8
Other capital	894.6	252.9	10.0	14.4	206.6	21.9	0.0	12.6	1.0	17.6	98.8	220.4	156.7	0.2	134.3
Portfolio investment assets	4,907.5	1,550.5	84.0	189.3	1,054.9	103.5	118.9	110.8	59.5	203.6	134.6	1,557.4	460.8	30.8	799.6
Equity	1,914.2	379.4	13.7	46.0	300.5	18.1	1.1	44.6	57.2	106.3	117.5	574.9	243.0	1.4	390.1
Debt instruments	2,993.3	1,171.1	70.3	143.3	754.4	85.3	117.8	66.3	2.2	97.3	17.1	982.5	217.8	29.4	409.6
Bonds and notes	2,588.8	1,031.4	63.0	121.3	646.1	83.8	117.2	61.8	1.4	44.3	11.7	836.1	208.6	29.0	364.5
Money market instruments	404.5	139.7	7.3	21.9	108.3	1.6	0.6	4.5	0.8	53.0	5.5	146.4	9.2	0.4	45.1
Other investment	-301.1	-241.1	54.8	1.5	-202.0	85.9	-181.2	-7.3	-8.0	19.9	-34.4	-94.6	-5.0	-25.2	94.7
Assets	5,002.9	2,295.1	112.6	96.9	1,869.7	198.5	17.4	28.5	38.7	103.7	275.2	713.1	588.7	48.8	911.2
General government	166.3	55.0	0.8	6.5	34.6	2.1	11.0	1.9	3.2	2.6	1.2	13.7	3.6	31.8	53.2
MFIs	3,004.9	1,576.0	90.7	52.9	1,268.2	160.9	3.3	15.6	12.1	72.6	136.3	375.8	367.6	16.5	432.4
Other sectors	1,831.8	664.0	21.1	37.5	566.9	35.5	3.1	11.0	23.4	28.5	137.7	323.6	217.4	0.6	425.5
Liabilities	5,304.0	2,536.1	57.9	95.4	2,071.7	112.6	198.6	35.8	46.7	83.8	309.6	807.8	593.6	74.0	816.5
General government	153.9	92.1	0.2	0.5	57.1	0.2	34.1	0.1	0.1	0.1	0.8	27.3	1.7	27.6	4.1
MFIs	3,777.4	1,855.6	45.5	63.8	1,555.6	84.5	106.1	27.6	22.1	50.4	233.4	491.5	475.5	43.4	577.9
Other sectors	1,372.8	588.4	12.2	31.1	458.9	27.9	58.3	8.2	24.6	33.2	75.4	289.0	116.5	3.0	234.5
2011 Q1 to 2011 Q4	Cumulated transactions														
Direct investment	151.1	78.1	-2.1	-5.5	64.1	21.5	0.0	2.5	11.5	-0.1	-13.4	1.9	25.8	0.0	44.8
Abroad	348.3	97.0	2.4	-0.3	71.0	23.9	0.0	10.7	14.6	0.5	19.2	85.9	41.9	0.0	78.3
Equity/reinvested earnings	303.1	80.3	1.9	-1.0	58.7	20.6	0.0	11.1	9.7	1.2	23.0	67.1	45.8	0.0	64.8
Other capital	45.2	16.7	0.5	0.6	12.3	3.3	0.0	-0.4	5.0	-0.7	-3.8	18.8	-3.9	0.0	13.5
In the euro area	197.2	18.9	4.5	5.1	6.9	2.4	0.0	8.2	3.2	0.6	32.6	84.0	16.1	0.0	33.5
Equity/reinvested earnings	208.0	26.9	0.9	7.1	17.2	1.8	0.0	14.7	0.4	1.3	15.8	90.6	21.6	0.0	36.6
Other capital	-10.8	-8.0	3.6	-1.9	-10.3	0.7	0.0	-6.5	2.8	-0.7	16.7	-6.6	-5.5	0.0	-3.0
Portfolio investment assets	-47.2	-5.8	-0.4	10.4	-40.1	2.0	22.4	-4.7	5.4	1.0	-5.4	0.4	-27.5	2.8	-13.4
Equity	-69.0	-13.1	-0.8	-0.2	-12.2	-0.3	0.4	3.3	4.0	-5.4	-7.3	-22.3	-9.1	-0.4	-18.8
Debt instruments	21.8	7.4	0.4	10.6	-28.0	2.3	22.0	-8.0	1.4	6.4	1.8	22.6	-18.4	3.2	5.4
Bonds and notes	-9.0	7.9	3.4	3.1	-15.8	1.3	15.9	-7.6	0.9	-5.2	1.3	-1.9	-20.4	2.4	13.7
Money market instruments	30.8	-0.5	-3.0	7.5	-12.1	0.9	6.1	-0.4	0.5	11.6	0.5	24.6	2.1	0.9	-8.3
Other investment	150.7	8.7	1.1	-26.5	86.8	-10.9	-41.9	1.1	0.7	-4.7	-33.4	147.2	127.6	-41.2	-55.3
Assets	158.9	-6.9	-7.5	3.2	3.9	-8.2	1.7	0.4	11.8	1.1	9.1	84.2	58.7	-12.5	13.0
General government	1.5	9.8	0.8	-1.9	10.5	-0.4	0.8	0.0	-0.1	-0.5	0.0	-4.9	-1.0	0.4	-2.2
MFIs	47.7	-81.4	-9.7	1.0	-64.5	-8.9	0.6	-1.2	9.5	3.2	0.2	80.8	49.8	-13.0	-0.2
Other sectors	109.7	64.7	1.4	4.0	57.9	1.0	0.4	1.6	2.4	-1.5	8.9	8.3	9.9	0.1	15.4
Liabilities	8.2	-15.6	-8.6	29.7	-83.0	2.6	43.6	-0.7	11.1	5.8	42.5	-63.0	-68.9	28.7	68.3
General government	72.7	29.3	0.0	-0.1	1.0	-0.1	28.5	0.0	0.0	0.0	0.3	7.2	-0.3	36.3	0.1
MFIs	-154.3	-90.0	-6.0	26.9	-124.2	4.2	9.2	-2.5	7.9	6.9	40.4	-72.4	-75.5	-7.9	38.8
Other sectors	89.8	45.1	-2.6	3.0	40.3	-1.5	5.9	1.9	3.2	-1.1	1.8	2.2	7.0	0.3	29.5

Source: ECB.

7.4 Monetary presentation of the balance of payments ¹⁾

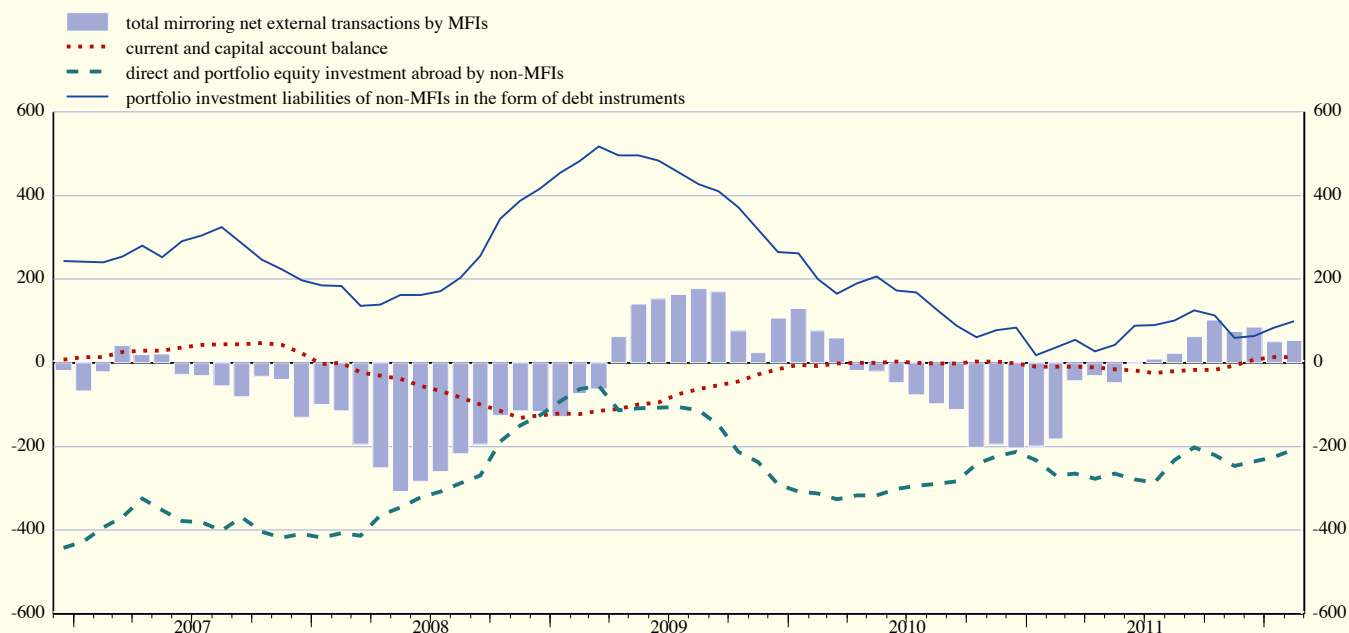
(EUR billions; transactions)

