



EUROPEAN CENTRAL BANK

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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 March 2011 to leave the key ECB interest rates unchanged. The information which has become available since its meeting on 3 February 2011 indicates a rise in inflation, largely reflecting higher commodity prices. The economic analysis indicates that risks to the outlook for price developments are on the upside, while the underlying pace of monetary expansion remains moderate. Recent economic data confirm that the underlying momentum of economic activity in the euro area remains positive; however, uncertainty remains elevated. The current very accommodative stance of monetary policy lends considerable support to economic activity. It is essential that the recent rise in inflation does not give rise to broad-based inflationary pressures over the medium term. Strong vigilance is warranted with a view to containing upside risks to price stability. Overall, the Governing Council remains prepared to act in a firm and timely manner to ensure that upside risks to price stability over the medium term do not materialise. The continued firm anchoring of inflation expectations is of the essence.

The Governing Council also decided to continue conducting its main refinancing operations (MROs) and the special-term refinancing operations with a maturity of one maintenance period as fixed rate tender procedures with full allotment for as long as necessary, and at least until the end of the sixth maintenance period of 2011 on 12 July 2011. Furthermore, the Governing Council decided to conduct the three-month longer-term refinancing operations (LTROs) to be allotted on 27 April, 25 May and 29 June 2011 as fixed rate tender procedures with full allotment. The rates in these three-month operations will be fixed at the average rate of the MROs over the life of the respective LTRO.

As stated before, the provision of liquidity and the allotment modes will be adjusted as appropriate, taking into account the fact that all the non-standard measures taken during the period of acute financial market tensions are, by

construction, temporary in nature. Accordingly, the Governing Council will continue to monitor all developments over the period ahead very closely.

With regard to the economic analysis, following the 0.3% quarter-on-quarter increase in euro area real GDP in both the third and the fourth quarter of 2010, recent statistical releases and survey-based evidence continue to confirm the positive underlying momentum of economic activity in the euro area at the beginning of 2011. Looking ahead, euro area exports should continue to be supported by the ongoing recovery in the world economy. At the same time, taking into account the relatively high level of business confidence in the euro area, private sector domestic demand should increasingly contribute to growth, benefiting from the very accommodative monetary policy stance and the measures adopted to improve the functioning of the financial system. However, the recovery in activity is expected to be dampened somewhat by the process of balance sheet adjustment in various sectors.

This assessment is also reflected in the March 2011 ECB staff macroeconomic projections for the euro area, which foresee annual real GDP growth in a range between 1.3% and 2.1% in 2011 and between 0.8% and 2.8% in 2012. Compared with the December 2010 Eurosystem staff macroeconomic projections, the lower ends of these ranges have been shifted upwards, reflecting better prospects for the global economy – and thus for euro area exports – as well as for domestic demand. The March 2011 ECB staff projections are broadly in line with forecasts by international organisations.

In the Governing Council's assessment, the risks to this economic outlook are broadly balanced in a context of elevated uncertainty. On the one hand, global trade may continue to grow more rapidly than expected, thereby supporting euro area exports. Moreover, strong business confidence could provide more support to domestic economic activity in the euro area than is currently expected. On the other hand, downside risks relate to the ongoing tensions

in some segments of the financial markets and their potential spillover to the euro area real economy. Downside risks also relate to further increases in commodity prices, in particular in view of renewed geopolitical tensions, and to protectionist pressures and the possibility of a disorderly correction of global imbalances.

With regard to price developments, euro area annual HICP inflation was 2.4% in February 2011, according to Eurostat's flash estimate, after 2.3% in January. The increase in inflation rates in early 2011 largely reflects higher commodity prices. Pressure stemming from the sharp increases in energy and food prices is also discernible in the earlier stages of the production process. It is paramount that the rise in HICP inflation does not lead to second-round effects and thereby give rise to broad-based inflationary pressures over the medium term. Inflation expectations over the medium to longer term must remain firmly anchored in line with the Governing Council's aim of maintaining inflation rates below, but close to, 2% over the medium term.

The March 2011 ECB staff macroeconomic projections for the euro area foresee annual HICP inflation in a range between 2.0% and 2.6% for 2011 and between 1.0% and 2.4% for 2012. In comparison with the December 2010 Eurosystem staff macroeconomic projections, the ranges for HICP inflation have been shifted upwards. This is mainly due to the considerable rise in energy and food prices. It should be stressed that the projections are based on commodity price futures as of mid-February 2011, and therefore do not take into account the most recent oil price increases. Moreover, it needs to be emphasised that the projections assume continued moderate domestic wage and price-setting behaviour.

Risks to the medium-term outlook for price developments are on the upside. They relate, in particular, to higher than assumed increases in energy and non-energy commodity prices. Furthermore, increases in indirect taxes and administered prices may be greater than currently assumed, owing to the need for fiscal consolidation

in the coming years. Finally, risks also relate to stronger than expected domestic price pressures in the context of the ongoing recovery in activity. Price and wage-setters' behaviour should not lead to broadly based second-round effects stemming from higher commodity prices.

Turning to the monetary analysis, the annual growth rate of M3 declined to 1.5% in January 2011, from 1.7% in December 2010, while the annual growth rate of loans to the private sector increased to 2.4% in January, from 1.9% in December. Looking beyond the movements in individual months and the effects of special factors, trends in broad money and loan growth confirm the assessment that the underlying pace of monetary expansion is still moderate and that inflationary pressures over the medium to longer term should remain contained. At the same time, the low level of money and credit growth has thus far led to only a partial unwinding of the large amounts of monetary liquidity accumulated in the economy prior to the period of financial tensions. This liquidity may facilitate the accommodation of price pressures currently emerging in commodity markets as a result of strong economic growth and ample liquidity at the global level.

Looking at M3 components, annual M1 growth moderated further to stand at 3.2% in January 2011, reflecting the prevailing low remuneration of overnight deposits. At the same time, the yield curve steepened somewhat further at the start of the year, implying that the attractiveness of short-term instruments included in M3 continues to decline, compared with more highly remunerated longer-term instruments outside M3.

On the counterpart side, the rise in the annual growth rate of bank loans to the private sector in January reflected stronger lending to both households and non-financial corporations. The growth of loans to non-financial corporations turned positive, to stand at 0.4% in January, after -0.2% in December, while the growth of loans to households strengthened further to 3.1%, from 2.9% in December. Overall, lending

to the non-financial private sector has gradually strengthened over the past few quarters, as the economic recovery gathered momentum.

The latest data also confirm that banks have continued to expand their lending to the euro area economy, while at the same time keeping the overall size of their balance sheets broadly unchanged. It is important that banks continue to expand the provision of credit to the private sector, in an environment of increasing demand. To address this challenge, where necessary, it is essential for banks to retain earnings, to turn to the market to strengthen further their capital bases or to take full advantage of government support measures for recapitalisation. In particular, banks that currently have limited access to market financing urgently need to increase their capital and efficiency.

To sum up, the Governing Council decided to leave the key ECB interest rates unchanged. The information which has become available since its meeting on 3 February 2011 indicates a rise in inflation, largely reflecting higher commodity prices. The economic analysis indicates that risks to the outlook for price developments are on the upside, while the cross-check with the monetary analysis indicates that the underlying pace of monetary expansion remains moderate. Recent economic data confirm that the underlying momentum of economic activity in the euro area remains positive; however, uncertainty remains elevated. The current very accommodative stance of monetary policy lends considerable support to economic activity. It is essential that the recent rise in inflation does not give rise to broad-based inflationary pressures over the medium term. Strong vigilance is warranted with a view to containing upside risks to price stability. Overall, the Governing Council remains prepared to act in a firm and timely manner to ensure that upside risks to price stability over the medium term do not materialise. The continued firm anchoring of inflation expectations is of the essence.

Turning to fiscal policies, all governments need to fully implement their fiscal consolidation

plans in 2011. Where necessary, additional corrective measures must be implemented swiftly to ensure progress in achieving fiscal sustainability. Beyond 2011 countries need to specify ambitious and concrete policy measures in their multi-year adjustment programmes, so as to underpin the credibility of their fiscal consolidation targets of ensuring a rapid correction of excessive deficits and returning to a close-to-balance or surplus position. Strengthening confidence in the sustainability of public finances is key, as this will reduce interest rate risk premia and improve the conditions for sound and sustainable growth.

At the same time, it is crucial that substantial and far-reaching structural reforms be implemented in the euro area to strengthen its growth potential, competitiveness and flexibility. In the case of product markets, policies that enhance competition and innovation, in particular, should be further pursued. On the labour market, the priority must be to enhance wage flexibility and incentives to work, and to remove labour market rigidities.

The current sovereign debt crisis in the euro area has reinforced the need for an ambitious reform of the economic governance framework of the euro area. The Governing Council is of the view that the legislative proposals which have been put forward by the European Commission go some way to improving economic and budgetary surveillance in the euro area. However, they fall short of the necessary quantum leap in the surveillance of the euro area which is necessary to ensure the smooth functioning of Economic and Monetary Union. As outlined in the ECB's opinion of 17 February 2011 on these proposals, more stringent requirements, more automaticity in the procedures and a clearer focus on the most vulnerable countries with losses in competitiveness are required to ensure that the new framework will indeed be effective in the long run.

This issue of the Monthly Bulletin contains one article presenting the essential elements for the reform of economic governance in the euro area.

ECONOMIC AND MONETARY DEVELOPMENTS

I THE EXTERNAL ENVIRONMENT OF THE EURO AREA

The recovery in the global economy has become increasingly self-sustained since late 2010, although divergences in growth patterns across countries and regions prevail. At the same time, global inflationary pressures are also picking up, fuelled in particular by higher oil and non-oil commodity prices. While inflation rates so far remain contained in the advanced economies, there has been a gradual increase over the latter half of 2010 and in early 2011. In dynamic and energy-intensive emerging economies, inflation rates have increased substantially, with overheating pressures emerging in some countries.

I.1 DEVELOPMENTS IN THE WORLD ECONOMY

The momentum in global growth strengthened again in the final quarter of last year following some temporary moderation in the pace of the recovery in the third quarter of 2010. At the same time, countries and regions differ with respect to their cyclical position and the latest GDP data releases underline the unevenness in the speed of recovery across economies. In the United States, the recovery continued in the final quarter of 2010, supported by the pick-up in private demand and trade. In Japan and the United Kingdom, real activity contracted towards the end of 2010, primarily reflecting the expiration of government schemes in Japan and the adverse weather conditions in the United Kingdom. In general, the need for further repair of private balance sheets combined with weak labour markets continues to weigh on the growth performance of advanced economies. This contrasts with fast-growing emerging economies, where many are operating at close to full capacity and overheating pressures are emerging in several countries. Despite a gradual withdrawal of supportive fiscal and monetary policies, the pace of growth in emerging Asia remained buoyant in the fourth quarter of 2010, supported by strong domestic demand and fixed investment. In Latin America, on account of the waning impact from stimulus measures and the inventory cycle, growth momentum advanced at a more sustainable pace in the second half of 2010.

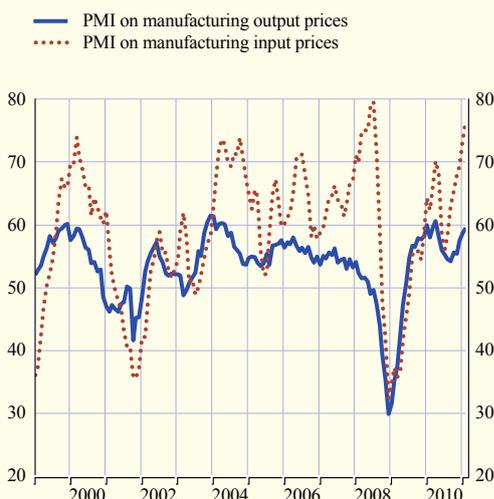
The latest data point to the economic recovery becoming increasingly broad-based, with the rates of expansion continuing to accelerate in both the manufacturing and service sectors. The latest indicator-based evidence also shows that economic activity in the global economy continued to gain momentum in the first two months of 2011. The global manufacturing Purchasing Managers' Index (PMI) for output rose to 59.5 in February (from 58.7 in January), and is currently at its highest level since April 2010. This pick-up has also been accompanied by a rise in the PMI component for new orders, indicating a favourable outlook for economic activity.

In line with global activity, world trade growth rebounded over the course of the final quarter of 2010. According to the latest available data, world trade volumes expanded by 1.8% in December 2010 compared with the previous month, after posting a similar increase in November. This increase largely reflects the rise in import demand from emerging economies, particularly China and India. Survey indicators suggest that the firming of momentum in global trade has continued into 2011, with the PMI of global new export orders continuing to expand in February. Box 1 briefly presents the importance of the euro area as an export destination.

Over the course of 2010, higher oil and non-oil commodity prices led to increasing inflationary pressures in both advanced and emerging market economies. However, in line with divergent growth patterns and differences in consumption baskets, inflation rates have also followed different paths across countries and regions. In advanced economies, inflation rates gradually increased over the latter half of 2010 and in early 2011, but have so far remained contained. This reflects the ample amount of spare capacity which still prevails. However, pipeline pressures have been mounting

Chart 1 Global manufacturing PMI

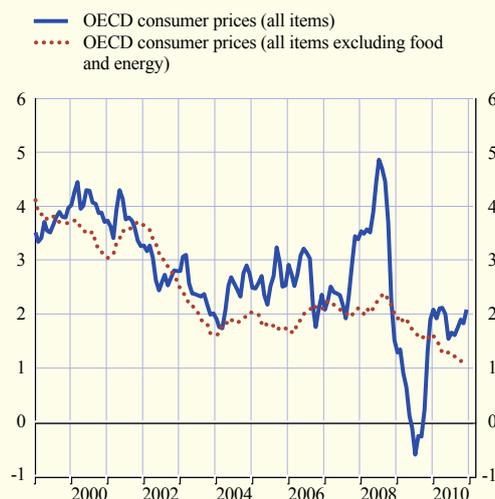
(monthly data; diffusion index)



Source: Markit.

Chart 2 International price developments

(monthly data; annual percentage changes)



Source: OECD.

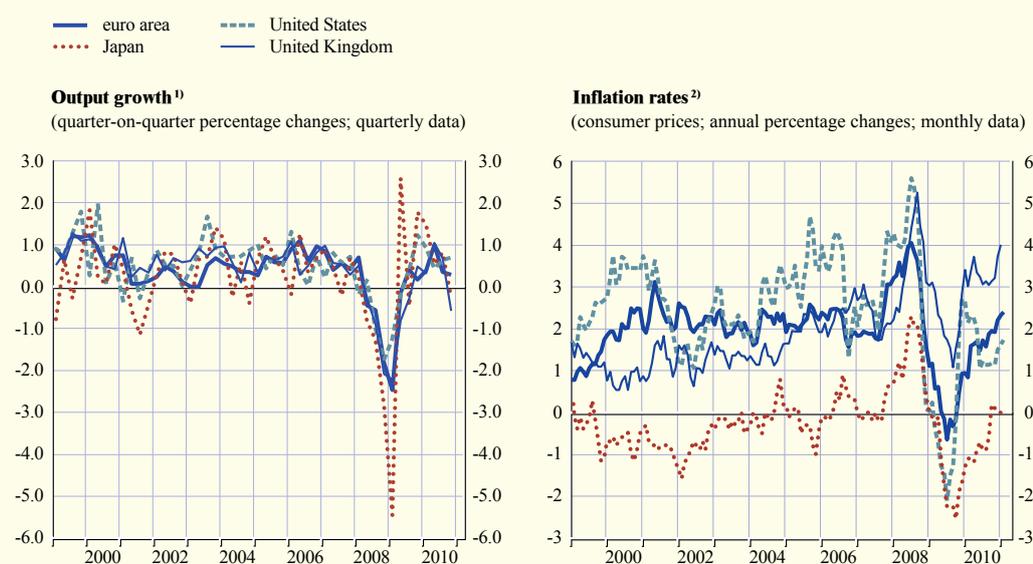
in recent months, particularly in the early stages of production, largely on account of increasing commodity prices, as evident from the PMI for global manufacturing input prices, which reached a two and a half year high in February 2011 (see Chart 1). In the OECD area, annual consumer price inflation increased to 2.1% in the year to December 2010, up from 1.8% in November. Excluding food and energy, consumer prices rose by 1.2% in December, unchanged from November (see Chart 2). By contrast, inflation rates in dynamic emerging economies have increased on account of strong growth and rising commodity prices.

UNITED STATES

In the United States, the economic recovery continued in the fourth quarter of 2010, following the moderation in growth momentum experienced around the middle of the year. According to the second estimate by the Bureau of Economic Analysis, quarter-on-quarter real GDP growth stood at 0.7% (2.8% in annualised terms) in the fourth quarter, up from 0.6% in the third quarter and 0.4% in the second (see Chart 3). The expansion in the fourth quarter of 2010 reflected stronger momentum in consumer spending growth and a positive contribution from trade, as exports continued to grow and imports declined. Investment in equipment and software rose as well, but at a slower pace compared with previous quarters. By contrast, growth was held down by a significant negative contribution from inventory accumulation. The increasing role of domestic demand as the underlying driver of growth – as opposed to temporary factors such as the impetus from inventory building – might be pointing towards the recovery moving onto a more self-sustained trajectory.

Looking ahead, the outlook for near-term growth remains favourable against the background of improving business and consumer confidence, increasingly supportive financing conditions and continuing expansionary monetary and fiscal policies. High-frequency data for the first two months of 2011 indicate a continuing improvement in economic activity. Even so, the high level of unemployment, the need for further household balance sheet repair and a housing market that continues to be anaemic are expected to continue to weigh on the recovery. Developments in housing

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.

activity and prices are likely to remain weak for some time, reflecting continued elevated mortgage delinquency rates and an ongoing oversupply of homes. The new fiscal package announced in December 2010 – including, among other things, an extension of unemployment benefits and of previous tax cuts – is expected to support the growth outlook in the near term, while at the same time it is fuelling market concerns about the fiscal outlook.

Price pressures, despite recently having increased somewhat, remain broadly contained. Annual CPI inflation increased from 1.5% in December to 1.6% in January. The increase in consumer prices continued to reflect primarily the impact of higher energy and food prices. Excluding food and energy, annual inflation also increased in January, to 1.0%, indicating that core inflation may have passed its nadir. Developments in housing costs continue to weigh down on overall inflation, as annual CPI inflation excluding shelter stood at 2.1% in January. Looking forward, the still large – albeit diminishing – slack in the economy is expected to continue to keep underlying price pressures low.

In its statement released on 26 January 2011, the US Federal Open Market Committee (FOMC) noted that the economic recovery is continuing, though at a rate that has been insufficient to bring about a significant improvement in labour market conditions. In the context of elevated unemployment and low measures of underlying inflation, the FOMC continued to anticipate that economic conditions were likely to warrant exceptionally low levels for the federal funds rate for an extended period. In addition, the FOMC kept its plan to purchase USD 600 billion of longer-term Treasury securities by the end of the second quarter of 2011 in order to help support the economic recovery.

JAPAN

In Japan, after strong growth in the first three quarters of 2010, economic activity contracted in the fourth quarter of 2010. According to a preliminary estimate by the Cabinet Office, real GDP

fell by 0.3% quarter on quarter in the fourth quarter of 2010. This was mainly the result of a sharp fall in personal consumption owing to the withdrawal of the purchase incentives to buy energy efficient cars, and a drop in cigarette sales following the tobacco tax hike in October. In addition, exports contracted in the fourth quarter. The decline in GDP in the fourth quarter was smaller than anticipated owing to the resilience of capital and residential investment and a positive contribution from inventories. Overall, real GDP was 3.9% higher in 2010 compared with a year earlier, partly on account of fiscal stimulus measures and increases in external demand. Looking ahead, recent high-frequency indicators signal an improvement in the economic climate and point to the gradual strengthening of the economy starting from the beginning of 2011. These developments are led by the acceleration of activity in manufacturing and increasing foreign demand, mainly from emerging Asian economies.

Annual CPI inflation remained flat in January, unchanged from December. Annual CPI inflation excluding fresh food declined by 0.2% compared with a decline of 0.4% in December, whereas excluding fresh food and energy, it declined by 0.6%, compared with a decline of 0.7% in December. Overall, headline inflation has been partly driven by commodity price developments in recent months. On 15 February 2011 the Bank of Japan decided to leave its target for the uncollateralised overnight rate unchanged at between 0.0% and 0.1%.

UNITED KINGDOM

In the United Kingdom, the economic recovery was interrupted in the fourth quarter of 2010. According to preliminary estimates, real GDP decreased by 0.6% in the fourth quarter of 2010 after expanding by 0.7% in the third quarter and 1.1% in the second quarter (see Chart 3). Attributed in part to bad weather in December, the decline in output over the fourth quarter was broad-based across expenditure components. House prices have continued their declining trend in recent quarters against the background of subdued demand in the housing market. Looking ahead, inventory adjustments, monetary stimulus, external demand and the past depreciation of the pound sterling should support economic activity. However, growth in domestic demand is expected to remain constrained by tight credit conditions, household balance sheet adjustment and substantial fiscal tightening.

Annual CPI inflation has remained elevated in recent months, increasing to 4.0% in January 2011, up from 3.7% in December, mainly reflecting the lagged effects of the depreciation of the pound sterling, higher commodity prices and the increase in the rate of VAT in January 2011. Looking ahead, these factors are likely to continue to exert upward pressure on annual CPI inflation. In recent quarters the Bank of England's Monetary Policy Committee has maintained the official Bank Rate paid on commercial bank reserves at 0.5%. The Committee also continued to vote for maintaining the stock of asset purchases financed by the issuance of central bank reserves at GBP 200 billion.

OTHER EU COUNTRIES

On balance, the economic situation has continued to improve in recent quarters in the other non-euro area EU countries, while developments in inflation have been mixed. In the fourth quarter of 2010, real GDP increased by 1.2% quarter on quarter in Sweden and decreased by 0.4% quarter on quarter in Denmark. The recovery appears to be especially robust in Sweden, supported both by external demand and domestic consumption on the back of strong employment growth. In Denmark, the recovery was interrupted in the fourth quarter, as net exports held down real GDP growth, while private consumption continued to expand at 0.8%. Annual inflation rates have been broadly stable in recent months, reaching 1.4% in Sweden and 2.6% in Denmark in January 2011.

The recovery in economic activity in the largest central and eastern European EU countries has gained further strength in recent quarters, although the pace of growth differs across countries. The recovery is mainly driven by external demand, whereas domestic demand is restrained by weak labour market conditions, higher commodity prices, the need for deleveraging – not least in the banking sector – and the short-term effects of fiscal consolidation. In the Czech Republic, real GDP is recovering steadily, having expanded quarter on quarter by 0.5% during the fourth quarter. In Hungary, real GDP growth stood at 0.2% in the fourth quarter, although the recovery remains somewhat fragile owing to uncertainty surrounding the government's economic policies. In Romania, real GDP growth increased in the fourth quarter (0.1% quarter on quarter). However, macroeconomic conditions remain relatively weak as the ongoing fiscal adjustment depresses domestic demand in the short term. In Poland, real GDP continued to expand at a quarterly rate of 0.8% in the fourth quarter. In contrast to most other countries in the region, output growth in Poland was largely driven by domestic demand, reflecting private consumption growth supported by a stronger labour market situation and fiscal measures. Looking ahead, short-term indicators suggest that the recovery is likely to continue in most countries, with an increasing role for domestic demand as a driving factor. Inflation has picked up in all countries in the region in recent months, reflecting higher energy and food prices. In the Czech Republic and Poland, the respective annual HICP inflation rates stood at 1.9% and 3.5% in January. In Hungary, inflation has continued to fluctuate between 4% and 5% in recent months. In Romania, inflation has remained at elevated levels, standing at 7.0% in January, reflecting partly the impact of a VAT increase introduced in mid-2010. Looking ahead, inflation is likely to pick up further as higher commodity prices and tax changes feed through into consumer prices. At the same time, existing spare capacity may dampen inflationary pressures.

In the smaller non-euro area EU countries, i.e. Bulgaria, Latvia and Lithuania, economic activity is recovering owing to strong external demand and a resulting recovery in industrial production. At the same time, domestic demand remains relatively subdued. Looking ahead, the economic recovery is expected to continue, although very weak labour market and tight credit conditions will continue to weigh on domestic demand. Inflation has also increased in recent months in the smaller non-euro area EU countries, standing at 4.3% in Bulgaria, 3.5% in Latvia and 2.8% in Lithuania in January 2011.

OTHER EUROPEAN COUNTRIES

The Turkish economy grew at a strong pace in the first three quarters of 2010. GDP increased by around 5.5% year on year in the third quarter of 2010, supported by domestic demand (see Chart 4). Available information confirms the continuation of this trend in the last quarter of 2010. Annual inflation stood at 4.9% in January 2011, down from 6.4% in December. In late 2010 and early 2011, the Central Bank of the Republic of Turkey withdrew the exceptional liquidity measures and increased reserve requirements while, in order to discourage short-term capital inflows, it lowered the one-week repo rate from 7% to 6.25%. Overall, the outlook for the Turkish economy remains positive, on the back of continued monetary and fiscal stimuli and improving domestic demand. However, the widening of the current account deficit and the possibility of sudden reversals in capital inflows are potential downside risks.

In Russia, the recovery in economic activity was interrupted in the third quarter of 2010 as a result of the adverse impact of the exceptional heatwave that hit the country. However, as this shock was temporary in nature, growth picked up again by the end of the year, as suggested by leading indicators. According to preliminary estimates, real GDP rose by about 4% in 2010. Annual inflation continued to increase and stood at 9.6% in January 2011, mainly on account of food prices,

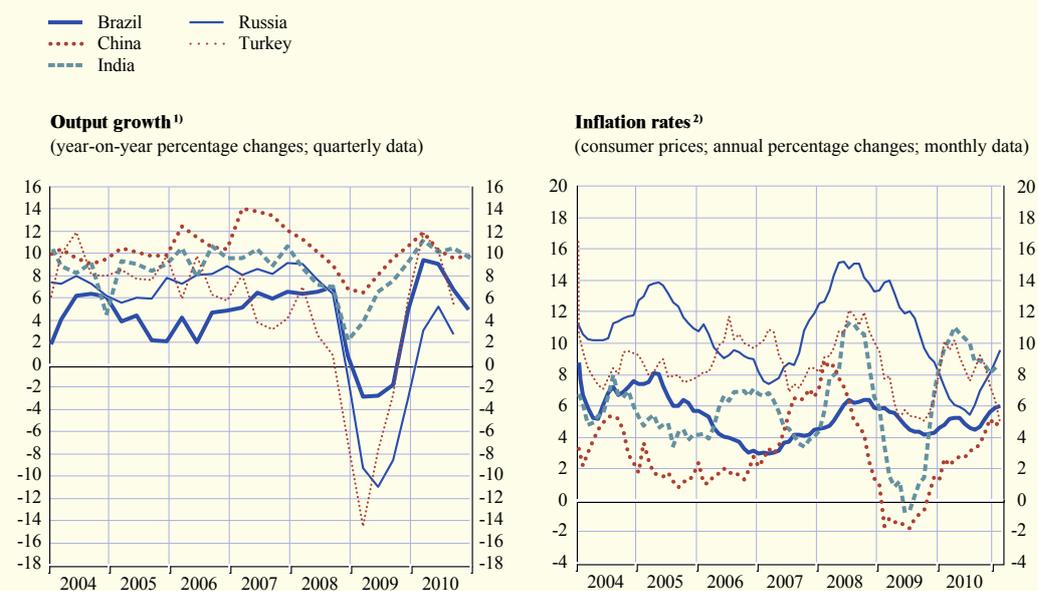
which have been rising continuously as a result of the heatwave. The Bank of Russia increased its main policy rates by 25 basis points, effective from 28 February. The main refinancing rate increased to 8%, while the interest rate on its deposit operations increased to 3%. At the same time the Bank of Russia raised the reserve requirements for the second consecutive month and expanded the fluctuation band of the currency. Looking ahead, with Russia being one of the most important oil and gas exporters, the pace of the recovery is likely to depend on commodity price developments.

EMERGING ASIA

In emerging Asia, economic activity continued to be strong in the fourth quarter of 2010, with annual real GDP growth rates slightly exceeding those recorded in the third quarter in most countries. Even though supportive fiscal and monetary policies are gradually being withdrawn, economic growth in the region has mainly been driven by private consumption and fixed investment as strong net capital inflows, including foreign direct investment, have sustained domestic demand. The average contribution from net exports to growth was still positive in the fourth quarter, but lower than in the first half of 2010. Inflation rates remain elevated amid rising food and commodity prices as well as strong domestic demand. In response, most of the central banks in the region have tightened monetary policy over the past few months.

In China, annual real GDP increased by 10.3% in 2010, which points to the economy's resilience to the withdrawal of stimulus measures in the course of 2010 (see Chart 4). The robust economic growth was mainly driven by strong investment and favourable external demand conditions. In the last quarter of 2010 annual CPI inflation accelerated to 4.7% from 3.5% in the third quarter, thus raising the annual CPI inflation rate for 2010 to 3.3%, which is above the target of 3%. Owing to the

Chart 4 Main developments in major emerging economies



Source: Haver Analytics.
 1) Seasonally adjusted data for Brazil, China and India. Non-seasonally adjusted data for Russia and Turkey.
 2) WPI inflation for India.

colder than usual winter and the run-up to the Lunar New Year holiday, food prices have picked up again since late December. In addition, high commodity prices and abundant domestic liquidity are expected to keep inflationary pressures high in the upcoming months. The People's Bank of China continued to tighten its monetary policy stance in early 2011. For the third time since October 2010, the one-year benchmark deposit and lending rates were raised by 25 basis points to 3% and 6.06%, respectively, effective from 9 February. Moreover, in order to prevent further property market speculation, a property holding tax was introduced in a few large cities on 28 January 2011, together with administrative measures aimed to increase the cost of mortgage loans.

In South Korea, annual real GDP growth maintained its momentum and increased by 4.9% in the fourth quarter of 2010, compared with 4.5% in the third quarter. Relative to the third quarter, stronger net exports and continued resilient private consumption contributed primarily to economic growth, while construction investment decreased. Annual CPI inflation increased in January 2011 and stood at 4.1%, which is slightly above the target band of 2% to 4% set by the Bank of Korea. The central bank, in the meantime, increased its policy rate for the third time since July 2010 by 25 basis points to 2.75% on 13 January 2011.