B.o.p. items mirroring net transactions by MFIs

	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
2009	107.7	-15.7	-312.7	226.7	-54.4	-129.8	114.0	265.4	113.8	-123.6	20.0	4.1
2010	-203.6	-1.7	-259.9	163.1	-70.9	-247.3	160.5	84.8	-172.6	119.2	18.5	2.7
2011	85.7	7.6	-335.0	197.1	50.2	-47.3	100.6	64.9	-111.2	162.5	-20.8	17.0
2010 Q4	-44.7	15.1	-31.6	85.1	-38.6	-112.9	67.2	1.1	-48.2	12.7	9.0	-3.5
2011 Q1	81.0	-18.9	-120.5	82.6	5.5	-24.0	98.8	-0.1	-16.3	50.2	-0.4	24.2
Q2	19.6	-17.9	-53.7	28.5	-23.7	-28.8	0.2	132.0	-35.8	18.5	3.6	-3.3
Q3	7.5	4.4	-56.0	37.2	40.8	-2.0	-11.7	-7.2	-48.4	73.1	-14.8	-7.9
Q4	-22.4	39.9	-104.7	48.7	27.6	7.5	13.3	-59.8	-10.7	20.8	-9.2	4.1
2011 Feb.	3.0	-3.4	-40.4	6.3	-2.1	-12.0	46.0	10.6	3.3	-13.9	1.6	7.0
Mar.	92.8	0.9	-40.1	35.4	7.7	-1.1	43.0	23.3	-0.3	18.1	-1.4	7.2
Apr.	-21.6	-5.1	-46.4	20.8	-14.2	-14.0	4.6	13.7	-0.1	6.0	3.3	9.8
May	-0.9	-13.5	-7.0	3.2	-2.1	-18.5	-15.4	73.4	-29.6	15.6	-1.6	-5.4
June	42.1	0.8	-0.3	4.5	-7.4	3.7	10.9	44.9	-6.1	-3.1	1.9	-7.7
July	-18.1	3.2	-31.0	12.2	3.9	-16.5	14.5	-21.4	-7.6	21.3	0.3	3.0
Aug.	10.7	0.6	1.0	7.7	27.2	1.8	-14.4	-17.1	-12.0	23.9	-8.0	-0.1
Sep.	14.9	0.6	-26.1	17.3	9.7	12.7	-11.7	31.3	-28.8	27.8	-7.1	-10.9
Oct.	-39.4	5.2	-19.7	13.7	4.4	8.9	-22.9	0.8	-42.4	18.6	-2.2	-3.9
Nov.	-28.8	11.5	-47.6	4.5	17.1	-0.6	8.5	-24.2	-6.0	1.3	-3.8	10.4
Dec.	45.9	23.3	-37.5	30.4	6.1	-0.8	27.7	-36.4	37.7	0.9	-3.2	-2.4
2012 Jan.	-50.6	-10.0	-24.2	20.7	-3.5	-21.5	5.8	-15.0	-7.2	8.8	-4.1	-0.4
Feb.	6.5	-4.3	-15.2	5.7	-3.0	-16.3	2.3	25.7	-4.7	9.1	6.2	1.0
	12-month cumulated transactions											
2012 Feb.	53.3	13.2	-294.0	176.3	45.9	-62.1	52.9	99.0	-107.0	148.3	-19.7	0.6

C38 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.)					
	Exports	Imports	Total			Memo item:	Total				Memo items:		
			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)												
2010	20.0	22.5	1,533.6	764.0	311.6	419.9	1,268.8	1,547.9	948.0	230.0	348.4	1,019.8	250.0
2011	12.8	12.5	1,737.8	872.2	350.8	472.0	1,423.0	1,745.0	1,117.6	236.0	364.2	1,097.5	317.9
2011 Q1	21.7	24.2	426.7	215.1	85.6	115.9	350.2	435.2	277.1	59.4	91.7	277.4	74.5
Q2	13.2	13.0	429.9	215.9	87.5	116.1	350.9	436.4	280.7	59.0	90.1	276.1	78.0
Q3	9.6	9.8	437.1	219.6	87.6	118.9	358.3	441.1	283.7	59.3	91.7	275.7	82.2
Q4	8.3	4.7	444.2	221.6	90.1	121.1	363.6	432.3	276.2	58.3	90.7	268.3	83.2
2011 Sep.	9.8	8.6	146.8	73.7	29.2	40.1	119.3	144.9	93.3	19.3	30.5	91.0	27.8
Oct.	5.7	8.2	144.4	72.6	27.9	39.5	116.7	144.1	91.9	19.6	30.2	89.4	27.7
Nov.	10.2	4.5	149.1	74.1	31.3	40.2	122.1	144.5	92.2	19.5	30.2	88.8	28.2
Dec.	9.0	1.4	150.8	74.9	31.0	41.3	124.7	143.7	92.1	19.2	30.3	90.1	27.3
2012 Jan.	10.9	3.8	153.1	76.2	30.1	41.6	122.9	147.9	93.8	20.3	30.3	90.6	28.5
Feb.	11.2	6.9	156.8	.	.	.	126.2	153.1	.	.	.	91.9	.
	Volume indices (2000 = 100; annual percentage changes for columns 1 and 2)												
2010	14.9	10.7	136.8	132.4	138.5	143.6	133.9	121.1	113.3	131.9	143.3	128.2	104.7
2011	7.4	2.5	147.6	142.1	152.0	154.6	145.0	124.0	116.9	133.7	143.1	133.0	100.8
2011 Q1	13.5	7.9	145.9	141.7	148.6	152.3	143.2	125.2	118.3	132.7	145.1	133.8	100.0
Q2	8.4	3.0	147.0	140.9	153.2	153.9	144.1	124.3	116.9	135.0	143.9	134.7	96.4
Q3	5.4	2.9	148.2	142.6	152.3	155.4	146.1	125.3	118.5	136.2	143.4	133.8	103.8
Q4	3.1	-3.1	149.3	143.1	153.9	156.7	146.7	121.4	114.0	131.0	140.1	129.5	103.0
2011 Aug.	9.4	5.1	150.2	144.4	156.2	158.0	149.4	127.4	119.7	140.6	145.3	136.0	103.4
Sep.	5.5	1.9	149.1	143.8	152.1	156.7	146.0	123.7	117.0	132.4	143.4	132.7	105.2
Oct.	0.3	0.2	145.7	140.1	144.6	153.3	141.3	121.8	114.0	134.1	140.5	129.6	104.0
Nov.	5.0	-4.0	150.9	144.6	160.4	156.6	148.6	122.2	114.7	132.0	140.2	129.3	104.6
Dec.	4.2	-5.4	151.4	144.6	156.7	160.2	150.3	120.1	113.4	126.9	139.6	129.6	100.4
2012 Jan.	6.9	-1.8	152.0	145.7	152.8	157.6	147.0	121.4	113.8	130.8	136.5	127.9	101.1

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: Manufac- turing	Total (index: 2005 = 100)	Total				Memo item: Manufac- turing		
		Intermediate goods	Capital goods	Consumer goods	Energy			Intermediate goods	Capital goods	Consumer goods	Energy			
% of total	100.0	100.0	33.1	44.5	17.9	4.5	99.2	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
2010	106.2	4.1	4.8	1.4	2.2	26.4	4.1	108.8	9.8	9.7	1.4	2.9	26.1	5.8
2011	110.5	4.0	5.8	1.4	2.2	23.3	4.0	118.7	9.1	4.6	-0.1	3.8	26.1	4.2
2011 Q3	110.8	3.4	5.0	0.9	1.8	25.5	3.4	118.9	8.1	3.0	-1.5	2.9	26.4	3.0
Q4	111.1	3.5	3.8	1.8	2.3	20.3	3.4	119.8	7.6	0.4	0.5	3.4	24.0	2.8
2012 Q1	.	.	.	.	.	.	.	.	.	.	1.2	.	.	1.5
2011 Oct.	110.8	3.9	4.4	1.7	2.4	24.4	3.8	119.4	9.0	1.5	0.5	4.0	28.1	3.6
Nov.	111.1	3.7	3.8	1.8	2.4	22.3	3.6	119.9	8.2	0.8	0.5	3.4	26.6	3.0
Dec.	111.4	3.1	3.1	1.9	2.2	14.8	3.0	120.2	5.6	-1.0	0.6	2.8	17.8	1.8
2012 Jan.	112.6	3.2	2.2	2.0	2.5	17.8	3.2	121.8	5.2	-1.3	1.4	2.4	16.2	1.8
Feb.	113.0	3.1	1.6	2.0	2.5	19.0	3.0	122.9	4.6	-1.5	0.9	2.0	15.3	1.2
Mar.	.	.	.	.	.	.	.	.	.	.	1.2	.	.	1.3

Source: Eurostat.

- 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.
- 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.
- 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.)														
2010	1,533.6	30.2	52.6	194.8	208.2	63.0	92.8	47.4	180.6	356.6	94.8	34.6	104.0	73.4	130.1
2011	1,737.8	32.8	60.3	213.2	241.1	79.8	108.9	56.6	197.6	406.1	115.4	39.4	111.1	84.5	145.6
2010 Q3	397.2	7.5	13.4	50.0	53.7	16.9	23.9	12.2	47.9	92.3	24.0	8.9	26.4	19.4	33.6
2010 Q4	406.2	8.2	14.2	50.4	55.9	17.4	24.8	13.3	46.3	93.6	25.6	9.0	27.1	19.0	35.9
2011 Q1	426.7	8.1	15.0	53.0	59.2	18.6	25.8	15.3	49.6	99.8	28.8	9.3	27.9	20.2	34.1
2011 Q2	429.9	8.2	15.4	52.7	60.5	19.7	26.1	14.3	48.1	98.4	27.3	9.5	26.8	20.7	38.9
2011 Q3	437.1	8.3	15.6	53.6	61.1	20.6	28.7	13.6	48.6	101.7	28.7	10.2	27.8	21.7	35.7
2011 Q4	444.2	8.3	14.4	53.9	60.3	20.9	28.2	13.5	51.2	106.2	30.6	10.5	28.5	21.9	37.0
2011 Sep.	146.8	2.8	5.1	17.8	20.4	7.0	9.9	4.5	15.8	34.1	9.6	3.4	9.5	7.2	12.6
2011 Oct.	144.4	2.7	4.8	17.7	19.7	6.6	9.3	4.4	15.7	34.5	10.2	3.6	9.2	6.8	12.9
2011 Nov.	149.1	2.8	4.7	18.2	20.3	7.0	9.4	4.4	17.5	35.6	10.2	3.5	9.6	7.2	12.3
2011 Dec.	150.8	2.8	4.9	18.0	20.3	7.2	9.5	4.7	18.0	36.2	10.1	3.4	9.7	7.9	11.7
2012 Jan.	153.1	2.8	5.0	18.6	20.3	7.1	9.9	4.7	18.2	35.9	10.5	3.5	9.7	7.7	13.2
2012 Feb.	156.8	.	.	.	.	7.5	9.8	4.8	18.6	37.4	11.0	3.6	10.2	8.0	.
	Percentage share of total exports														
2011	100.0	1.9	3.5	12.3	13.9	4.6	6.3	3.3	11.4	23.4	6.6	2.3	6.4	4.9	8.4
	Imports (c.i.f.)														
2010	1,547.9	27.4	47.3	147.8	195.4	112.2	72.8	30.7	129.9	494.8	208.6	51.4	118.8	75.3	95.5
2011	1,745.0	29.7	53.2	166.1	226.5	138.4	80.1	34.8	139.4	548.0	216.9	52.5	128.3	90.5	110.1
2010 Q3	400.6	6.9	12.4	37.5	49.9	28.2	18.6	7.7	34.3	130.5	55.8	13.2	29.9	19.4	25.2
2010 Q4	408.9	7.0	12.5	38.6	52.3	30.3	17.9	8.1	34.2	129.0	54.4	13.1	32.5	21.0	25.4
2011 Q1	435.2	7.2	13.3	40.9	55.6	36.0	19.1	9.0	35.4	135.8	54.7	13.7	34.9	21.5	26.6
2011 Q2	436.4	7.6	13.5	41.2	56.4	34.3	19.3	8.8	34.2	139.4	55.7	12.7	30.6	21.9	29.4
2011 Q3	441.1	7.4	13.8	42.3	57.2	33.0	22.0	8.5	34.5	139.1	54.6	13.2	31.2	23.5	28.7
2011 Q4	432.3	7.5	12.7	41.8	57.3	35.1	19.8	8.5	35.4	133.7	52.0	12.8	31.6	23.6	25.3
2011 Sep.	144.9	2.5	4.5	14.2	19.2	10.4	7.0	2.6	11.8	44.8	17.3	4.3	10.6	7.6	9.7
2011 Oct.	144.1	2.4	4.2	13.8	18.8	12.0	6.6	2.9	11.9	44.9	17.6	4.3	10.7	7.7	8.2
2011 Nov.	144.5	2.6	4.3	14.0	19.3	11.7	6.8	2.7	11.7	44.5	17.1	4.3	10.4	7.7	8.8
2011 Dec.	143.7	2.5	4.2	14.0	19.2	11.4	6.4	2.9	11.8	44.2	17.3	4.3	10.6	8.1	8.4
2012 Jan.	147.9	2.4	4.4	14.0	18.9	11.6	6.8	2.7	12.2	44.5	17.7	4.1	12.0	7.7	10.7
2012 Feb.	153.1	.	.	.	.	12.5	6.8	2.8	12.3	46.4	18.5	4.3	13.1	8.2	.
	Percentage share of total imports														
2011	100.0	1.7	3.0	9.5	13.0	7.9	4.6	2.0	8.0	31.4	12.4	3.0	7.4	5.2	6.3
	Balance														
2010	-14.2	2.7	5.3	47.0	12.7	-49.1	20.0	16.7	50.7	-138.2	-113.8	-16.8	-14.8	-1.8	34.6
2011	-7.2	3.1	7.1	47.1	14.6	-58.6	28.8	21.9	58.1	-141.8	-101.6	-13.0	-17.2	-6.0	35.6
2010 Q3	-3.4	0.6	1.0	12.5	3.8	-11.3	5.3	4.5	13.6	-38.2	-31.8	-4.3	-3.5	0.0	8.4
2010 Q4	-2.7	1.3	1.7	11.7	3.6	-12.9	6.8	5.2	12.1	-35.4	-28.8	-4.1	-5.4	-1.9	10.5
2011 Q1	-8.5	0.8	1.7	12.1	3.7	-17.4	6.8	6.3	14.3	-36.0	-26.0	-4.5	-7.0	-1.4	7.5
2011 Q2	-6.5	0.7	2.0	11.5	4.1	-14.6	6.8	5.5	13.9	-41.0	-28.3	-3.1	-3.8	-1.2	9.5
2011 Q3	-4.0	0.9	1.7	11.3	3.9	-12.4	6.7	5.1	14.1	-37.4	-25.9	-3.1	-3.3	-1.7	6.9
2011 Q4	11.9	0.7	1.7	12.1	2.9	-14.3	8.5	5.0	15.8	-27.5	-21.4	-2.4	-3.1	-1.7	11.6
2011 Sep.	1.9	0.3	0.6	3.7	1.2	-3.4	2.9	1.9	4.0	-10.7	-7.7	-0.8	-1.1	-0.4	2.9
2011 Oct.	0.2	0.3	0.6	3.9	0.9	-5.4	2.8	1.5	3.9	-10.4	-7.3	-0.7	-1.5	-0.9	4.7
2011 Nov.	4.5	0.1	0.4	4.2	1.0	-4.7	2.6	1.7	5.8	-9.0	-6.8	-0.8	-0.8	-0.5	3.6
2011 Dec.	7.1	0.3	0.7	4.0	1.1	-4.2	3.1	1.8	6.2	-8.1	-7.2	-0.9	-0.9	-0.2	3.4
2012 Jan.	5.3	0.4	0.6	4.6	1.4	-4.4	3.1	2.0	6.0	-8.6	-7.2	-0.6	-2.3	0.0	2.5
2012 Feb.	3.7	.	.	.	.	-5.0	3.0	2.0	6.2	-9.0	-7.5	-0.7	-2.9	-0.2	.

Source: Eurostat.