In India, economic activity remained robust, with real GDP growing at an annual rate of 9.7% in the last quarter of 2010, compared with 10.5% in the third quarter. Annual wholesale price inflation – the Reserve Bank of India's preferred measure of inflation – remained elevated at 8.2% in January. The Reserve Bank of India continued its policy of gradual monetary tightening and increased both the reverse repurchase rate and the repurchase rate by 25 basis points to 5.50% and 6.50%, respectively, on 27 January 2011. This is the seventh increase in its policy rates since March 2010.

The economic performance of the ASEAN-5 countries (i.e. Indonesia, Malaysia, the Philippines, Singapore and Thailand) remained buoyant in the last quarter of 2010. In Indonesia, Malaysia and the Philippines, economic growth in the fourth quarter was mainly driven by private consumption, whereas in Singapore and Thailand, there was a strong contribution from net exports. Policy rates have been increased in the last six months in Indonesia and Thailand.

The outlook for emerging Asia suggests a continued and strong growth momentum coupled with robust domestic demand. In this context, concerns about overheating might arise, given closing output gaps and increasing inflationary pressures. On the other hand, potential downside risks are related to uncertainties about external demand, a further rise in commodity prices and the effects of volatile capital flows.

MIDDLE EAST AND AFRICA

Economic growth in many oil-exporting countries in the Middle East and Africa recovered to pre-crisis rates in 2010, supported by high oil demand and prices. In addition, relatively low debt levels and large international reserve stocks allowed governments to maintain sizeable fiscal support, including infrastructure spending and measures to back the non-oil sectors. In the second half of 2010 inflationary pressure increased, but inflation rates remained far below the levels observed before the global crisis.

In Saudi Arabia, preliminary data show that real GDP grew by 3.8% in 2010, with the non-oil government sector growing faster than the rest of the economy. In contrast to other emerging market economies, consumer price inflation in Saudi Arabia has been slowly declining since August 2010 and recorded a 5.7% year-on-year increase in the fourth quarter of 2010. Inflation decreased further to 5.3% in January 2011.

In 2010 GDP growth picked up in the non-oil exporting countries of the region as well. The increase in the demand for and prices of (non-oil) commodities, together with accommodative fiscal and monetary policies, contributed to the recovery. While, in most of these countries, consumer prices increased somewhat in the fourth quarter of 2010, inflation developments remain contained.

The solid economic performance of most countries in the Middle East and Africa observed in 2010 is expected to continue, supported by robust demand for commodities and high global commodity prices. However, the geopolitical tensions in the region have resulted in heightened uncertainty and increased the downside risks to the economic outlook. An additional challenge for the non-oil exporting countries relates to the possibility that the considerable rise in global food and energy prices in recent months could translate into higher inflation rates or could weaken fiscal balances, given the subsidy schemes that are in place.

LATIN AMERICA

After expanding strongly in the first half of 2010, high-frequency indicators suggest that economic activity in Latin America moderated and grew at a more sustainable pace in the second half of the year. The moderation in growth was mainly driven by the gradual unwinding of policy stimulus measures and a normalisation of the global inventory cycle. Meanwhile, inflationary pressures have been increasing across the region.

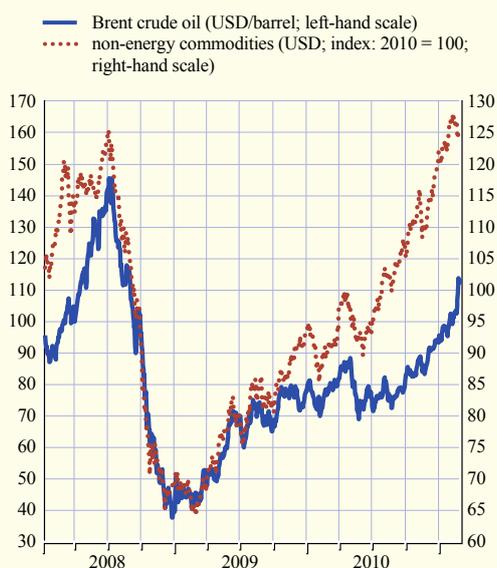
In Mexico, annual real GDP growth stood at 4.4% in the fourth quarter of 2010, compared with 5.3% in the third quarter. Annual consumer price inflation was higher than in the preceding quarters, averaging 4.3% in the fourth quarter. In Argentina, economic activity continues to exhibit strong growth, supported by high demand from Brazil, continued accommodative policies and strong commodity prices. As a result, industrial production continued to expand rapidly in the fourth quarter of 2010 (10.6% above a year earlier). Average annual CPI inflation stood at 11.1% in the fourth quarter of 2010, unchanged from the previous quarter.

In Brazil, the economic performance in the first half of 2010 was buoyant, with sustained domestic demand contributing to tight labour market conditions and an increase in the current account deficit. During the second half of the year, however, economic activity showed signs of slowing down. As a result, in the fourth quarter, the average rate of growth of industrial production – at 3.5% year on year – was significantly lower than in the third and second quarter (8.1% and 14.2% respectively). Annual inflation in Brazil increased to 5.5% in the fourth quarter from 4.5% in the third quarter.

Overall, economic activity in Latin America expanded rapidly in 2010. Looking ahead, economic activity is expected to normalise as accommodative policy measures are gradually withdrawn. At the same time, high agricultural prices and favourable external financing conditions are expected to continue to support the growth momentum.

1.2 COMMODITY MARKETS

Oil prices have increased substantially over the past three months, thereby continuing the upward trend that started in September 2010 (see Chart 5). Brent crude oil prices stood at USD 113.6 per barrel on 2 March, which is 45% higher than at the beginning of 2010 and 22% higher than at the beginning of 2011. Looking ahead, market participants are expecting slightly lower oil prices in the medium term, with futures contracts for December 2012 trading at USD 111 per barrel.

Chart 5 Main developments in commodity prices

Sources: Bloomberg and HWWI.

During the past three months, oil prices have been sustained by the strong demand-side fundamentals and uncertainty regarding future supply prospects. On the demand side, the International Energy Agency has repeatedly revised its oil demand estimates for 2010 and 2011 upwards, mostly owing to higher assumptions regarding global economic growth. On the supply side, oil producers did not react swiftly to higher prices: in particular, OPEC did not increase its production quotas during their December meeting, in spite of ample spare capacity. Furthermore, political unrest in the Middle East and North African region generated concerns that geopolitical factors may threaten supply security, which put additional upward pressure on oil prices. The current situation bears similarities with that of 2008, but the high level of inventories and the possibility to substantially expand production in OPEC countries should provide some buffer against further significant price increases.

Prices of non-energy commodities have also displayed marked increases during the last few months, primarily driven by food prices, and now stand roughly at the same level as at the 2008 peak. Against the background of robust demand, adverse weather conditions led to a downgrading of production estimates in North America and Australia, which resulted in upward pressures on wheat and maize prices. Metal prices have also increased in the last three months, driven in particular by copper. In aggregate terms, the price index for non-energy commodities (denominated in US dollars) was 35% higher towards the end of February than at the beginning of 2010 and 3% higher than at the beginning of 2011.

1.3 EXCHANGE RATES

EFFECTIVE EXCHANGE RATE OF THE EURO

The euro experienced rather wide swings in nominal effective terms in 2010 and early 2011. It appreciated from mid-2010 to early November 2010, recouping much of its losses from early 2010. Following renewed depreciation in December 2010, it closed the year at about 8% lower than its 2009 average (see Chart 6). On 2 March the euro stood – in nominal effective terms, as measured against the currencies of 20 of the euro area's most important trading partners – 1.9% higher than at the end of November 2010 and 0.6% below its average level in 2010.

Movements in the euro exchange rate in 2010 seem to have been largely driven by changes in market views over the fiscal and economic prospects of some euro area countries as well as over the strength of the global economic recovery relative to the euro area. The euro's appreciation from June to early November appears to have been linked to an easing of market concerns as the details of the institutional mechanisms set up to deal with financial problems in some euro area countries were clarified. Conversely, its depreciation in the last two months of 2010 seems to have been partly

Chart 6 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 six main trading partners of the euro area. The category "other Member States" (OMS) refers to the aggregate contribution of the currencies of the non-euro area Member States (except the pound sterling and the Swedish krona). The category "other" refers to the aggregate contribution of the remaining six trading partners of the euro area in the EER-20 index. Changes are calculated using the corresponding overall trade weights in the EER-20 index.

related to renewed risk aversion on the back of heightened concerns about the fiscal prospects of those countries. In the past three months, the appreciation of the euro in nominal effective terms was mainly the result of its strengthening against the US dollar and the major Asian currencies. This was only partly counterbalanced by the depreciation of the euro vis-à-vis the Swedish krona, the Norwegian krone and the Swiss franc as well as against the Hungarian forint, the Polish zloty and the Czech koruna (see Table 1). The implied volatility of the bilateral exchange rates of the euro

Table 1 Euro exchange rate developments¹⁾

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

	Weight in EER-20	Level on 2 March 2011	Appreciation (+)/depreciation(-) of the euro as at 2 March 2011		
			since: 30 November 2010	1 January 2010	compared with: average for 2010
US dollar	19.4	1.38	6.2	-4.0	4.2
Pound sterling	17.8	0.848	1.2	-4.9	-1.2
Chinese renminbi	13.6	9.08	4.7	-7.6	1.2
Japanese yen	8.3	113.3	4.0	-15.2	-2.5
Swiss franc	6.4	1.28	-1.5	-13.9	-7.3
Polish zloty	4.9	3.98	-2.1	-2.9	-0.3
Swedish krona	4.9	8.73	-4.8	-14.3	-8.4
Czech koruna	4.1	24.29	-2.5	-7.6	-3.9
Korean won	3.9	1,554.74	2.9	-6.5	1.5
Hungarian forint	3.1	271.28	-4.5	0.5	-1.5
NEER ²⁾		103.9	1.9	-7.1	-0.6

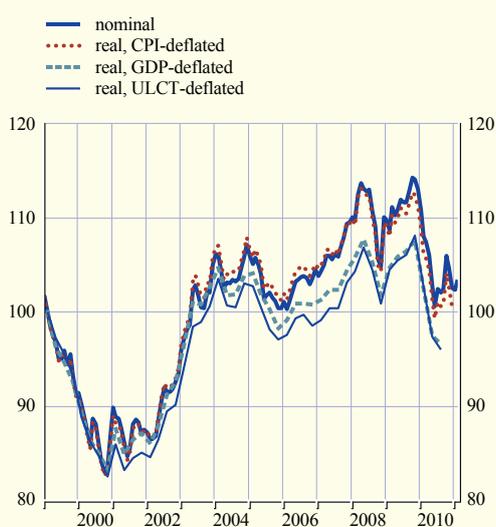
Source: ECB.

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).

Chart 7 Euro nominal and real effective exchange rates (EER-20)¹⁾

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



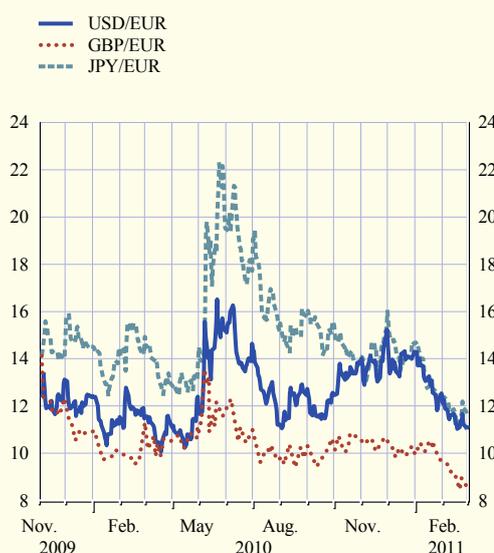
Source: ECB.

1) An upward movement of the EER-20 indices represents an appreciation of the euro. The latest observations for monthly data are for February 2011. In the case of the GDP and ULCT-based real EER-20, the latest observation is for the third quarter of 2010 and is partly based on estimates.

Chart 8 Patterns in exchange rates and implied volatilities

(daily data)

Implied exchange rate volatilities (three-month)



Source: Bloomberg.

vis-à-vis other major currencies (the US dollar, the pound sterling and the Japanese yen) has decreased since the end of November 2010, both at the short and long horizons, indicating an easing of exchange rate market uncertainty. At the end of February 2011, however, volatility started to increase again, in line with the general increase in market uncertainty related to geopolitical tensions in North Africa (see Chart 8).

With regard to indicators of the international price and cost competitiveness of the euro area, in February 2011 the real effective exchange rate of the euro, based on consumer prices (as measured against the currencies of 20 of the euro area's most important trading partners), was 1.8% lower than its average 2010 level (see Chart 7). This real effective depreciation was due to both the nominal depreciation of the euro and a lower consumer price inflation rate in the euro area than in the trading partner countries.

BILATERAL EXCHANGE RATES

The euro exchange rate has exhibited wide swings since mid-2010. After appreciating significantly against the US dollar from mid-June to early November, it depreciated again until early January, but had recouped most of its losses by March 2011. The appreciation of the euro from June to early November 2010 was supported by easing concerns about the sustainability of finances in some euro area Member States and by the release of weaker-than-expected economic data for the US economy relative to the euro area. The spell of depreciation at the end of 2010 was possibly

related, among other factors, to renewed concerns about the sustainability of public finances in some Member States. The USD/EUR exchange rate was also affected by movements in relative interest rate differentials, with the latter providing broad support to the euro, especially at the end of the period under review. Overall, from 30 November 2010 to 2 March 2011, the euro rose by 6.2% against the US dollar, thus trading at 4.2% above its 2010 average (see Chart 6 and Table 1).

During the first three quarters of 2010 the euro continued to depreciate vis-à-vis the Japanese yen, completely reversing its appreciation in 2009 and reaching a level last seen in mid-2001. Thereafter, following a sharp appreciation in mid-September, the euro remained broadly stable vis-à-vis the Japanese currency. According to information derived from the prices of currency options, in the second half of 2010 market expectations moved progressively from a euro-negative stance into more neutral territory. The JPY/EUR exchange rate has been broadly responsive to movements in interest rate differentials between the euro area and Japan as well as to market perceptions of global financial market risk, as the Japanese currency is widely perceived in the markets to provide a safe haven for investment at times of market uncertainty. On 2 March the euro stood at JPY 113.3, 4% stronger than at the end of November and 2.5% below its 2010 average.

Since mid-2010 the currencies participating in ERM II have remained broadly stable against the euro, trading at, or close to, their respective central rates. The Latvian lats remained on the weak side of the unilaterally set fluctuation band of +/-1% throughout 2010, but moved closer to its central parity in early 2011 and fluctuated around it thereafter.

As regards other currencies, the euro has fluctuated without a clear trend vis-à-vis the pound sterling since mid-2010. On 2 March the euro traded at GBP 0.85, 1.2% higher than its end-November level (see Table 1). The euro has also experienced swings vis-à-vis the Swiss franc since mid-2010. It reached a historical trough at the beginning of 2011, recouped some losses thereafter, but then lost ground again after the first week of February, trading at around 1.5% lower on 2 March than at the end of November 2010. The recent depreciation corresponds to heightened market uncertainty owing to geopolitical tensions, as the Swiss currency tends to benefit from flight-to-safety behaviour on the part of international investors. Over the period under review the bilateral euro exchange rates vis-à-vis the Chinese renminbi and the Hong Kong dollar appreciated, in line with the developments in the USD/EUR exchange rate. During this period the movements of the euro exchange rate against major commodity currencies were mixed: the euro continued its two-year-long depreciating trend against the Australian dollar until the end of 2010, but appreciated thereafter, trading on 2 March close to its level at the end of November, while it oscillated without a clear trend against the Canadian dollar, trading 1.1% higher on 2 March than at the end of November.