EXCHANGE RATES

8.1 Effective exchange rates ¹⁾

(period averages; index: 1999 Q1=100)

	EER-20						EER-40	
	Nominal	Real CPI	Real PPI	Real GDP deflator	Real ULCM	Real ULCT	Nominal	Real CPI
	1	2	3	4	5	6	7	8
2009	110.6	109.2	104.3	104.9	118.7	104.8	119.7	106.8
2010	103.6	101.6	98.1	96.8	107.8	97.2	111.4	98.1
2011	103.4	100.7	97.6	95.1	107.4	95.8	112.1	97.6
2011 Q1	102.7	100.2	97.1	94.9	105.7	95.3	110.7	96.7
Q2	105.2	102.6	99.3	97.1	109.0	97.7	113.5	99.0
Q3	103.5	100.6	97.6	95.1	108.1	95.7	112.5	97.7
Q4	102.1	99.4	96.3	93.3	106.9	94.5	111.6	97.0
2012 Q1	99.5	96.9	94.3	-	-	-	108.3	94.1
2011 Apr.	105.9	103.3	100.0	-	-	-	114.0	99.6
May	104.9	102.2	98.8	-	-	-	113.2	98.6
June	105.0	102.2	99.0	-	-	-	113.4	98.8
July	104.0	101.0	98.1	-	-	-	112.4	97.7
Aug.	103.9	100.8	97.9	-	-	-	112.9	98.0
Sep.	102.8	100.0	96.8	-	-	-	112.0	97.4
Oct.	103.0	100.3	97.0	-	-	-	112.6	97.9
Nov.	102.6	99.9	96.7	-	-	-	112.1	97.4
Dec.	100.8	98.2	95.1	-	-	-	110.3	95.8
2012 Jan.	98.9	96.3	93.6	-	-	-	108.0	93.7
Feb.	99.6	97.2	94.6	-	-	-	108.4	94.1
Mar.	99.8	97.3	94.8	-	-	-	108.6	94.3
Apr.	99.5	96.9	94.5	-	-	-	108.4	94.1
<i>Percentage change versus previous month</i>								
2012 Apr.	-0.4	-0.4	-0.3	-	-	-	-0.2	-0.3
<i>Percentage change versus previous year</i>								
2012 Apr.	-6.0	-6.2	-5.5	-	-	-	-4.9	-5.6

C39 Effective exchange rates

(monthly averages; index: 1999 Q1=100)

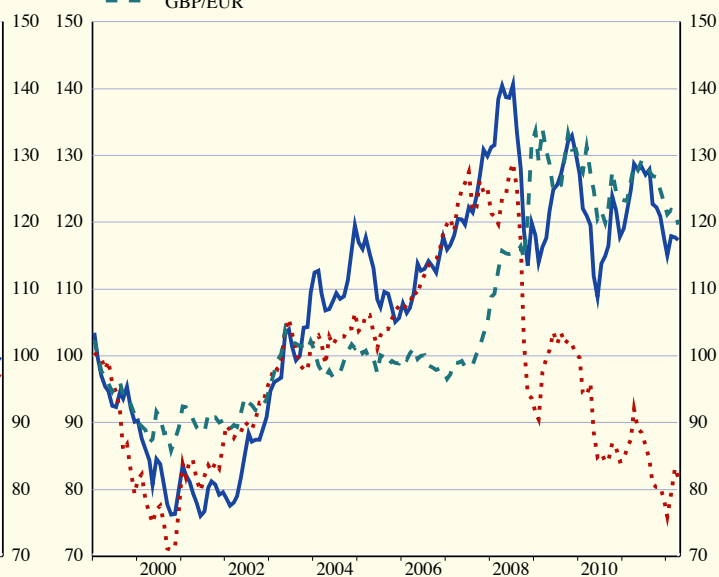
— nominal EER-20
 real CPI-deflated EER-20



C40 Bilateral exchange rates

(monthly averages; index: 1999 Q1=100)

— USD/EUR
 JPY/EUR
 - - - GBP/EUR



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)

	Bulgarian lev	Czech koruna	Danish krone	Latvian lats	Lithuanian litas	Hungarian forint	Polish zloty	New Roma- nian leu	Swedish krona	Pound sterling	Croatian kuna	New Turkish lira
	1	2	3	4	5	6	7	8	9	10	11	12
2009	1.9558	26.435	7.4462	0.7057	3.4528	280.33	4.3276	4.2399	10.6191	0.89094	7.3400	2.1631
2010	1.9558	25.284	7.4473	0.7087	3.4528	275.48	3.9947	4.2122	9.5373	0.85784	7.2891	1.9965
2011	1.9558	24.590	7.4506	0.7063	3.4528	279.37	4.1206	4.2391	9.0298	0.86788	7.4390	2.3378
2011 Q3	1.9558	24.387	7.4506	0.7093	3.4528	275.10	4.1527	4.2587	9.1451	0.87760	7.4629	2.4535
2011 Q4	1.9558	25.276	7.4398	0.7017	3.4528	303.47	4.4207	4.3365	9.0910	0.85727	7.4968	2.4759
2012 Q1	1.9558	25.084	7.4350	0.6985	3.4528	296.85	4.2329	4.3533	8.8529	0.83448	7.5568	2.3556
2011 Oct.	1.9558	24.841	7.4442	0.7061	3.4528	296.79	4.3516	4.3244	9.1138	0.87036	7.4849	2.5089
2011 Nov.	1.9558	25.464	7.4412	0.7015	3.4528	309.15	4.4324	4.3560	9.1387	0.85740	7.4923	2.4565
2011 Dec.	1.9558	25.514	7.4341	0.6975	3.4528	304.19	4.4774	4.3282	9.0184	0.84405	7.5136	2.4632
2012 Jan.	1.9558	25.531	7.4353	0.6990	3.4528	307.33	4.3760	4.3417	8.8503	0.83210	7.5543	2.3759
2012 Feb.	1.9558	25.042	7.4341	0.6988	3.4528	290.68	4.1835	4.3513	8.8196	0.83696	7.5815	2.3264
2012 Mar.	1.9558	24.676	7.4354	0.6977	3.4528	292.26	4.1370	4.3668	8.8873	0.83448	7.5358	2.3631
2012 Apr.	1.9558	24.809	7.4393	0.6993	3.4528	294.81	4.1782	4.3789	8.8650	0.82188	7.4991	2.3520
	Percentage change versus previous month											
2012 Apr.	0.0	0.5	0.1	0.2	0.0	0.9	1.0	0.3	-0.3	-1.5	-0.5	-0.5
	Percentage change versus previous year											
2012 Apr.	0.0	2.1	-0.2	-1.4	0.0	11.1	5.3	6.8	-1.2	-6.9	1.8	7.0
	Australian dollar	Brazilian real	Canadian dollar	Chinese yuan renminbi	Hong Kong dollar	Icelandic krona ¹⁾	Indian rupee ²⁾	Indonesian rupiah	Israeli shekel	Japanese yen	Malaysian ringgit	
	13	14	15	16	17	18	19	20	21	22	23	
2009	1.7727	2.7674	1.5850	9.5277	10.8114	-	67.3611	14,443.74	5.4668	130.34	4.9079	
2010	1.4423	2.3314	1.3651	8.9712	10.2994	-	60.5878	12,041.70	4.9457	116.24	4.2668	
2011	1.3484	2.3265	1.3761	8.9960	10.8362	-	64.8859	12,206.51	4.9775	110.96	4.2558	
2011 Q3	1.3459	2.3063	1.3841	9.0653	11.0105	-	64.7000	12,181.09	5.0174	109.77	4.2666	
2011 Q4	1.3316	2.4240	1.3788	8.5682	10.4879	-	68.5352	12,111.94	5.0172	104.22	4.2458	
2012 Q1	1.2425	2.3169	1.3128	8.2692	10.1725	-	65.8991	11,901.67	4.9431	103.99	4.0121	
2011 Oct.	1.3525	2.4336	1.3981	8.7308	10.6616	-	67.5519	12,150.54	5.0253	105.06	4.2963	
2011 Nov.	1.3414	2.4210	1.3897	8.6154	10.5495	-	68.8330	12,214.99	5.0521	105.02	4.2756	
2011 Dec.	1.3003	2.4175	1.3481	8.3563	10.2496	-	69.2066	11,965.40	4.9725	102.55	4.1639	
2012 Jan.	1.2405	2.3084	1.3073	8.1465	10.0187	-	66.0601	11,709.25	4.9141	99.33	4.0151	
2012 Feb.	1.2327	2.2729	1.3193	8.3314	10.2553	-	65.0589	11,913.82	4.9474	103.77	3.9978	
2012 Mar.	1.2538	2.3674	1.3121	8.3326	10.2474	-	66.5399	12,082.50	4.9679	108.88	4.0229	
2012 Apr.	1.2718	2.4405	1.3068	8.2921	10.2163	-	68.1939	12,068.69	4.9362	107.00	4.0277	
	Percentage change versus previous month											
2012 Apr.	1.4	3.1	-0.4	-0.5	-0.3	-	2.5	-0.1	-0.6	-1.7	0.1	
	Percentage change versus previous year											
2012 Apr.	-6.9	6.6	-5.5	-12.0	-9.0	-	6.4	-3.4	-0.4	-11.1	-7.4	
	Mexican peso	New Zealand dollar	Norwegian krone	Philippine peso	Russian rouble	Singapore dollar	South African rand	South Korean won	Swiss franc	Thai baht	US dollar	
	24	25	26	27	28	29	30	31	32	33	34	
2009	18.7989	2.2121	8.7278	66.338	44.1376	2.0241	11.6737	1,772.90	1.5100	47.804	1.3948	
2010	16.7373	1.8377	8.0043	59.739	40.2629	1.8055	9.6984	1,531.82	1.3803	42.014	1.3257	
2011	17.2877	1.7600	7.7934	60.260	40.8846	1.7489	10.0970	1,541.23	1.2326	42.429	1.3920	
2011 Q3	17.3908	1.6976	7.7652	60.371	41.1734	1.7309	10.0898	1,532.60	1.1649	42.574	1.4127	
2011 Q4	18.3742	1.7353	7.7602	58.566	42.0737	1.7348	10.9209	1,542.87	1.2293	41.791	1.3482	
2012 Q1	17.0195	1.6030	7.5868	56.421	39.5496	1.6573	10.1730	1,482.75	1.2080	40.630	1.3108	
2011 Oct.	18.4315	1.7361	7.7474	59.412	42.8569	1.7493	10.9188	1,578.17	1.2295	42.297	1.3706	
2011 Nov.	18.5646	1.7584	7.7868	58.743	41.8082	1.7476	11.0547	1,537.42	1.2307	41.969	1.3556	
2011 Dec.	18.1174	1.7102	7.7451	57.537	41.5686	1.7070	10.7829	1,513.26	1.2276	41.099	1.3179	
2012 Jan.	17.3140	1.6132	7.6752	56.208	40.4394	1.6510	10.3405	1,474.96	1.2108	40.718	1.2905	
2012 Feb.	16.9159	1.5845	7.5522	56.419	39.4232	1.6585	10.1289	1,485.58	1.2071	40.614	1.3224	
2012 Mar.	16.8239	1.6104	7.5315	56.634	38.7804	1.6624	10.0475	1,487.83	1.2061	40.557	1.3201	
2012 Apr.	17.1900	1.6095	7.5698	56.145	38.8087	1.6459	10.3060	1,495.40	1.2023	40.639	1.3162	
	Percentage change versus previous month											
2012 Apr.	2.2	-0.1	0.5	-0.9	0.1	-1.0	2.6	0.5	-0.3	0.2	-0.3	
	Percentage change versus previous year											
2012 Apr.	1.6	-12.2	-3.0	-10.0	-4.3	-8.7	6.0	-4.6	-7.4	-6.4	-8.9	

Source: ECB.

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

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



DEVELOPMENTS OUTSIDE THE EURO AREA

9.1 Economic and financial developments in other EU Member States

(annual percentage changes, unless otherwise indicated)

	Bulgaria	Czech Republic	Denmark	Latvia	Lithuania	Hungary	Poland	Romania	Sweden	United Kingdom
	1	2	3	4	5	6	7	8	9	10
HICP										
2010	3.0	1.2	2.2	-1.2	1.2	4.7	2.7	6.1	1.9	3.3
2011	3.4	2.1	2.7	4.2	4.1	3.9	3.9	5.8	1.4	4.5
2011 Q4	2.5	2.8	2.5	4.1	4.0	4.1	4.2	3.4	0.9	4.7
2012 Q1	1.9	4.0	2.8	3.3	3.6	5.6	4.2	2.7	0.9	3.5
2012 Jan.	1.9	3.8	2.8	3.4	3.4	5.6	4.1	2.8	0.7	3.6
Feb.	2.0	4.0	2.7	3.3	3.7	5.8	4.4	2.7	1.0	3.4
Mar.	1.7	4.2	2.7	3.2	3.7	5.5	3.9	2.5	1.1	3.5
General government deficit (-)/surplus (+) as a percentage of GDP										
2009	-4.3	-5.8	-2.7	-9.8	-9.4	-4.6	-7.4	-9.0	-0.7	-11.5
2010	-3.1	-4.8	-2.5	-8.2	-7.2	-4.2	-7.8	-6.8	0.3	-10.2
2011	-2.1	-3.1	-1.8	-3.5	-5.5	4.3	-5.1	-5.2	0.3	-8.3
General government gross debt as a percentage of GDP										
2009	14.6	34.4	40.6	36.7	29.4	79.8	50.9	23.6	42.6	69.6
2010	16.3	38.1	42.9	44.7	38.0	81.4	54.8	30.5	39.4	79.6
2011	16.3	41.2	46.5	42.6	38.5	80.6	56.3	33.3	38.4	85.7
Long-term government bond yield as a percentage per annum; period average										
2011 Oct.	5.27	3.14	2.23	5.62	5.06	7.88	5.71	7.72	1.90	2.52
Nov.	5.27	3.67	2.01	5.73	5.25	8.53	5.80	7.43	1.69	2.29
Dec.	5.23	3.70	1.86	5.93	5.75	8.97	5.84	7.39	1.68	2.12
2012 Jan.	5.30	3.39	1.74	5.74	5.35	9.51	5.68	7.02	1.70	1.47
Feb.	5.31	3.12	1.84	5.45	5.15	8.60	5.46	6.99	1.89	1.48
Mar.	5.07	3.51	1.89	5.15	5.29	8.73	5.37	6.48	1.95	1.54
3-month interest rate as a percentage per annum; period average										
2011 Oct.	3.68	1.17	1.40	0.99	1.88	6.18	4.80	5.96	2.52	0.97
Nov.	3.64	1.15	1.29	1.27	1.87	7.25	4.94	6.01	2.62	1.01
Dec.	3.64	1.16	1.08	1.86	1.78	6.50	4.98	6.05	2.69	1.06
2012 Jan.	3.34	1.17	1.01	1.79	1.48	8.54	4.99	5.26	2.61	1.09
Feb.	3.19	1.20	1.00	1.31	1.43	8.83	4.97	4.79	2.44	1.07
Mar.	2.91	1.23	0.99	1.19	1.31	-	4.95	4.25	2.30	1.04
Real GDP										
2010	0.4	2.7	1.3	-0.3	1.4	1.3	3.9	-1.7	6.1	2.1
2011	1.7	1.7	1.0	5.5	5.9	1.7	4.3	2.5	3.9	0.7
2011 Q3	1.6	1.3	0.0	5.9	6.7	1.5	4.2	3.4	4.4	0.3
Q4	1.6	0.6	0.5	5.9	5.2	1.5	4.4	2.2	1.2	0.5
2012 Q1	.	.	.	.	4.3	.	.	.	.	0.0
Current and capital account balance as a percentage of GDP										
2010	-0.2	-3.0	5.6	4.9	4.2	3.0	-2.8	-4.2	6.7	-3.1
2011	2.2	-2.5	6.7	0.9	0.9	3.6	-2.1	-4.1	7.1	-1.7
2011 Q2	0.6	-5.9	7.0	-0.7	-2.1	3.2	-2.1	-7.5	6.7	-0.3
Q3	11.9	-5.7	8.4	0.8	5.7	4.4	-3.3	-4.3	8.6	-3.1
Q4	-4.1	-0.6	5.9	2.6	-1.6	3.2	-1.4	-1.8	5.3	-1.6
Gross external debt as a percentage of GDP										
2009	108.3	51.6	188.5	156.5	87.0	144.9	59.4	68.5	210.5	416.9
2010	102.8	56.5	191.3	165.4	87.4	144.0	66.0	75.8	191.3	413.9
2011 Q2	95.9	55.6	181.8	154.6	85.4	137.2	68.7	76.5	188.2	416.8
Q3	93.3	57.9	183.5	151.4	82.0	146.9	73.6	76.9	196.4	434.2
Q4	92.0	58.4	182.8	145.9	80.8	145.3	72.2	73.5	194.7	426.0
Unit labour costs										
2010	5.6	-0.7	-1.0	-9.8	-7.3	-3.2	2.2	7.9	-1.9	1.7
2011	1.1	0.2	0.3	2.1	-0.2	4.4	0.9	1.7	-0.9	1.6
2011 Q2	-0.1	0.4	-0.8	3.1	-1.1	5.8	0.1	1.9	-1.0	1.1
Q3	3.1	0.0	0.9	2.1	-0.9	6.0	2.0	3.9	-0.9	2.4
Q4	4.8	0.4	1.5	2.1	3.1	3.4	0.3	0.3	0.4	3.3
Standardised unemployment rate as a percentage of labour force (s.a.)										
2010	10.2	7.3	7.5	18.7	17.8	11.1	9.6	7.3	8.4	7.8
2011	11.2	6.7	7.6	15.4	15.4	10.9	9.7	7.4	7.5	8.0
2011 Q4	11.6	6.6	7.8	14.6	14.3	10.9	10.0	7.5	7.5	8.3
2012 Q1	12.4	6.7	7.9	.	.	11.2	10.1	7.3	7.5	.
2012 Jan.	12.2	6.7	7.9	.	.	11.3	10.1	7.2	7.6	8.2
Feb.	12.5	6.8	7.9	.	.	11.1	10.1	7.1	7.5	.
Mar.	12.6	6.7	8.1	.	.	11.2	10.1	7.5	7.3	.