I.4 OUTLOOK FOR THE EXTERNAL ENVIRONMENT

Looking ahead, global growth is expected to steadily strengthen, supported by, among other things, a further normalisation of financing conditions in an environment of accommodative monetary conditions. This is in line with the latest indicators, which signal that the global economy will continue to expand in the near term. In December 2010 the OECD's composite leading indicator continued to increase, indicating continued growth momentum in the first half of 2011 (see Chart 9). The more favourable short-term outlook is also supported by the Conference Board's leading

Chart 9 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.

indicator, which is signalling a more sustained recovery in the United States. Against this background, the ECB staff macroeconomic projections foresee a more favourable outlook for global growth in 2011 than in December 2010, while the projection for global growth in 2012 remains largely unchanged. This is in line with the IMF's revised world economic outlook projections. On the basis of expected commodity price developments, global inflation is expected to peak in the first half of 2011 and to subsequently recede over the remainder of the year. The risks to global activity are broadly balanced, with uncertainty remaining elevated. On the upside, trade may continue to grow faster than expected. On the downside, concerns remain relating to the tensions in some segments of the financial markets, further increases in oil and other commodity prices, protectionist pressures and the possibility of a disorderly correction of global imbalances.

Box 1

THE IMPORTANCE OF THE EURO AREA AS AN EXPORT DESTINATION

The euro area is the leading importer in the world economy, accounting for about 15% of world imports (excluding intra-euro area trade).¹ This box explores how the importance of the euro area as an export destination varies across trading partners.

The analysis is based on a simple indicator, namely the value of a trading partner's exports to the euro area divided by its own GDP. This summary statistic can be seen as a crude proxy of the extent to which a given exporting country is exposed to the economic developments in the euro area through the so-called "trade channel" of international shock transmission. To gain further insight, the overall measure can be decomposed into: (i) the share of a country's exports shipped to the euro area to the country's total exports; and (ii) the share of total exports to GDP. The overall indicator can be derived by multiplying these two components. Taking the second component into account is important, as it captures the size of the entire export sector. If the latter is very small, an increase in exports to the euro area will be felt mostly in the export sector, with limited impact on the wider economy in the exporting country.

Some caveats should be borne in mind. Most importantly, the indicator should be seen merely as a proxy of a country's export dependency vis-à-vis the euro area. Other country-specific characteristics such as factor mobility and price elasticities are likely to amplify or diminish

¹ This share is calculated over the period 1999-2009.

the impact of demand impulses from the euro area. Moreover, the product composition of a country's exports is relevant, given that some goods (e.g. durable consumption and investment goods) are more sensitive to changes in economic conditions than others (e.g. non-durable consumption goods) and the import content of export goods also plays a role.

Variation across trading partners

Export dependency vis-à-vis the euro area varies substantially across potential trading partners, with a strong regional concentration. Focusing on trade in goods, in the period from 2005 to 2009 exports to the euro area from other countries as a percentage of national GDP ranged from 0% to 43.6%, the latter being the case for the Czech Republic. As expected, export dependency is highly concentrated in economies in close geographical proximity to the euro area. In fact, the non-euro area EU Member States are most exposed vis-à-vis the euro area as a whole, followed by non-EU Europe (see Chart A).² Export dependency vis-à-vis the euro area generally declines with rising distance. Notably, North America shows a very low degree of dependency, mainly reflecting the fact that the United States is a relatively closed economy, but also the rather small weight of the euro area in North American exports. The strong negative correlation between bilateral distance and export dependency vis-à-vis the euro area is indeed fully in line with theoretical predictions regarding trade. Intuitively, longer distance translates into higher trade costs. Buyers in the importing country will therefore devote a lower share of their expenditure on goods from distant economies, all other things being the same.

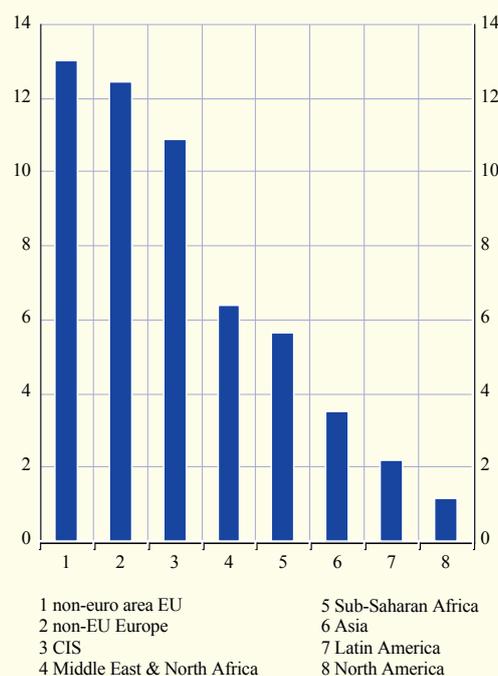
Developments over time

Overall, the export dependency of the non-euro area countries vis-à-vis the euro area has increased moderately since the late 1990s. The GDP-weighted cross-country mean rose from 3.5% for the period from 1995 to 1999 to 4.3% for 2005 to 2009. Interestingly, this conceals two countervailing forces. On the one hand, trading partners outside the euro area nowadays tend to export a slightly smaller fraction of their total exports to the euro area than in the past, mainly reflecting the rising share of exports to emerging markets. On the other hand, this effect has been more than offset by a marked increase in the exports-to-GDP ratio abroad in the wake of global goods market integration and export-led growth strategies in many emerging economies.

² Smaller EU Member States tend to be more dependent on exports to the euro area than larger ones, mainly owing to their trade openness.

Chart A Export dependency vis-à-vis the euro area across trading partners

(percentages of GDP)



Sources: UN (Comtrade), IMF (WEO) and ECB staff calculations. Note: The geographical aggregates are GDP-weighted. The reference period is 2005-09.

The largest increases in export dependency vis-à-vis the euro area were observed in China and the central and eastern European countries.

The role of trade in services

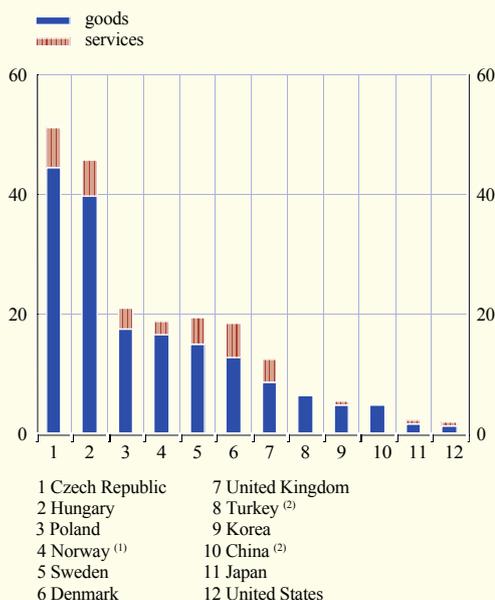
While the analysis has so far concentrated on exports of goods, available evidence suggests that including exports of services does not significantly alter the ranking of countries according to their export dependency vis-à-vis the euro area (see Chart B). This should not come as a surprise since services account for about one-fifth of world trade, according to OECD estimates. Moreover, as with trade in goods, services trade has a strong regional bias owing to implicit distance costs (such as differences in the legal system, language, etc.).

Conclusion

As the largest importer in the world economy, the euro area is an important export market for many of its trading partners. Export dependency vis-à-vis the euro area, also taking into account the size of the overall export sector, is highest for countries in close geographical proximity to the euro area. Therefore, these countries stand to gain most from strengthening demand from the euro area.

Chart B Export dependency vis-à-vis the euro area, including exports of services for selected economies

(percentages of GDP)



Sources: UN (Comtrade), OECD (Statistics on International Trade in Services) and ECB staff calculations. The reference period is 2008 on account of data constraints.

1) Norway: data for 2007.

2) China and Turkey: data for services not reported.

2 MONETARY AND FINANCIAL DEVELOPMENTS

2.1 MONEY AND MFI CREDIT

Looking beyond the impact of special factors in recent months, monetary data up to January 2011 continue to point to a gradual recovery in the annual growth rates of both M3 and MFI loans to the private sector. For the time being this recovery is characterised by low rates of growth and does not change the assessment of moderate underlying monetary expansion and contained inflationary pressures over the medium to longer term. Sectoral developments in loans to the private sector confirm a gradual recovery in loans to non-financial corporations, for which a positive annual growth rate was observed in January 2011 for the first time since the third quarter of 2009. The annual growth of loans to households remained broadly managed at earlier positive rates.

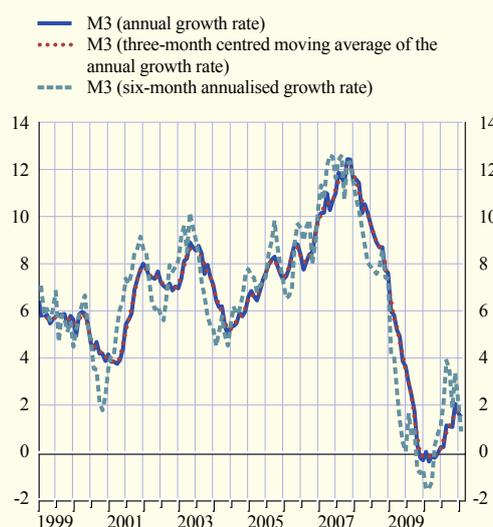
THE BROAD MONETARY AGGREGATE M3

The annual growth rate of the broad monetary aggregate M3 stood at 1.5% in January 2011, unchanged from the fourth quarter of 2010 but higher than the 0.7% recorded in the third quarter (see Chart 10). Notably, this masks declines in annual growth rates in December 2010 and January 2011, which were attributable mainly to contractions in interbank transactions conducted via central counterparties located in the money-holding sector. Thus, the latest data are consistent with the notion of a gradual recovery in euro area monetary dynamics, albeit remaining at a low level (see Box 2, entitled “Permanent and temporary factors in broad money growth”, for an analysis of the factors currently impacting on money growth). At the same time, the latest data imply somewhat higher levels of uncertainty regarding the strength of this recovery.

On the component side, the strengthening observed in annual M3 growth since summer 2010 masks the fact that the annual growth rate of M1 declined considerably further in the fourth quarter and in January (albeit remaining positive), while that of short-term deposits other than overnight deposits (i.e. M2 minus M1) increased throughout the fourth quarter and entered positive territory in January. At the same time, the recent renewed steepening of the yield curve has generally reduced the attractiveness of M3 instruments compared with longer-term financial assets outside M3.

Chart 10 M3 growth

(percentage changes; adjusted for seasonal and calendar effects)



Source: ECB.

Box 2

PERMANENT AND TEMPORARY FACTORS IN BROAD MONEY GROWTH

Notwithstanding the impact of some temporary special factors around the turn of the year, the annual growth rate of M3 has seen a gradual strengthening since mid-2010 (see Chart A). In qualitative terms, the simultaneous strengthening of MFI loans to the private sector suggests that this development may represent a pick-up in the pace of underlying monetary expansion. This view is supported by a variety of quantitative approaches to estimating underlying monetary trends which suggest that monetary dynamics have recently bottomed out and are now showing tentative signs of recovery.¹ Against this background, this box provides a further quantification of the persistent component of M3 growth using techniques that estimate the contributions of temporary factors within an empirically consistent framework, namely a large Bayesian vector autoregression (BVAR) model developed for the purpose of monetary analysis.²

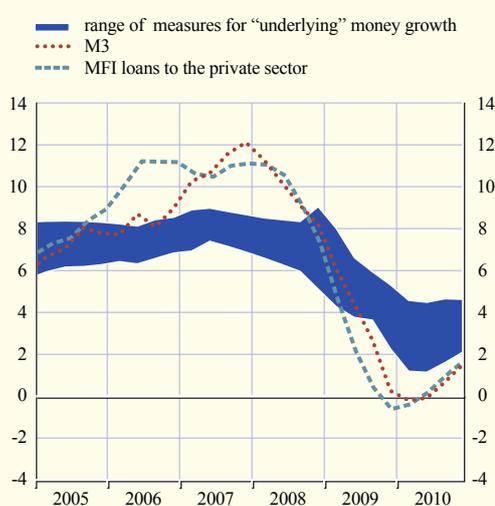
Assessing the pace of underlying money expansion

Gauging the pace of underlying monetary expansion is an important aspect of monetary analysis, as it provides an insight into risks to price stability over the medium term stemming from monetary developments.

In attempting to identify this underlying monetary trend, the natural starting point is to decompose actual money growth into two broad components: persistent and temporary. The former may be associated with the growth of bank credit, since the implied general expansion of bank, household and firm balance sheets is likely to have a lasting impact on money holdings. The latter may be associated with “portfolio shifts”, which reflect substitution between money and non-monetary assets driven by yield or risk considerations that are typically of a more transient nature. Special factors of an institutional nature may also exert a temporary effect on money growth. On the basis of this decomposition, observed monetary growth can be corrected for the impact of temporary effects and distortions so as to estimate the underlying monetary trend that

Chart A Growth in M3 and underlying M3

(annual percentage changes)



Sources: ECB and ECB calculations.

Notes: The range of measures for underlying money growth are derived using some of the methods described in the box entitled "Underlying monetary dynamics: concept and quantitative illustration" in the May 2008 issue of the Monthly Bulletin.

1 The methods used to estimate these various measures of underlying monetary growth are described in the box "Underlying monetary dynamics: concept and quantitative illustration" in the May 2008 issue of the Monthly Bulletin. These empirical measures are, of course, imperfect proxies for the latent concept of "underlying" monetary expansion. In addition, it must be borne in mind that the signalling quality of the various empirical measures may vary over time.

2 This model is presented in Annex 1 to Chapter 4 of Papademos, L.D. and Stark, J. (eds.), *Enhancing Monetary Analysis*, ECB, Frankfurt am Main, 2010. For more details see Giannone, D., Lenza, M. and Reichlin, L. (2009), "Money, credit, monetary policy and the business cycle in the euro area", mimeo, ECB.

is associated with the emergence of risks to price stability over the medium term.

A model-based analysis of temporary factors shaping monetary developments

To supplement and enhance the assessment made on the basis of existing measures of underlying monetary growth, this box presents a new model-based approach to designing measures of annual M3 growth corrected for the impact of the business cycle or other temporary factors. The tool applied is a large BVAR model.

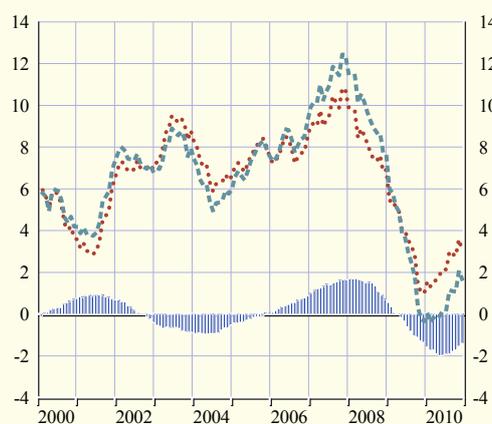
Fluctuations in money holdings may result from changes in the pace of real economic activity and income (proxied in this model by industrial production). Chart B shows the resulting estimate of the contribution of the business cycle to M3 growth and compares the annual growth rate of the headline M3 series with that of the M3 series excluding such a contribution.³ The chart suggests that annual M3 growth is typically not very strongly affected by the business cycle: although the magnitudes of actual and corrected annual M3 growth differ by up to 2 percentage points in specific months, overall the two time series profiles do not exhibit significant qualitative differences. With regard to the recent period, it appears that the recovery in actual M3 growth was at first held back and for a short time increasingly dampened by the business cycle, although this effect has diminished over more recent months.