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

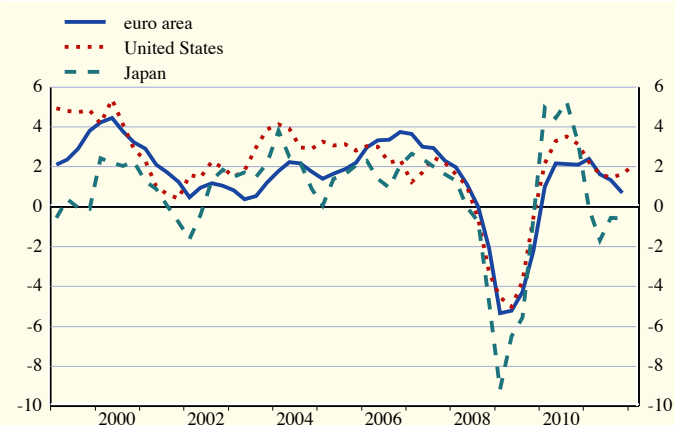
9.2 Economic and financial developments in the United States and Japan

(annual percentage changes, unless otherwise indicated)

	Consumer price index	Unit labour costs ¹⁾	Real GDP	Industrial production index (manufacturing)	Unemployment rate as a % of labour force ²⁾ (s.a.)	Broad money ³⁾	3-month interbank deposit rate ⁴⁾	10-year zero coupon government bond yield; ⁴⁾ end of period	Exchange rate ⁵⁾ as national currency per euro	Fiscal deficit (-)/surplus (+) as a % of GDP	Gross public debt ⁶⁾ as a % of GDP
	1	2	3	4	5	6	7	8	9	10	11
United States											
2008	3.8	2.8	-0.3	-4.8	5.8	6.8	2.93	2.70	1.4708	-6.6	61.5
2009	-0.4	-0.6	-3.5	-13.8	9.3	8.0	0.69	4.17	1.3948	-11.6	74.1
2010	1.6	-2.0	3.0	6.3	9.6	2.5	0.34	3.57	1.3257	-10.7	82.4
2011	3.2	1.9	1.7	4.8	9.0	7.3	0.34	2.10	1.3920	-9.7	86.4
2011 Q1	2.1	1.3	2.2	6.8	9.0	4.7	0.31	3.76	1.3680	-9.9	83.3
Q2	3.4	1.0	1.6	4.0	9.0	5.5	0.26	3.46	1.4391	-10.2	83.0
Q3	3.8	2.0	1.5	3.9	9.1	9.2	0.30	2.18	1.4127	-9.6	84.9
Q4	3.3	3.1	1.6	4.5	8.7	9.7	0.48	2.10	1.3482	-9.1	86.4
2012 Q1	2.8	.	2.1	5.5	8.3	10.1	0.51	2.38	1.3108	.	.
2011 Dec.	3.0	-	-	4.7	8.5	9.7	0.56	2.10	1.3179	-	-
2012 Jan.	2.9	-	-	5.4	8.3	10.4	0.57	1.97	1.2905	-	-
Feb.	2.9	-	-	6.0	8.3	10.1	0.50	2.15	1.3224	-	-
Mar.	2.7	-	-	5.1	8.2	9.8	0.47	2.38	1.3201	-	-
Apr.	.	-	-	.	.	.	0.47	2.11	1.3162	-	-
Japan											
2008	1.4	1.3	-1.1	-3.4	4.0	2.1	0.93	1.21	152.45	-1.9	162.9
2009	-1.3	2.9	-5.5	-21.9	5.1	2.7	0.47	1.42	130.34	-8.8	180.0
2010	-0.7	-2.8	4.5	16.6	5.1	2.8	0.23	1.18	116.24	-8.4	188.4
2011	-0.3	.	-0.7	-2.5	4.6	2.8	0.19	1.00	110.96	.	.
2011 Q1	-0.5	0.4	-0.1	-1.3	4.8	2.5	0.19	1.33	112.57	.	.
Q2	-0.4	1.6	-1.7	-5.9	4.6	2.7	0.20	1.18	117.41	.	.
Q3	0.1	0.6	-0.5	-1.0	4.4	2.8	0.19	1.04	109.77	.	.
Q4	-0.3	.	-0.6	-1.7	4.5	3.0	0.20	1.00	104.22	.	.
2012 Q1	0.3	.	.	4.6	.	3.0	0.20	1.05	103.99	.	.
2011 Dec.	-0.2	-	-	-3.0	4.5	3.2	0.20	1.00	102.55	-	-
2012 Jan.	0.1	-	-	-1.6	4.7	3.1	0.20	0.98	99.33	-	-
Feb.	0.3	-	-	1.5	4.5	3.0	0.20	1.01	103.77	-	-
Mar.	0.5	-	-	14.0	.	3.0	0.20	1.05	108.88	-	-
Apr.	.	-	-	.	.	.	0.20	0.94	107.00	-	-

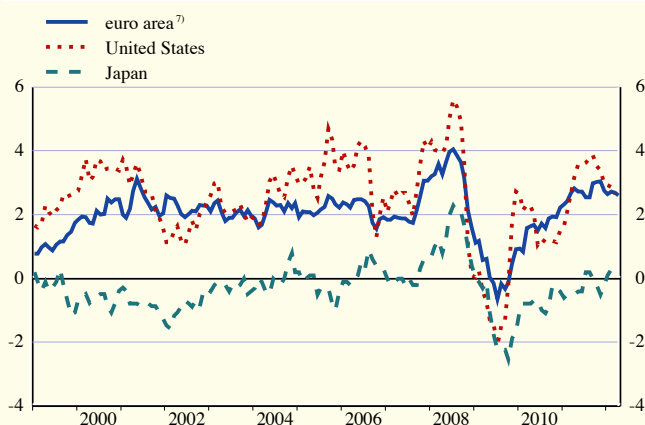
C41 Real gross domestic product

(annual percentage changes; quarterly data)



C42 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); Thomson 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) Japanese data from March to August 2011 exclude the three prefectures most affected by the earthquake in that country. These are reinstated as of September 2011.

3) Period averages; M2 for the United States, M2+CDs for Japan.

4) Percentages per annum. For further information on the three-month interbank deposit rate, see Section 4.6.

5) For more information, see Section 8.2.

6) Gross consolidated general government debt (end of period).

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



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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:

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

SECTION 1.3

CALCULATION OF INTEREST RATES ON INDEXED LONGER-TERM REFINANCING OPERATIONS

The interest rate on an indexed longer-term refinancing operation (LTRO) is equal to the average of the minimum bid rates on the main refinancing operations (MROs) over the life of that LTRO. According to this definition, if an LTRO is outstanding for D number of days and the minimum bid rates prevailing in MROs are $R_{1, MRO}$ (over D_1 days), $R_{2, MRO}$ (over D_2 days), etc., until $R_{i, MRO}$ (over D_i days), where $D_1 + D_2 + \dots + D_i = D$, the applicable annualised rate (R_{LTRO}) is calculated as:

$$c) R_{LTRO} = \frac{D_1 R_{1, MRO} + D_2 R_{2, MRO} + \dots + D_i R_{i, MRO}}{D}$$

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:

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

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

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

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:

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

The base of the index (for the non-seasonally adjusted series) is currently set as December 2008 = 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:

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

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

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 h) 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 h). For example, the month-on-month growth rate a_t^M can be calculated as:

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

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

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

The annual growth rate in the four quarters ending in month t (i.e. a_t) can be calculated using formula h).

SEASONAL ADJUSTMENT OF THE EURO AREA MONETARY STATISTICS¹

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.

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 2008) generally differs from 100, reflecting the seasonality of that month.

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, 3.2 and 3.3 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.

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

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).

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) and other changes in non-financial assets.

The net worth (wealth) of households is calculated as the sum of the non-financial assets and net financial worth (wealth) of households.

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:

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

As a base, the index is set equal to 100 in December 2008. 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:

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

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

The method used to calculate the growth rates for securities other than shares is the same as that used for the monetary aggregates, the only difference being that an “N” is used 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:

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

where I_t is the index of notional stocks as at month t . Likewise, for the year ending in month t , the average growth rate is calculated as:

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

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 STATISTICS⁴

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

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).

adjusted net issues are derived. Seasonal factors are revised at annual intervals or as required.

As in formulae l) and m), 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:

$$p) \quad a_t = \left[\prod_{i=0}^5 \left(1 + \frac{N_{t-i}^M}{L_{t-1-i}} \right) - 1 \right] \times 100$$

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

TABLE 1 IN SECTION 5.1

SEASONAL ADJUSTMENT OF THE HICP⁴

The approach used is based on multiplicative decomposition using X-12-ARIMA (see footnote 2 on page S80). 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.

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 or TRAMO-SEATS depending on the item. The raw data for goods, services, income and current transfers are pre-adjusted in order to take into account significant working day effects. The working day adjustment for goods and services takes account of national public holidays. The seasonal adjustment of these items is carried

out using these pre-adjusted series. The seasonal adjustment of the total current account is carried out by aggregating the seasonally adjusted euro area series for goods, services, income and current transfers. Seasonal (and trading day) factors are revised at 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:

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

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 2 May 2012.

Unless otherwise indicated, all data series including observations for 2011 relate to the “Euro 17” (i.e. the euro area including Estonia) for the whole time series. For interest rates, monetary statistics, the HICP and reserve assets (and, for consistency reasons, the components and counterparts of M3 and the components of the HICP), euro area statistical series take into account the changing composition of the euro area.

The composition of the euro area has changed a number of times over the years. When the euro was introduced in 1999, the euro area comprised the following 11 countries (the Euro 11): Belgium, Germany, Ireland, Spain, France, Italy, Luxembourg, the Netherlands, Austria, Portugal and Finland. Greece then joined in 2001, forming the Euro 12. Slovenia joined in 2007, forming the Euro 13; Cyprus and Malta joined in 2008, forming the Euro 15; and Slovakia joined in 2009, forming the Euro 16. Finally, Estonia joined in 2011, bringing the number of euro area countries to 17.

EURO AREA SERIES WITH A FIXED COMPOSITION

Aggregated statistical series for fixed compositions of the euro area relate to a given fixed composition for the whole time series, regardless of the composition at the time to which the statistics relate. For example, aggregated series are calculated for the Euro 17 (i.e. aggregating the data of all 17 countries currently in the euro area) for all years, despite the fact that the euro area has only had this composition since 1 January 2011. Unless otherwise indicated, the ECB’s Monthly Bulletin provides statistical series for the current composition.

EURO AREA SERIES WITH A CHANGING COMPOSITION

Aggregated statistical series with a changing composition take into account the composition of the euro area at the time to which the statistics relate. For example, euro area statistical series with a changing composition aggregate the data of the Euro 11 for the period up to the end of 2000, the Euro 12 for the period from 2001 to the end of 2006, and so on. With this approach, each individual statistical series covers all of the various compositions of the euro area.

For the HICP, as well as monetary aggregates and their counterparts, annual rates of change are compiled from chain-linked indices, with joining countries’ series linked to the euro area series in the December index. Thus, if a country joins the euro area in January of a given year, annual rates of change relate to the previous composition of the euro area up to and including December of the previous year, and the enlarged composition of the euro area thereafter. Percentage changes are calculated on the basis of a chain-linked index, taking account of the changing composition of the euro area. Absolute changes for monetary aggregates and their counterparts (transactions) refer to the composition of the euro area at the time to which the statistics relate.

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 data¹ 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, Latvia, Lithuania, Hungary, Poland, Romania, Sweden and the United Kingdom.

In most cases, the terminology used within the tables follows international standards, such as those contained in the European System of Accounts 1995 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

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>).

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 OTHER FINANCIAL CORPORATIONS

Chapter 2 shows balance sheet statistics for MFIs and other financial corporations. Other financial corporations comprise investment funds (other than money market funds, which are part of the MFI sector), financial vehicle corporations, insurance corporations and pension funds.

Section 2.1 shows the aggregated balance sheet of the MFI 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 EU 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. Section 2.7 shows a quarterly currency breakdown for selected MFI balance sheet items.

Sections 2.2 to 2.6 also provide growth rates based on those transactions in the form of annual percentage changes.

Since 1 January 1999 statistical information has been collected and compiled on the basis of various ECB regulations concerning the balance sheet of the monetary financial institution sector. Since July 2010 this has been carried out on the basis of Regulation ECB/2008/32². Detailed 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).

Section 2.8 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 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 2.9 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.

Since December 2008 harmonised statistical information has been collected and compiled on the basis of Regulation ECB/2007/8³

concerning statistics on the assets and liabilities of investment funds. Further information on these investment fund statistics can be found in the “Manual on investment fund statistics” (ECB, May 2009).

Section 2.10 shows the aggregated balance sheet of financial vehicle corporations (FVCs) resident in the euro area. FVCs are entities which are set up in order to carry out securitisation transactions. Securitisation generally involves the transfer of an asset or pool of assets to an FVC, with such assets reported on the FVC’s balance sheet as securitised loans, securities other than shares, or other securitised assets. Alternatively, the credit risk relating to an asset or pool of assets may be transferred to an FVC through credit default swaps, guarantees or other such mechanisms. Collateral held by the FVC against these exposures is typically a deposit held with an MFI or invested in securities other than shares. FVCs typically securitise loans which have been originated by the MFI sector. FVCs must report such loans on their statistical balance sheet, regardless of whether the relevant accounting rules allow the MFI to derecognise the loans. Data on loans which are securitised by FVCs but remain on the balance sheet of the relevant MFI (and thus remain in the MFI statistics) are provided separately. These quarterly data are collected under Regulation ECB/2008/30⁴ as of December 2009.

Section 2.11 shows the aggregated balance sheet of insurance corporations and pension funds resident in the euro area. Insurance corporations cover both the insurance and reinsurance sectors, while pension funds include entities which have autonomy in terms of decision-making and keep a complete set of accounts (i.e. autonomous pension funds). This section also contains a geographical and sectoral breakdown of issuing counterparties for securities other than shares held by insurance corporations and pension funds.

² OJ L 15, 20.01.2009, p. 14.

³ OJ L 211, 11.08.2007, p. 8.

⁴ OJ L 15, 20.01.2009, p. 1.

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 at 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 in the financial and non-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 model⁵. 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

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

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 statistics⁶. 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 domains⁷, 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 2007⁸. 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.

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 index⁹ and in the implementing Commission Regulation (EC) No 1216/2003 of 7 July 2003¹⁰. 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

6 OJ L 162, 5.6.1998, p. 1.

7 OJ L 393, 30.12.2006, p. 1.

8 OJ L 155, 15.6.2007, p. 3.

9 OJ L 69, 13.3.2003, p. 1.

10 OJ L 169, 8.7.2003, p. 37.

in Section 5.1) and employment statistics (Tables 1, 2 and 3 in Section 5.3) are derived from the ESA 95¹¹ quarterly national accounts. The ESA 95 was amended by Commission Regulation (EU) No 715/2010 of 10 August 2010¹² introducing NACE Revision 2, the updated statistical classification of economic activities. The publication of euro area national accounts data applying this new classification began in December 2011.

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.

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 2000¹³ 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 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 government¹⁴. 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

11 OJ L 310, 30.11.1996, p. 1.

12 OJ L 210, 11.8.2010, p. 1.

13 OJ L 172, 12.7.2000, p. 3.

14 OJ L 179, 9.7.2002, p. 1.

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)¹⁵ and the amending ECB Guideline of 31 May 2007 (ECB/2007/3)¹⁶. 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.

On 9 December 2011 the ECB Guideline on the statistical requirements of the European Central Bank in the field of external statistics (ECB/2011/23)¹⁷ was adopted by the Governing Council of the ECB. This legal act lays down new reporting requirements in the field of external statistics, which mainly reflect methodological changes introduced in the sixth edition of the

IMF’s Balance of Payments and International Investment Position Manual (BPM6). The ECB will begin publishing the euro area’s b.o.p., i.i.p. and international reserves statistics in accordance with Guideline ECB/2011/23 and the BPM6 in 2014, with backdata.

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, with the exception

15 OJ L 354, 30.11.2004, p. 34.

16 OJ L 159, 20.6.2007, p. 48.

17 OJ L 65, 3.3.2012, p. 1.

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. By definition, the assets included in the Eurosystem’s international reserves take account of the changing composition of the euro area. Before countries join the euro area, the assets of their national central banks are included in portfolio investment (in the case of securities) or other investment (in the case of other assets). 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, 2004-2006 and 2007-2009 and are calculated to account for third-market effects. The EER indices are obtained by chain-linking the indicators based on each of these five 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-20 group of trading partners is composed of the 10 non-euro area EU Member States plus Australia, Canada, China, Hong Kong, Japan, Norway, Singapore, South Korea, Switzerland and the United States. The EER-40 group comprises the EER-20 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 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 EUROSISTEM¹



14 JANUARY AND 4 FEBRUARY 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.

4 MARCH 2010

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 1.00%, 1.75% and 0.25% respectively. It also decides on the details as regards the tender procedures and modalities to be applied in its refinancing operations up to 12 October 2010, including a 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.

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) and to adopt a fixed rate tender procedure with full allotment in the regular three-month longer-term refinancing operations in May and June 2010.

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 AND 5 AUGUST 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.

2 SEPTEMBER 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. It also decides on the details as regards the tender procedures and modalities to be applied in its refinancing operations up to 18 January 2011, notably the adoption of a fixed rate tender procedure with full allotment in the three-month longer-term refinancing operations.

7 OCTOBER AND 4 NOVEMBER 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.

¹ The chronology of monetary policy measures taken by the Eurosystem between 1999 and 2009 can be found in the ECB's Annual Report for the respective years.

2 DECEMBER 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. It also decides on the details as regards the tender procedures and modalities to be applied in its refinancing operations up to 12 April 2011, notably to continue its fixed rate tender procedures with full allotment.