There are, of course, other temporary shocks beyond those associated with the business cycle, such as those related to speculative activity. Using the BVAR model as described above, it is possible to estimate the impact of transitory shocks on M3 growth.⁴ Chart C, which illustrates the contribution of these transitory shocks to annual M3 growth, shows that their impact goes beyond that of the pure business cycle shock and, for instance, also identifies a large part of the portfolio-shift period between mid-2001 and 2003 as being due to such temporary shocks.⁵ This period reflects the exceptional preference for liquidity, which, in the context of this model, is not specifically addressed and thus only imperfectly identified. The model does correctly identify the onset of the period in mid-2004 when the increase in M3 growth reflected a strong co-movement of money and credit and thus indicated the more persistent, or “underlying”, nature of the

Chart B Actual and cyclically-adjusted M3 growth

(annual percentage changes; percentage points)

— contribution of business cycle shock to M3 growth
 actual M3 growth minus contribution from business cycle shock
 - - - - actual M3 growth



Sources: ECB and ECB estimates.

Note: Contribution of business cycle shock estimated via the BVAR model as explained in the main text of the box and in footnote 3.

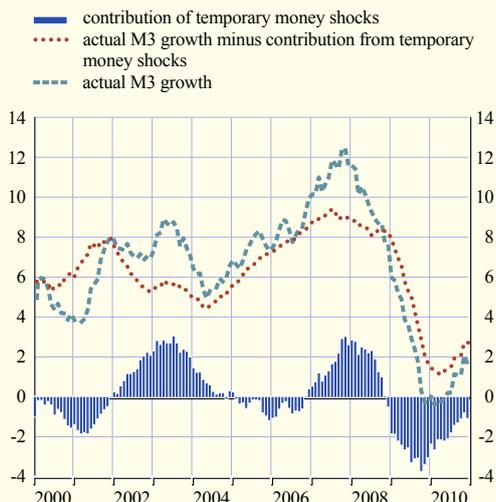
3 The shock is that which accounts for the maximum variance of euro area industrial production at medium to high business cycle frequencies (cycles shorter than eight years). Note that this “business cycle shock” is a non-structural shock, as it is not based on any identification restriction, and it can be seen as a linear combination of shocks driving the real business cycle.

4 The method consists of finding from among the possible shocks to euro area M3 those which account for the maximum variance at medium to high frequencies, labelling them as “transitory shocks”, and then computing their contribution to M3 growth. The measure of “permanent” M3 growth can then be derived by subtracting this contribution to M3 growth from actual M3 growth. In this case the shock is also non-structural and therefore cannot be interpreted in economic terms (unlike, for example, a temporary money demand shock), but it can be seen as reflecting a combination of temporary shocks directly affecting M3 which may also include – at least partly – the business cycle shock discussed above.

5 See the article entitled “Money demand and uncertainty” in the October 2005 issue of the Monthly Bulletin.

Chart C M3 and its “permanent” component

(annual percentage changes; percentage points)

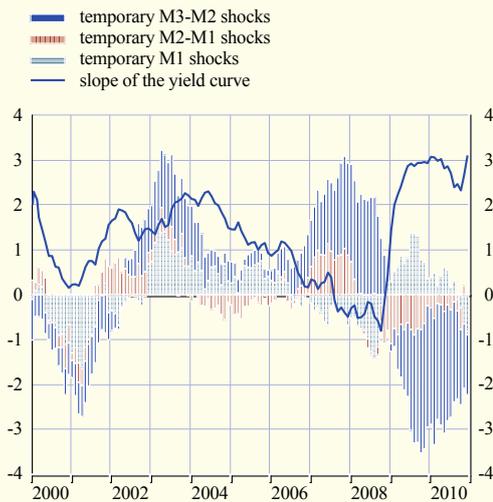


Sources: ECB and ECB estimates.

Note: Contribution of temporary money shocks estimated via the BVAR model as explained in the main text of the box and in footnote 4.

Chart D Impact of temporary shock by monetary instrument

(percentage points of annual M3 growth; percentages per annum)



Sources: ECB and ECB estimates.

Notes: Contributions of temporary money shocks estimated via the BVAR model as explained in the main text of the box and in footnote 4 to the components of M3 separately. The slope of the yield curve is defined as the difference between the euro area 10-year government benchmark bond yield and the 3-month EURIBOR rate.

monetary expansion. With regard to the current situation, most of the recent increase in annual M3 growth seems to be explained by the declining negative impact of such temporary shocks.

It is worth noting that the contributions from the business cycle shock and the transitory money shock do not coincide and appear to be interrelated only in certain specific periods (such as from 2007 onwards). Indeed, the overall correlation between these two contributions from 2000 to 2010 is only about 42%. This suggests that there are many transitory shocks to monetary dynamics beyond those coming from the business cycle.

Looking at the impact of temporary shocks on M1, M2-M1 and M3-M2, it is possible to obtain some insight into the nature of such shocks (see Chart D). For example, the contributions of temporary M1 shocks to M3 growth are highly correlated to the analogous contributions of the business cycle shock. The same does not apply to the other components of M3. A high positive correlation is also found between the contribution of temporary M1 shocks to M3 growth and the slope of the yield curve, while a significantly negative correlation relative to the latter is found for the contributions of temporary shocks to the other components of M3. The latter relationship can be expected, given that a steep yield curve provides investors with an incentive to shift their funds to longer-term and arguably riskier assets outside of M3. This negative relationship can be seen in Chart D in the period since 2004, whereas in the period of exceptional portfolio shifts between 2001 and 2003 this negative link seems to have been overcompensated by uncertainty-related shifts into M3-M1. On balance, it appears that temporary M1 shocks are largely associated with the drivers of the business cycle, while temporary shocks to M3-M2 and M2-M1 are more related to the yield curve.⁶

⁶ For an analysis of the impact of the yield curve on monetary dynamics, see the box entitled “The impact of the yield curve on recent developments in monetary aggregates” in the December 2010 issue of the Monthly Bulletin.

Conclusion

Overall, the model-based derivation of the impact of temporary shocks on the growth of monetary aggregates supports the indications from available measures of underlying monetary expansion that the recent strengthening in annual M3 growth does not translate one-to-one into an increase in underlying money growth. This is because the strengthening reflects a gradual fading of the dampening impact on money growth of transitory factors, such as from the slope of the yield curve and the cyclical position of the economy. Moreover, when corrected for the impact of the business cycle and other transitory shocks, the outcomes for M3 growth currently fall within the range indicated by available measures of underlying monetary growth. The pace of underlying money growth has remained higher than that of annual M3 growth, but continues to be moderate, suggesting that risks to price stability over the medium-term remain contained.

On the counterpart side, the annual growth of M3 in the fourth quarter and in January was accounted for mainly by the annual growth of credit to the euro area economy. The annual growth rate of credit to general government increased in the fourth quarter, mainly reflecting the statistical effect of asset transfers to a German bad bank scheme (which is categorised as part of central government). This effect will continue to be seen in annual growth rates for a number of months. The annual growth of credit to the private sector also strengthened, mainly driven by MFI loans. At the sectoral level, the annual growth rate of MFI loans to households continued to hover around the levels observed since mid-2010, while the annual growth rate of lending to non-financial corporations continued to gradually recover, turning positive in January for the first time since the third quarter of 2009.

The main assets held by euro area MFIs increased in January, mainly reflecting growth in loans to the euro area private sector. Looking over the last three months together, the aggregate MFI balance sheet is still contracting, but this reflects the gradually disappearing statistical effect of the bad bank scheme.

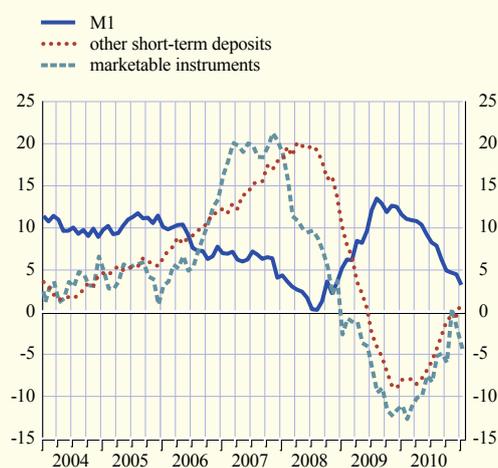
MAIN COMPONENTS OF M3

Developments in the annual growth rate of M3 mask the gradual convergence of the growth rates of its main components. The annual growth rate of M1 declined further in the fourth quarter of 2010 and in January 2011, but remained positive, while those of short-term deposits other than overnight deposits (i.e. M2 minus M1) and marketable instruments (i.e. M3 minus M2; see Chart 11) became less negative. This convergence has fluctuated in terms of its speed and is not evident in the data for each individual month. Yet, it is in line with the interest rates paid on the various instruments in M3.

The annual growth rate of M1 declined to 4.9% in the fourth quarter, down from 7.9% in the third quarter and 10.3% in the second quarter. It then declined further to stand at 3.2% in January (see Table 2).

Chart 11 Main components of M3

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



Source: ECB.

Table 2 Summary table of monetary variables

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

	Outstanding amount as a percentage of M3 ¹⁾	Annual growth rates					
		2010 Q1	2010 Q2	2010 Q3	2010 Q4	2010 Dec.	2011 Jan.
M1	49.5	11.3	10.3	7.9	4.9	4.4	3.2
Currency in circulation	8.5	6.2	6.4	6.6	5.6	4.6	5.5
Overnight deposits	41.0	12.4	11.1	8.1	4.8	4.4	2.7
M2 - M1 (= other short-term deposits)	39.2	-8.2	-8.0	-5.1	-1.1	-0.5	1.1
Deposits with an agreed maturity of up to two years	19.0	-22.7	-21.5	-16.1	-8.7	-6.9	-3.2
Deposits redeemable at notice of up to three months	20.2	13.3	10.3	8.3	7.2	6.2	5.6
M2	88.7	1.7	1.4	1.8	2.2	2.2	2.3
M3 - M2 (= marketable instruments)	11.3	-11.7	-9.8	-6.6	-3.1	-2.0	-4.2
M3	100.0	-0.2	-0.1	0.7	1.5	1.7	1.5
Credit to euro area residents		1.9	1.7	2.0	3.3	3.4	3.8
Credit to general government		9.8	9.0	7.5	11.5	11.6	11.6
Loans to general government		3.5	6.7	6.5	15.5	20.2	18.5
Credit to the private sector		0.3	0.2	0.8	1.5	1.6	2.0
Loans to the private sector		-0.4	0.2	0.9	1.7	1.9	2.4
Loans to the private sector adjusted for sales and securitisation		-0.2	0.1	1.0	1.9	2.3	2.7
Longer-term financial liabilities (excluding capital and reserves)		5.5	4.4	2.6	2.7	3.0	2.6

Source: ECB.

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

The annual growth rate of short-term deposits other than overnight deposits increased to 1.1% in January, up from -1.1% and -5.1% in the fourth and third quarters of 2010 respectively. However, individual sub-components continued to show divergent developments, as the annual growth rate of short-term time deposits increased significantly further, albeit remaining negative, whereas the annual growth rate of short-term savings deposits continued to decline, albeit remaining robustly positive.

To a large extent, the narrowing of the gap between the growth rates of M1 and those of short-term deposits other than overnight deposits reflects interest rate developments. On balance, interest rates on short-term time and savings deposits increased slightly further in the fourth quarter, as did the spread vis-à-vis the interest rate paid on overnight deposits. This steepening at the shorter end of the yield curve has encouraged shifts from overnight deposits into other, better remunerated deposits within M3.

The annual growth rate of marketable instruments increased to -3.1% in the fourth quarter, up from -6.6% in the third quarter, but declined again around the turn of the year to stand at -4.2% in January. This decline was due largely to developments in two sub-components of marketable instruments. First, the substantial increase observed in repurchase agreements in November – which was related to interbank transactions conducted via central counterparties – has since unwound. Second, money market fund shares/units have seen relatively strong contractions, most likely reflecting the opportunity cost of holding these instruments given the current low level of short-term interest rates.

The annual growth rate of M3 deposits – which comprise short-term deposits and repurchase agreements and represent the broadest monetary aggregate for which reliable information is available at a sectoral level – stood at 3.0% in January, down from 3.4% in the fourth quarter but still higher than in the third quarter (when it stood at 2.2%). This largely reflects the contributions

of both households and non-monetary financial intermediaries other than pension funds and insurance corporations (OFIs), which include the strong impact of interbank transactions conducted via central counterparties, which are recorded as repurchase agreements held by OFIs (see Chart 12). The contribution of non-financial corporations remained broadly unchanged both in the fourth quarter and in January. The contribution of the household sector has increased significantly in recent months and by January it was similar to that of the OFI sector. The significant increase observed recently in the contribution of households is a reflection not only of that sector's weight in terms of overall deposit holdings, but also of its somewhat delayed reaction to changes in the interest rate constellation.

MAIN COUNTERPARTS OF M3

As regards the counterparts of M3, the annual growth rate of total MFI credit to euro area residents increased markedly to stand at 3.8% in January 2011, up from 3.3% in the fourth quarter of 2010 and 2.0% in the third quarter (see Table 2). The increase observed in January was driven by credit to the private sector, while growth in MFI credit to general government remained unchanged.

The annual growth rate of MFI credit to the private sector increased further to stand at 2.0% in January, up from 1.5% and 0.8% in the fourth and third quarters respectively. The annual growth rate of MFIs' holdings of private sector securities remained subdued (standing at -0.2% in January), reflecting the fact that there has been relatively little retained securitisation activity in recent months compared with earlier periods. The annual growth rate of MFIs' holdings of shares and other equity increased both in the fourth quarter and in January, when it stood at 1.9%.

The annual growth rate of MFI loans to the private sector – the largest component of credit to the private sector – continued its upward trend, increasing to 2.4% in January, up from 1.7% in the fourth quarter and 0.9% in the third quarter (see Table 2). This supports the view that the recovery observed since the turn of the year in private sector loan dynamics is continuing, albeit at a modest pace. Adjustment for securitisation continues to have only a marginal impact on the level and pattern of annual growth in MFI loans to the private sector, as has been the case since the beginning of 2010.

The increase observed in January in the annual growth rate of loans to the private sector reflects a moderate increase in the annual growth rate of lending to households, which rose to 3.1%, while the annual growth rate of lending to non-financial corporations turned positive for the first time since August 2009 to stand at 0.4%, up from -0.4% in the fourth quarter and -1.3% in the third quarter. The annual growth rate of loans to OFIs rose further both in the fourth quarter and in January.

Chart 12 Short-term deposits and repurchase agreements

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



Source: ECB.

Note: MFI sector excluding the Eurosystem.

The latest data confirm that the annual growth rate of MFI loans to households has levelled off since mid-2010 at around 3%. This continues to conceal differences in the growth rates of the various types of loan. Annual growth in lending for house purchase has remained robustly positive (standing at 3.9% in January), while annual growth in consumer credit has remained negative (standing at -0.8% in January). The greater strength of lending for house purchase reflects the gradual recovery observed in a number of housing markets in the euro area, while subdued consumer credit may, among other things, reflect the fact that the annual growth rate of new car sales remains strongly negative.

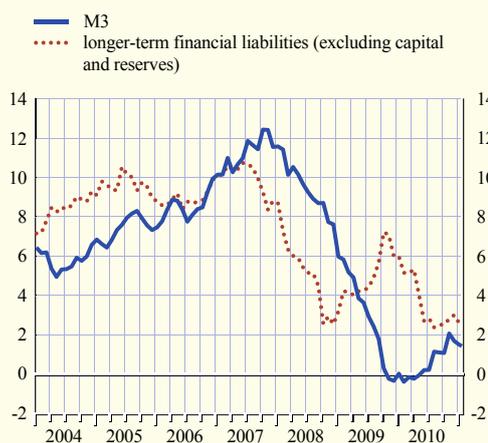
The annual growth rate of loans to non-financial corporations turned positive in January, confirming the gradual recovery observed since the second quarter of 2010. This increase in borrowing is commensurate with the business cycle and developments in business confidence. It might also reflect a situation in which, after initial borrowing carried out mainly for working capital purposes, there is now also increased borrowing for the purpose of fixed investment. However, in some corporate sectors borrowing needs may have remained contained owing to the availability of internal funds.

Turning to the other counterparts of M3, the annual growth rate of MFIs' longer-term financial liabilities (excluding capital and reserves) stood at 2.6% in January, broadly unchanged from 2.7% observed in the fourth quarter and 2.6% recorded in the third quarter (see Chart 13). Despite positive average flows in the fourth quarter and an inflow in January, the annual growth rate of longer-term deposits held by the money-holding sector declined. This could be related to the declining attractiveness of these deposits compared with other forms of financial investment such as equity funds.

Finally, the annual outflow of €88 billion for MFIs' net external asset position in January was broadly unchanged from the fourth quarter, suggesting that the decline observed in this counterpart's position since early 2010 has not continued (see Chart 14). Developments in the net external asset position conceal the fact that

Chart 13 M3 and MFI longer-term financial liabilities

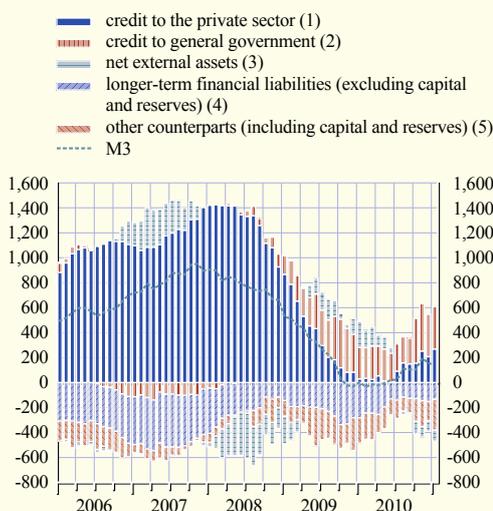
(annual percentage changes; adjusted for seasonal and calendar effects)



Source: ECB.

Chart 14 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.

annual gross flows of both external assets and external liabilities have become smaller in recent months and are showing signs of switching from contraction to expansion.

GENERAL ASSESSMENT OF MONETARY LIQUIDITY CONDITIONS IN THE EURO AREA

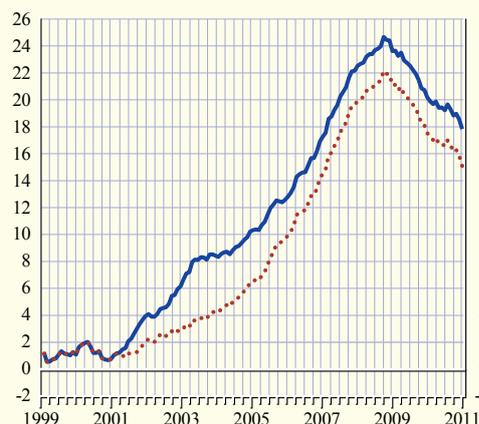
In January 2011, on the basis of developments in the nominal and real money gaps, the amount of monetary liquidity in the euro area decreased slightly further from its elevated levels, following the declines observed in the fourth and third quarters of 2010 (see Charts 15 and 16). These types of liquidity measure need to be interpreted with caution, as they rely on an assessment of equilibrium money holdings. Indeed, the differences between the various money gap measures may be taken as an indication of the considerable uncertainty surrounding the liquidity situation in the euro area at the current juncture. Such caveats notwithstanding, these measures point to a clear accumulation of monetary liquidity over the past few years, and the period of subdued M3 growth observed since the end of 2008 is unlikely to have resulted in the full unwinding of this earlier accumulation.

Looking beyond the special factors that have had an impact on M3 growth in the past few months, the latest data continue to point to a gradual recovery in monetary growth. At the same time, the growth of loans to the private sector has also gradually strengthened further, which points to a possible increase in underlying monetary growth. However, uncertainty remains with regard to the future strength of monetary dynamics. Overall, the assessment that underlying monetary growth is moderate and that medium to longer-term inflationary pressures stemming from monetary developments remain contained still holds.

Chart 15 Estimates of the nominal money gap¹⁾

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

— nominal money gap based on official M3
 nominal money gap based on M3 corrected for the estimated impact of portfolio shifts²⁾



Source: ECB.

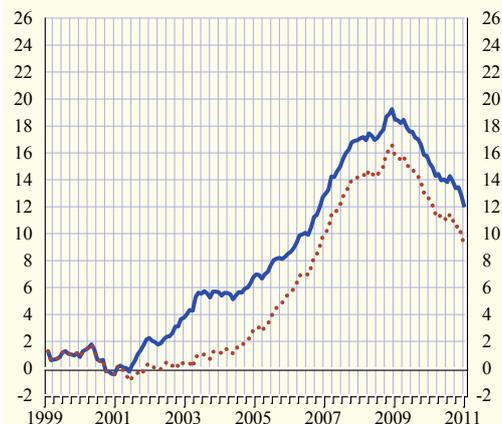
1) The nominal money gap is defined as the difference between the actual level of M3 and the level of M3 that would have resulted from constant M3 growth at its reference value of 4½% since December 1998 (taken as the base period).

2) Estimates of the magnitude of portfolio shifts into M3 are constructed using the general approach discussed in Section 4 of the article entitled “Monetary analysis in real time”, *Monthly Bulletin*, ECB, Frankfurt am Main, October 2004.

Chart 16 Estimates of the real money gap¹⁾

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

— real money gap based on official M3
 real money gap based on M3 corrected for the estimated impact of portfolio shifts²⁾



Source: ECB.

1) The real money gap is defined as the difference between the actual level of M3 deflated by the HICP and the deflated level of M3 that would have resulted from constant nominal M3 growth at its reference value of 4½% and HICP inflation in line with the ECB’s definition of price stability, taking December 1998 as the base period.

2) Estimates of the magnitude of portfolio shifts into M3 are constructed using the general approach discussed in Section 4 of the article entitled “Monetary analysis in real time”, *Monthly Bulletin*, ECB, Frankfurt am Main, October 2004.

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

The annual growth rate of total financial investment by the non-financial sectors increased slightly to stand at 2.8% in the third quarter of 2010, primarily on account of stronger growth in financial investment by non-financial corporations. The annual inflow for investment fund shares/units decreased further in the fourth quarter of the year. The annual growth rate of financial investment by insurance corporations and pension funds increased marginally in the third quarter.

NON-FINANCIAL SECTORS

In the third quarter of 2010 (the most recent quarter for which data are available) the annual growth rate of total financial investment by non-financial sectors increased to 2.8%, up from 2.6% in the previous quarter (see Table 3). The negative contribution of debt securities and the positive contribution of insurance technical reserves were broadly unchanged compared with the previous quarter. The contributions of investment in deposits and investment in unquoted shares and other equity increased further (although only marginally), while that of investment in mutual fund shares declined further.

A breakdown by non-financial sector indicates that the slight increase observed in the annual growth rate of total financial investment in the third quarter was a reflection mainly of stronger growth in financial investment by non-financial corporations and, to a lesser extent, financial investment by general government, which turned positive again after two consecutive quarters of negative growth. Specifically, the annual growth rate of financial investment by non-financial corporations has strengthened significantly, rising from 1.4% in the fourth quarter of 2009 (the lowest level since the start of Stage Three of EMU) to 3.4% in the third quarter of 2010. By contrast, growth in financial investment by households weakened further, declining

Table 3 Financial investment of euro area non-financial sectors

	Outstanding amount as a percentage of financial assets ¹⁾	Annual growth rates									
		2008 Q2	2008 Q3	2008 Q4	2009 Q1	2009 Q2	2009 Q3	2009 Q4	2010 Q1	2010 Q2	2010 Q3
Financial investment	100	4.2	4.0	4.2	3.8	3.8	3.5	2.4	2.5	2.6	2.8
Currency and deposits	23	5.8	6.0	7.1	7.5	7.1	6.1	3.6	1.9	1.8	2.3
Debt securities, excluding financial derivatives	6	4.6	3.4	5.6	5.3	1.6	-0.8	-4.0	-5.3	-2.5	-2.1
of which: short-term	1	15.5	-0.2	10.1	-12.6	-18.2	-20.2	-27.8	-22.5	-16.6	-3.3
of which: long-term	5	3.0	4.0	4.9	8.5	4.9	2.4	0.1	-2.6	-0.5	-1.9
Shares and other equity, excluding mutual fund shares	29	3.3	3.1	3.8	4.2	4.6	4.6	2.9	2.6	1.8	1.5
of which: quoted shares	6	4.7	4.7	3.2	4.3	4.1	6.0	6.7	7.2	3.2	0.7
of which: unquoted shares and other equity	23	2.8	2.5	4.0	4.1	4.7	4.2	1.9	1.5	1.4	1.7
Mutual fund shares	5	-5.4	-5.3	-6.3	-5.3	-4.4	-2.1	0.9	0.5	-0.6	-1.8
Insurance technical reserves	15	3.6	3.4	2.7	2.9	3.4	3.9	4.9	5.4	5.1	5.0
Other ²⁾	22	7.7	7.0	5.7	1.9	2.1	1.6	1.2	3.5	4.7	5.9
M3 ³⁾		9.7	8.7	7.6	5.2	3.6	1.8	-0.3	-0.1	0.2	1.1

Source: ECB.

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

2) Other financial assets comprise loans and other accounts receivable, which in turn include trade credit granted by non-financial corporations.

3) End of quarter. The monetary aggregate M3 includes monetary instruments held by euro area non-MFIs (i.e. the non-financial sectors and non-monetary financial institutions) with euro area MFIs and central government.

for the third quarter in a row (see Chart 17). For more detailed information on developments in financial investment by the private sector, see Sections 2.6 and 2.7.

INSTITUTIONAL INVESTORS

The new harmonised investment fund statistics for the euro area indicate that the annual inflow for investment fund shares/units (excluding money market funds) declined to €328 billion in the fourth quarter of 2010, down from €355 billion in the previous quarter, with the annual growth rate declining further to stand at 6.4%, down from 7.2%. The breakdown by investment policy shows that the decline observed in the annual inflow is primarily accounted for by a reduced inflow for bond funds, but also reflects a decline in the inflow for mixed funds. This might reflect the impact of the heightened tensions in some sovereign debt markets (see Chart 18). By contrast, annual inflows for equity funds increased slightly compared with the previous quarter. Large annual outflows were again recorded for money market funds in the fourth quarter, reflecting the opportunity cost of holding these instruments given the low level of the short-term interest rates against which these funds are benchmarked.

The impact of the tensions in sovereign debt markets is more visible in the quarter-on-quarter data. The quarterly inflow for investment fund shares/units (excluding money market funds) totalled €82 billion in the fourth quarter of 2010 (on the basis of non-seasonally adjusted data). While the magnitude of the inflow was almost unchanged from the previous quarter, its composition (i.e. the types of investment fund involved) changed. Inflows for bond funds declined in the fourth quarter amid renewed tensions in sovereign debt markets, whereas inflows for equity funds increased and flows for other funds turned positive. These developments may reflect shifts in funds owing to ongoing bond market tensions. The inflows recorded for mixed funds were only marginally larger than in the previous quarter.

Chart 17 Financial investment of non-financial sectors

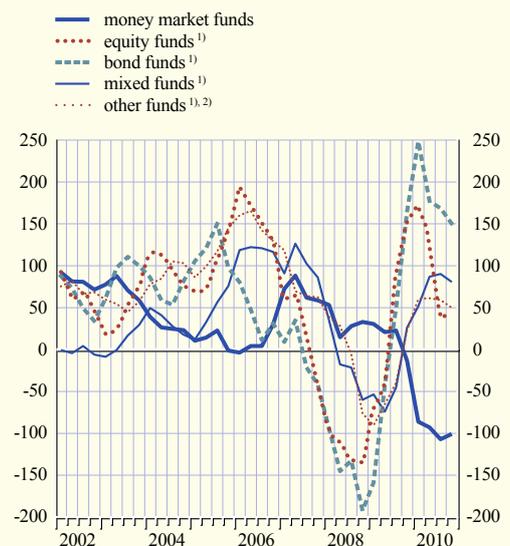
(annual percentage changes; percentage points)



Source: ECB.

Chart 18 Net annual flows into money market and investment funds

(EUR billions)



Sources: ECB and EFAMA.

1) Prior to 2009 Q1, quarterly flow estimates are derived from non-harmonised ECB investment fund statistics, ECB calculations based on national data provided by EFAMA, and ECB estimations.

2) Includes real estate funds, hedge funds and funds not classified elsewhere.

The annual growth rate of total financial investment by insurance corporations and pension funds stood at 5.4% in the third quarter, marginally higher than in the previous quarter (see Chart 19). This was driven by a further increase in the contribution of investment in debt securities, which was, however, dampened by a further significant decline in the contribution of investment in mutual fund shares. The negative contribution of investment in quoted shares declined, suggesting that insurance corporations and pension funds have rebalanced their allocation of funds, favouring direct capital market investment over indirect investment via mutual funds.

2.3 MONEY MARKET INTEREST RATES

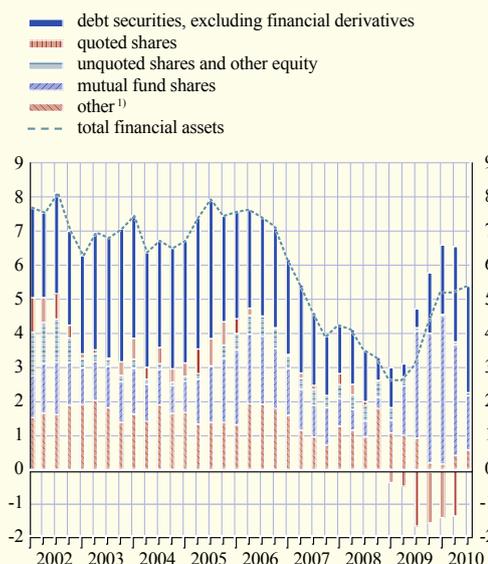
Money market rates increased in the period from December 2010 to March 2011, while their volatility remained high. This partly reflects rising interest rate expectations in the longer-term segments of the money market. At the overnight maturity, the EONIA also remained volatile, reflecting further improvements in money markets and more balanced liquidity conditions.