13 JANUARY AND 3 FEBRUARY 2011

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.

3 MARCH 2011

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. It also decides on the details as regards the tender procedures and modalities to be applied in its refinancing operations up to 12 July 2011, notably to continue its fixed rate tender procedures with full allotment.

7 APRIL 2011

The Governing Council of the ECB decides to increase the interest rate on the main refinancing operations by 25 basis points to 1.25%, starting from the operation to be settled on 13 April 2011. In addition, it decides to increase the interest rates on both the marginal lending facility and the deposit facility by 25 basis points, to 2.00% and 0.50% respectively, both with effect from 13 April 2011.

5 MAY 2011

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 1.25%, 2.00% and 0.50% respectively.

9 JUNE 2011

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 1.25%, 2.00% and 0.50% respectively. It also decides on the details as regards the tender procedures and modalities to be applied in its refinancing operations up to 11 October 2011, notably to continue its fixed rate tender procedures with full allotment.

7 JULY 2011

The Governing Council of the ECB decides to increase the interest rate on the main refinancing operations by 25 basis points to 1.50%, starting from the operation to be settled on 13 July 2011. In addition, it decides to increase the interest rates on both the marginal lending facility and the deposit facility by 25 basis points, to 2.25% and 0.75% respectively, both with effect from 13 July 2011.

4 AUGUST 2011

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 1.50%, 2.25% and 0.75% respectively. It also decides on several measures to address renewed tensions in some financial markets. In particular, it decides that the Eurosystem will conduct a liquidity-providing supplementary longer-term refinancing operation with a maturity of approximately six months as a

fixed rate tender procedure with full allotment. It also decides on the details as regards the tender procedures and modalities to be applied in its refinancing operations up to 17 January 2012, notably to continue its fixed rate tender procedures with full allotment.

8 SEPTEMBER 2011

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 1.50%, 2.25% and 0.75% respectively.

6 OCTOBER 2011

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 1.50%, 2.25% and 0.75% respectively. It also decides on the details of its refinancing operations from October 2011 to 10 July 2012, notably to conduct two longer-term refinancing operations – one with a maturity of approximately 12 months in October 2011, and another with a maturity of approximately 13 months in December 2011 – and to continue to apply fixed rate tender procedures with full allotment in all of its refinancing operations. In addition, the Governing Council decides to launch a new covered bond purchase programme in November 2011.

3 NOVEMBER 2011

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 operation to be settled on 9 November 2011. In addition, it decides to decrease the interest rates on both the marginal lending facility and the deposit facility by

25 basis points, to 2.00% and 0.50% respectively, both with effect from 9 November 2011.

8 DECEMBER 2011

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 14 December 2011. In addition, it decides to decrease the interest rates on both the marginal lending facility and the deposit facility by 25 basis points, to 1.75% and 0.25% respectively, both with effect from 14 December 2011. It also decides to adopt further non-standard measures, notably: (i) to conduct two longer-term refinancing operations with a maturity of approximately three years; (ii) to increase the availability of collateral; (iii) to reduce the reserve ratio to 1%; and (iv) to discontinue, for the time being, the fine-tuning operations carried out on the last day of each maintenance period.

12 JANUARY 2012

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.

9 FEBRUARY 2012

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. It also approves specific national eligibility criteria and risk control measures for the temporary acceptance in a number of countries of additional credit claims as collateral in Eurosystem credit operations.

8 MARCH, 4 APRIL AND 3 MAY 2012

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.

PUBLICATIONS PRODUCED BY THE EUROPEAN CENTRAL BANK



The ECB produces a number of publications which provide information about its core activities: monetary policy, statistics, payment and securities settlement systems, financial stability and supervision, international and European cooperation, and legal matters. These include the following:

STATUTORY PUBLICATIONS

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- Legal Working Paper Series
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- Research Bulletin
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OTHER/TASK-RELATED PUBLICATIONS

- Enhancing monetary analysis
- Financial integration in Europe
- Financial Stability Review
- Statistics Pocket Book
- The European Central Bank: history, role and functions
- The international role of the euro
- The implementation of monetary policy in the euro area (“General Documentation”)
- The monetary policy of the ECB
- The payment system

The ECB also publishes brochures and information materials on a variety of topics, such as the euro banknotes and coins, as well as seminar and conference proceedings.

For a complete list of documents (in PDF format) published by the ECB and the European Monetary Institute, the ECB’s forerunner from 1994 to 1998, please visit the ECB’s website at <http://www.ecb.europa.eu/pub/>. Language codes indicate the languages in which each publication is available.

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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.

Collateral: assets pledged or transferred in some form as a guarantee for the repayment of loans, as well as assets sold under repurchase agreements. Collateral used in Eurosystem reverse transactions must fulfil certain eligibility criteria.

Current account: a b.o.p. account that covers all transactions in goods and services, income and current transfers between residents and non-residents.

Current transfers account: a technical b.o.p. account in which the value of real resources or financial items is recorded when these are transferred without receiving anything in exchange. Current transfers cover all transfers that are not capital transfers.

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 significant and persistent decline in the prices of a very broad set of consumer goods and services that becomes entrenched in expectations.

Deposit facility: a standing facility of the Eurosystem enabling eligible counterparties to make, on their own initiative, overnight deposits with the NCB in their respective jurisdiction. Deposits are remunerated at a pre-specified rate that normally provides a floor for overnight market interest rates.

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 different groups of trading partners: the EER-20 comprises the ten non-euro area EU Member States and ten trading partners outside the EU, and the EER-40 encompasses the EER-20 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, e.g. 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 what is known as a prime bank is willing to lend funds (denominated in euro) to another prime bank. The EURIBOR is computed daily, based on the rates of a sample of selected banks, for 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 whose currency is 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.

Financial vehicle corporation (FVC): an entity whose principal activity is to carry out securitisation transactions. An FVC typically issues marketable securities that are offered for sale to the general public, or sold in the form of private placements. These securities are backed by a portfolio of assets (typically loans) which are held by the FVC. In some cases, a securitisation transaction may involve a number of FVCs, where one FVC holds the securitised assets and another issues the securities backed by those assets.

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 pre-specified by the central bank (fixed rate) 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 (full allotment).

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).

Gross external debt: the outstanding amount of an economy's actual (i.e. non-contingent) current liabilities that require payment of principal and/or interest to non-residents at some point in the future.

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.

Income account: a b.o.p. account that covers two types of transactions with non-residents, namely (i) those involving compensation of employees that is paid to non-resident workers (e.g., cross-border, seasonal, and other short-term workers) and (ii) those involving investment income receipts and payments on external financial assets and liabilities, with the latter including receipts and payments on direct investment, portfolio investment and other investment, as well as receipts on reserve assets.

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.

Insurance corporations and pension funds: financial corporations and quasi-corporations that are engaged primarily in financial intermediation as the consequence of the pooling of risks.

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 payment 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.

Liquidity-absorbing operation: an operation through which the Eurosystem absorbs liquidity in order to reduce excess liquidity, or to create a shortage of liquidity. Such operations can be conducted by issuing debt certificates or fixed-term deposits.

Longer-term refinancing operation (LTRO): an open market operation with a maturity of more than one week that is executed by the Eurosystem in the form of a reverse transaction. The regular monthly operations have 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 36 months 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 (MRO): 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 enabling eligible counterparties, on their own initiative, to receive overnight credit from the NCB in their jurisdiction at a pre-specified rate in the form of a reverse transaction. The rate on loans extended within the scope of the marginal lending facility normally provides an upper bound for overnight market interest rates.

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 (i) the Eurosystem, (ii) resident credit institutions (as defined in EU law), (iii) other 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, as well as electronic money institutions that are principally engaged in financial intermediation in the form of issuing electronic money, and (iv) money market funds, i.e. collective investment undertakings that invest in short-term and low-risk instruments.

Minimum bid rate: the lower limit to the interest rates at which counterparties may submit bids in the variable tenders.

Open market operation: a financial market operation executed on the initiative of the central bank. These operations include reverse transactions, outright transactions as well as the issuance of fixed-term deposits or debt certificates or foreign exchange swaps. The open market operations can be liquidity providing or liquidity absorbing.

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: as defined by the Governing Council, 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 that is deemed to be compatible with price stability over the medium term.

Reserve requirement: the requirement for institutions to hold minimum reserves with the central bank over a 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.

Reverse transaction: an operation whereby the NCB buys or sells assets under a repurchase agreement or conducts credit operations against collateral.

Securitisation: a transaction or scheme whereby an asset or a pool of cash flow-producing assets, often consisting of loans (mortgages, consumer loans, etc.), is transferred from an originator (usually a credit institution) to a financial vehicle corporation (FVC). The FVC effectively converts these assets into marketable securities by issuing debt instruments with principal and interest serviced through the cash flows produced by the asset pool.

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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