Interest rates on unsecured deposits have increased across all maturities over the past three months, thereby continuing the upward trend observed since May 2010. On 2 March 2011 the one-month, three-month, six-month and twelve-month EURIBOR stood at 0.87%, 1.10%, 1.38% and 1.78% respectively – i.e. 5, 7, 12 and 25 basis points higher respectively than the levels observed on 1 December 2010. The spread between the twelve-month and one-month EURIBOR – an indicator of the slope of the money market yield curve – increased significantly over that period, rising by 19 basis points to stand at 91 basis points on 2 March (see Chart 20).

The somewhat higher degree of volatility observed in secured money market rates (such

Chart 19 Financial investment of insurance corporations and pension funds

(annual percentage changes; percentage points)



Source: ECB.
1) Includes loans, deposits, insurance technical reserves and other accounts receivable.

Chart 20 Money market interest rates

(percentages per annum; percentage points; daily data)



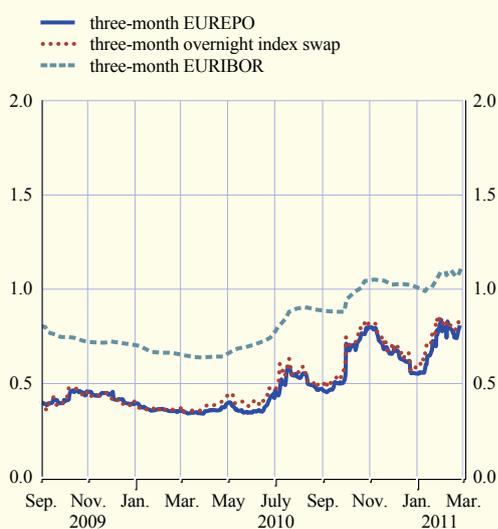
Sources: ECB and Thomson Reuters.

as the EUREPO or rates derived from the EONIA swap index) in the second half of 2010 continued over the review period (see Chart 21). The review period was characterised by the third temporary hump in secured rates since May 2010, a development probably related to the expiry of the final one-year LTRO in December 2010. This consisted of a strong increase in rates, followed by a moderate decrease, which contributed to the overall upward trend observed since May 2010. The three-month overnight index swap rate stood at 0.83% on 2 March, around 13 basis points higher than on 1 December. The corresponding unsecured EURIBOR increased less than the secured swap rate, so the spread between the two rates decreased from 33 basis points on 1 December to 26 basis points on 2 March, thereby returning to levels comparable to those of April and October 2010. Developments during the review period reflect improvements in financial market conditions following a period of increased tension in November 2010.

The interest rates implied by the prices of three-month EURIBOR futures contracts maturing in March, June and September 2011 stood at 1.14%, 1.46% and 1.72% respectively on 2 March. This represents a decrease of 2 basis points for the March contract and increases of 22 and 40 basis points for the June and September contracts respectively by comparison with the levels observed on 1 December. These developments imply that the EURIBOR curve steepened for these maturities (see Chart 22). Implied volatilities with constant maturities of three, six, nine and twelve months derived from options on three-month EURIBOR futures contracts decreased somewhat in the course of December 2010, but increased again in the first two months of 2011, the increase being somewhat greater for the longer maturities (see Chart 23). At the same time, available evidence suggests that the likelihood, as perceived by market participants, of future large changes in the EURIBOR is now the lowest it has been since the start of the crisis. (For more information on implied densities, see the article entitled “The information content of option prices during the financial crisis” in the February 2011 issue of the Monthly Bulletin.)

Chart 21 Three-month EUREPO, EURIBOR and overnight index swap

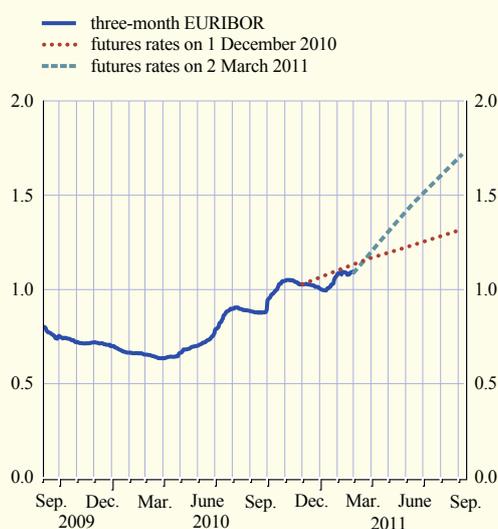
(percentages per annum; daily data)



Sources: ECB, Bloomberg and Thomson Reuters.

Chart 22 Three-month interest rates and futures rates in the euro area

(percentages per annum; daily data)

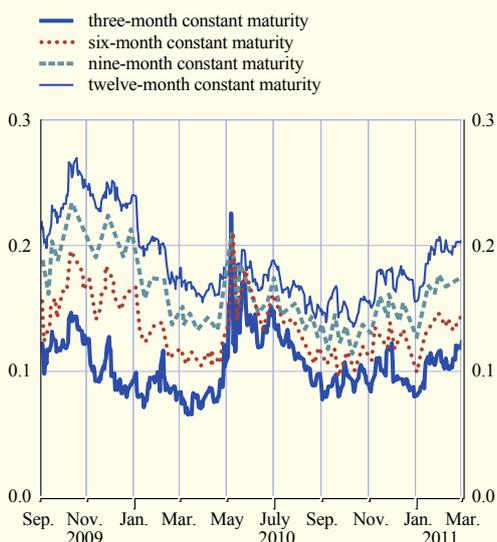


Source: Thomson Reuters.

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

Chart 23 Implied volatility of constant maturity derived from options on three-month EURIBOR futures

(percentages per annum; daily data)

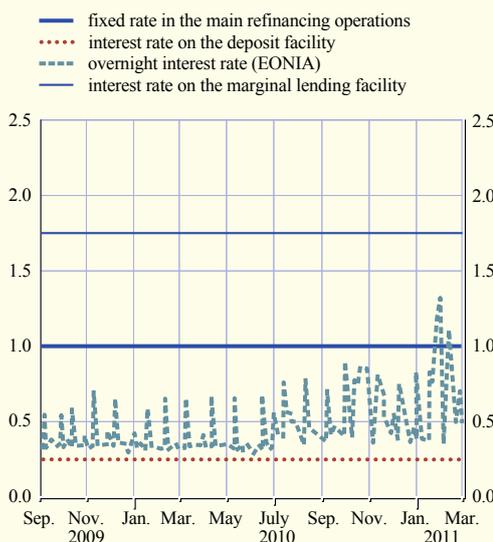


Sources: Thomson Reuters and ECB calculations.

Notes: This measure is calculated in two stages. First, implied volatilities derived from options on three-month EURIBOR futures are converted by expressing them in terms of logged prices instead of logged yields. Second, the resulting implied volatilities, which have a constant maturity date, are transformed into data with a constant time to maturity.

Chart 24 ECB interest rates and the overnight interest rate

(percentages per annum; daily data)



Sources: ECB and Thomson Reuters.

Looking at the overnight maturity, the volatility of the EONIA increased further in the review period, particularly reflecting liquidity conditions and end-of-year effects, and was significantly higher than it had been for most of 2010. At the start of each of the first two maintenance periods of 2011 the EONIA briefly stood above the main refinancing rate, a development which had not been observed since June 2009. On both occasions it returned to levels well below the main refinancing rate towards the end of the maintenance period. On 2 March the EONIA stood at 0.47% (see Chart 24).

During the review period the ECB continued to provide support to money markets by means of liquidity-providing operations with maturities of one week, one maintenance period and three months. The Eurosystem's liquidity-providing operations were conducted as fixed rate tender procedures with full allotment. The ECB also conducted weekly one-week liquidity-absorbing operations with a variable rate tender procedure and a maximum bid rate of 1.00%. With those liquidity-absorbing operations, the ECB allotted an amount corresponding to the size of the purchases under the Securities Markets Programme, which totalled €77.5 billion on 2 March (see also Box 3). Liquidity in the euro area remains abundant and is being absorbed by significant daily recourse to the deposit facility and by the one-week fine-tuning operations which sterilise purchases under the Securities Markets Programme.

Box 3

LIQUIDITY CONDITIONS AND MONETARY POLICY OPERATIONS IN THE PERIOD FROM 10 NOVEMBER 2010 TO 8 FEBRUARY 2011

This box describes the ECB's liquidity management during the reserve maintenance periods ending on 7 December 2010 and 18 January and 8 February 2011. During this period all euro refinancing operations continued to be conducted by means of fixed rate tender procedures with full allotment. The gradual normalisation of monetary policy operations continued, with the last one-year longer-term refinancing operation (LTRO) maturing on 23 December. On 2 December the Governing Council decided that all main refinancing operations (MROs), special-term refinancing operations with a maturity of one maintenance period and three-month LTROs would be carried out as fixed rate tender procedures with full allotment until at least the end of the third maintenance period of 2011 on 12 April.

The Securities Markets Programme (SMP) announced on 10 May 2010 remained in operation, in conjunction with weekly liquidity-absorbing operations with a one-week maturity aimed at sterilising the additional liquidity provision stemming from the programme.

Liquidity needs of the banking system

In the period under review, the banking system's aggregate daily liquidity needs – defined as the sum of autonomous factors, reserve requirements and excess reserves (i.e. current account holdings in excess of reserve requirements) – averaged €520.3 billion. This was €28.5 billion lower than the daily average recorded in the previous three maintenance periods.

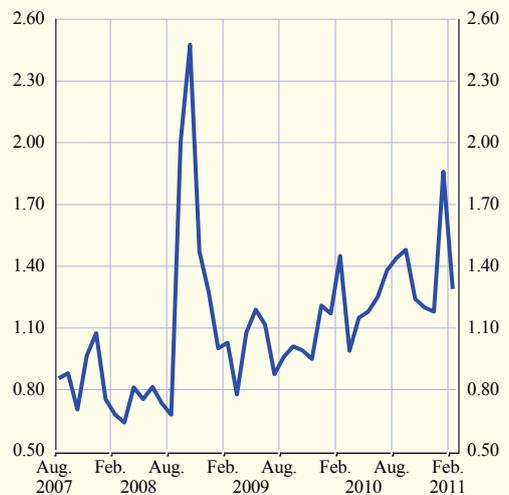
This was due mainly to a decline of €26.8 billion in the average value of autonomous factors, which stood at €308.9 billion. The average level of reserve requirements was €211.3 billion, down by €1.9 billion. Daily excess reserves averaged €1.144 billion, although they reached €1.86 billion in the maintenance period which ended in January – the highest level since the all-time peak observed at the time of the collapse of Lehman Brothers (see Chart A).

Liquidity supply

In the period under review, total liquidity supplied by means of open market operations averaged €574.3 billion, down by €40 billion compared with the previous three maintenance periods, with tender operations¹ providing liquidity of €441.3 billion on average. The covered bond purchase programme (CBPP),

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

(EUR billions; average level in each maintenance period)



Source: ECB.

¹ Tender operations include MROs, LTROs and fine-tuning operations, the last of which can be liquidity-providing as well as liquidity-absorbing.

for which purchases ended on 30 June 2010, provided €60.7 billion. The CBPP and the SMP together provided an average of €133 billion in liquidity. An average net amount of €70.7 billion was absorbed by means of fine-tuning operations during this period.

Compared with the three maintenance periods spanning 11 August to 9 November 2010, the average liquidity supplied by one-week MROs increased by €22.3 billion to €188.9 billion, while average refinancing through LTROs dropped by €66.5 billion to €323 billion. This was largely the result of the partial rollover of the three LTROs² maturing on 30 September and the maturing of the last one-year LTRO (€96.9 billion) on 23 December, the latter resulting in a reduction in average overall LTRO refinancing by around €33.9 billion in the period under review.

The average liquidity provided by special-term refinancing operations with a maturity of one maintenance period rose by €24.5 billion to €67.2 billion in the period under review.

In parallel, the average liquidity supplied by three-month LTROs increased by €46.4 billion to €209.6 billion (with the allotment amounts rising especially after the last one-year operation matured in December 2010), thereby returning to levels observed in the autumn of 2008.

On 4 February 2011 the net value of settled purchases under the SMP stood at €76.5 billion, up from €64 billion on 5 November 2010.

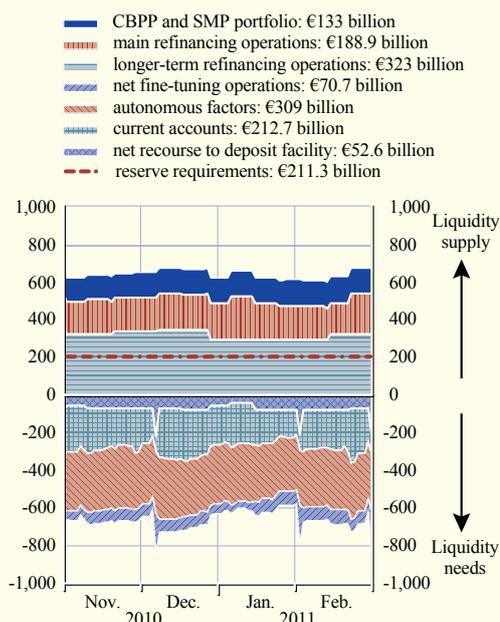
In parallel, the weekly one-week operations absorbing the liquidity provided by the SMP increased by the same amount, absorbing an average of €69.6 billion in the period under review. The liquidity absorbed by means of fine-tuning operations with an overnight maturity on the last day of each maintenance period averaged €146.9 billion, which was very close to the average level in the previous three maintenance periods (see Chart B).

Use of standing facilities

The overall decline in the liquidity supply and the reduction in excess liquidity to €54 billion on average in the period under review resulted in lower net recourse to the deposit facility,³ which averaged around €52.6 billion per day. Owing to developments in liquidity conditions,⁴ daily net recourse to the deposit facility fluctuated significantly in the three maintenance periods covered,

Chart B Liquidity needs of the banking system and liquidity supply

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



Source: ECB.

² On 30 September a three-month LTRO, a six-month LTRO and a one-year LTRO all matured, with a total value of €224.7 billion.

³ Net recourse to the deposit facility is calculated as recourse to the deposit facility minus recourse to the marginal lending facility, including weekends.

⁴ The maturing of the last one-year LTRO on 23 December and the settlement of a six-day bridge operation on the same day.

averaging €40.2 billion between the beginning of the period under review and 23 December 2010, €84.6 billion between 23 December and the end of the second maintenance period on 18 January 2011, and €39.2 billion in the third maintenance period (ending on 8 February 2011).

Interest rates

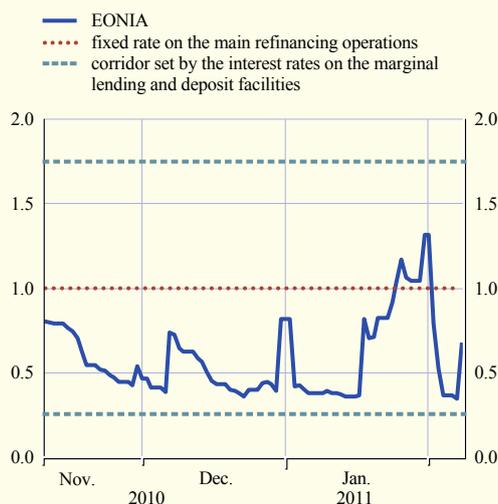
The ECB's key interest rates have remained unchanged since 13 May 2009, with the rate on the main refinancing operations standing at 1.00%, the marginal lending rate at 1.75% and the deposit rate at 0.25%.

With liquidity remaining ample in the period under review and excess liquidity slightly lower – albeit still sizeable – the EONIA remained mostly below the main refinancing rate, averaging 0.59%. Owing to a number of factors, however, it exhibited increased volatility, comparable to that observed in periods before June 2009. The EONIA ranged from 0.34% to 1.32% in the period under review, with the volatility reflecting liquidity conditions and end-of-year as well as other technical effects.

In the first of the maintenance periods under review, the EONIA displayed a trend which followed the reserve maintenance cycle, starting at 0.81% and gradually declining to 0.39% towards the end of the maintenance period when reserve fulfilment was nearing a successful completion (see Chart C). While the last maintenance period of 2010 started in a similar fashion, factors such as end-of-year effects led to a temporary spike in the EONIA, at 0.82%. The EONIA subsequently returned to levels below 0.40% (owing to ample liquidity and early reserve fulfilment) until the last day of the maintenance period (18 January 2011), when it increased to 0.81%. The short maintenance period (21 days) which started on 19 January 2011 saw counterparties' reserve fulfilment ratio returning to pre-crisis levels (a balanced daily fulfilment of required reserves), albeit with signs of under-fulfilment, which led the EONIA to gradually increase and reach 1.32% on 1 February. However, it returned to levels below 0.40% after the increased MRO allotment of €213.7 billion in the same week, which allowed counterparties to boost their reserves towards the end of the maintenance period.

Chart C The EONIA and the ECB interest rates

(daily interest rates in percentages)



Source: ECB.

2.4 BOND MARKETS

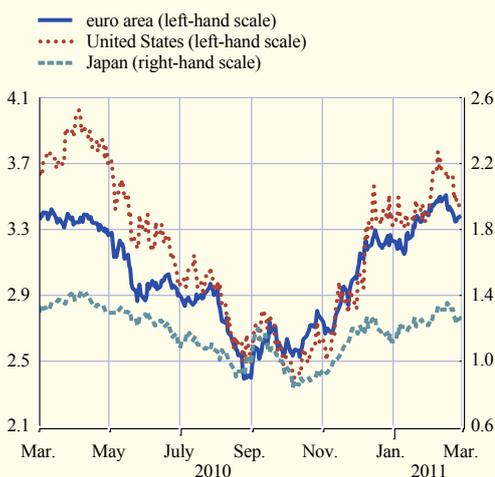
Between the end of November 2010 and 2 March 2011, yields on AAA-rated euro area and US government long-term bonds rose by around 40 basis points and 70 basis points respectively. The increase in yields was a reflection of, primarily, the positive economic momentum in the euro area and the United States. This was only partly countered by downward pressures related to safe-haven flows amid political tensions in northern Africa and the Middle East that unfolded in February. Implied bond market volatility remained at somewhat elevated levels on both sides of the Atlantic. Financial market measures of long-term inflation expectations increased only slightly and continue

to suggest that inflation expectations remain firmly anchored. Intra-euro area sovereign bond yield spreads narrowed slightly across all euro area countries except for Portugal. Moreover, spreads on bonds issued by both non-financial and financial corporations declined slightly across all rating classes.

Between the end of November 2010 and 2 March 2011, the level of ten-year AAA-rated euro area government bond yields has risen by around 40 basis points, all in all, to stand at 3.4% on 2 March (see Chart 25). Long-term US government bond yields recorded a higher increase of about 70 basis points over the same period, reaching 3.5% on 2 March. Accordingly, the differential between ten-year nominal US and euro area government bond yields widened from -20 basis points to about 10 basis points. The ten-year Japanese government bond yield increased by 10 basis points to stand at 1.3% on 2 March.

Chart 25 Long-term government bond yields

(percentages per annum; daily data)



Sources: Bloomberg and Thomson Reuters.

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

Investors' uncertainty about near-term future bond market developments, as measured by option-implied volatility, declined slightly in the euro area and remained broadly unchanged in the United States. Implied volatility in both markets, however, remained significantly higher than at the end of 2009, and at levels similar to those recorded during the sovereign bond market turmoil of early May 2010.

Developments in AAA-rated long-term euro area government bond yields in the period under review were driven primarily by positive macroeconomic releases showing that the euro area recovery is continuing. As a result, the upward trend in long-term euro area government bond yields that had started in September 2010 continued. Intra-month fluctuations around this trend were primarily explained by the unfolding of tensions in euro area sovereign debt markets. Conditions in sovereign debt markets on the periphery of the euro area improved in January 2011, as a result of the positive economic momentum at the euro area level, on the one hand, and as a consequence of market participants' expectations of a possible extension of the scope and size of the European Financial Stability Facility (EFSF), on the other. Moreover, debt auctions in some euro area periphery debt markets were met with higher than expected demand, a development that had a positive impact on market sentiment. However, by the end of the review period tensions had re-emerged on euro area sovereign debt markets, reflecting primarily market participants' concerns regarding the outcome of the discussions on the EFSF.

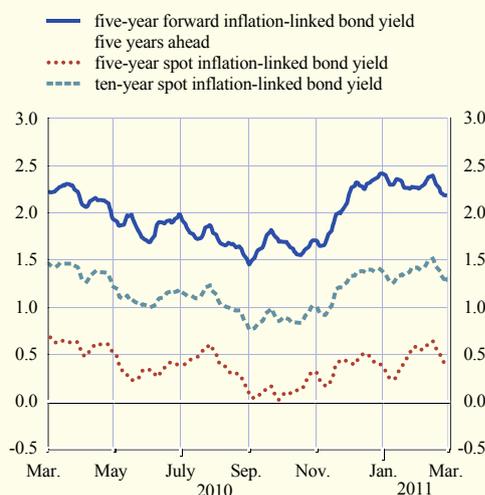
In the United States, positive economic data releases were also the main driving force behind movements in long-term government yields over most of the period under review. The tax plans announced by the current administration at the beginning of December, which consisted mainly of a prolongation of tax exemptions introduced by the previous administration and an extension of unemployment insurance benefits, boosted yields further. Towards the end of the review period, political tensions in northern Africa and the Middle East triggered flight-to-safety investment flows that put downward pressure on government bond yields both in the euro area and the United States.

Between the end of November 2010 and 2 March 2011, the spreads of euro area countries' ten-year government bonds vis-à-vis their German counterpart narrowed slightly, except in the case of Portugal where the spread remained broadly unchanged. Strains in euro area sovereign debt markets were high in December, following both the announcement that Portugal's rating was being placed under review and the publication of an IMF report suggesting not only that Ireland might miss the targets set for the reduction of its deficit, but also that the risk of contagion spreading from Ireland was significant. According to market participants, these tensions were partly contained by the increased activity associated with the ECB's Securities Market Programme. Conditions in sovereign debt markets on the periphery of the euro area improved in the second half of January on the back of overall positive economic data releases and market participants' expectations regarding a possible extension of the scope and size of the EFSF. Tensions in sovereign debt markets increased in the course of February, reflecting primarily market participants' loss of confidence in the outcome of the discussions on the EFSF. Other factors, such as the downward revision of growth prospects for Greece and the downgrading of some major Irish banks by rating agencies in February, also contributed to the increase in tensions.

Between the end of November 2010 and 2 March 2011, yields on five-year and ten-year inflation-linked euro area government bonds remained unchanged, standing at 0.4% and 1.3% respectively on 2 March (see Chart 26). On the back of positive economic data releases, real yields continued the upward trend initiated in the fourth quarter of 2010 over most of the period under review. During February, following the political tensions in the Middle East and northern Africa, real yields fell back to the levels recorded at the end of November. Compared with their end-November levels, five and ten-year spot break-even inflation rates increased by 50 basis points and 40 basis points over the review period (see Chart 27). This moderate steepening of the spot break-even inflation rate curve implied a moderate increase of 20 basis points in five-year forward break-even inflation rates five years ahead, which stood at 2.2% on 2 March. On the same date, the corresponding measure implied by inflation swaps stood slightly higher at 2.3%. This increase in break-even inflation rates

Chart 26 Euro area zero-coupon inflation-linked bond yields

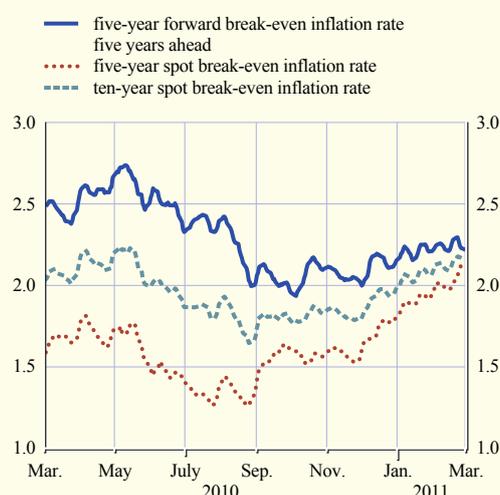
(percentages per annum; five-day moving averages of daily data; seasonally adjusted)



Sources: Thomson Reuters and ECB calculations.

Chart 27 Euro area zero-coupon break-even inflation rates

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



Sources: Thomson Reuters and ECB calculations.

over the medium-term horizon is likely to be associated with a rebound in the inflation risk premium. Overall, and in line with other survey measures of inflation expectations, data on break-even inflation rates continue to suggest that market participants' inflation expectations for the euro area remain firmly anchored.

The development of the term structure of short-term forward rates in the euro area shows how the overall behaviour of long-term euro area bond yields can be broken down into changes in interest rate expectations (and related risk premia) at different horizons (see Chart 28). The increase in the level of long-term bond yields in comparison with the level at the end of November, which is primarily due to improving economic conditions, has shifted the term structure of short-term forward rates upwards by around 20 basis points for horizons beyond three years' maturity and by around 50 basis points for short-term maturities.

Compared with their end-November levels, spreads on investment-grade corporate bonds issued by non-financial and financial corporations declined overall. The decline was highest for BBB-rated debt securities issued by financial corporations, although the spread remains well above the pre-crisis levels. The latest data suggest that corporate bond spreads, which had stabilised throughout most of the second half of 2010, have resumed a trend of convergence towards their pre-crisis level. However, spreads on bonds issued by financial corporations in Greece, Ireland and Portugal currently stand at levels well above those recorded during the turmoil of early May 2010. Issuance activity of both financial and non-financial corporations remained dynamic at the euro area level over the period under review, in particular in the euro area covered bond market.

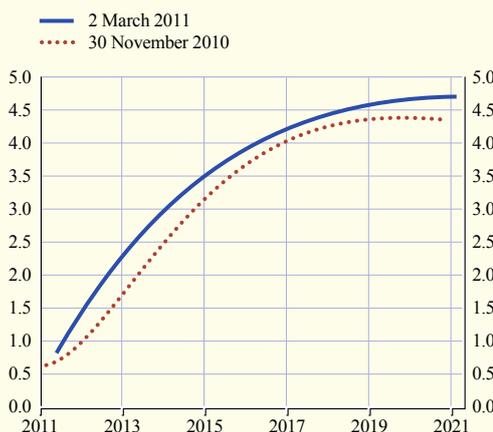
2.5 EQUITY MARKETS

Broad-based stock price indices in the euro area and the United States have generally increased on the back of positive economic data releases, positive earnings announcements and a slight rebound in risk appetite over the last three months. Political tensions in northern Africa and the Middle East in February countered these positive developments somewhat. Stock market uncertainty in the euro area declined in most of the period under review, but picked up notably after the start of the political unrest.

Stock prices in the euro area and the United States, as measured by the Dow Jones EURO STOXX index and the Standard & Poor's 500 index, rose by 10.6% and 10.8% respectively between the end of November 2010 and 2 March 2011 (see Chart 29). The strong increase in stock prices primarily reflects improvements in the economic outlook on both sides of the Atlantic, as well as profit announcements that were better than expected. Stock prices have been on a discernible upward trend since mid-2010, and the levels reached in the period under review were the highest recorded in more than 30 months,

Chart 28 Implied forward euro area overnight interest rates

(percentages per annum; daily data)

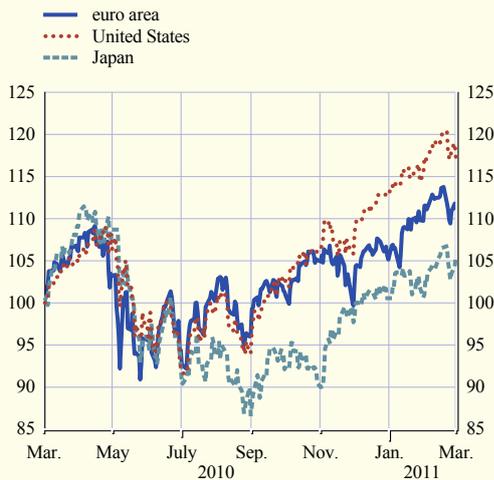


Sources: ECB, EuroMTS (underlying data) and Fitch Ratings (ratings).

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.

Chart 29 Stock price indices

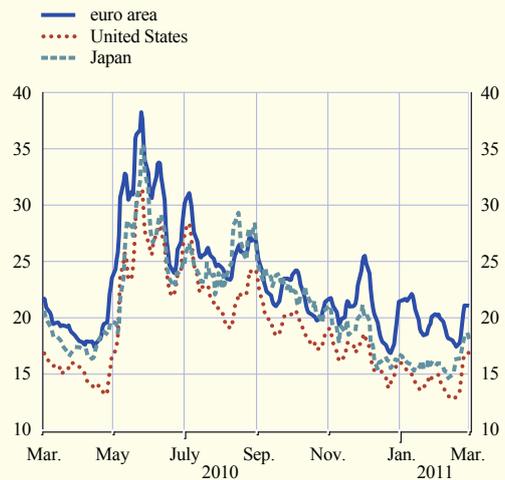
(index: 1 March 2010 = 100; daily data)



Sources: 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.

Chart 30 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.

bringing the indices to levels last seen in September 2008, i.e. prior to the collapse of Lehman Brothers. In line with developments in the euro area and US equity markets, the Japanese Nikkei 225 index likewise increased by 5.6% in the period from the end of November 2010 to 2 March 2011.

Stock market uncertainty, as measured by implied volatility, ended the review period 6 percentage points lower in the euro area and 3 percentage points lower in the United States (see Chart 30). The declining trend in stock market volatility that initiated in mid-2010 continued throughout most of the period under review, reflecting improvements to the economic outlook.

Tensions in euro area sovereign debt markets remained high for most of the review period, despite having eased slightly in January. However, and contrary to developments in early May 2010, the turmoil in sovereign debt markets has not triggered any strong flight-to-liquidity behaviour among investors, suggesting that concerns about the economic outlook may have largely dissipated at the euro area level. The economic momentum has been reflected in overall positive economic data releases for both the industrial and the services sector in the euro area while survey indicators suggest that prospects for economic activity remain favourable. Economic data releases for the United States were similarly positive over the review period, triggering an upward revision to expectations regarding future economic activity. In February political tensions in the Middle East and northern Africa caused the recorded improvements in investors' appetite for risk to be tempered somewhat.

Over the review period, stock price indices increased across all sectors in the euro area, with euro area financial stock prices rising sharply by 20.4% (see Table 4). Gains in financial stock prices were recorded primarily in January, as a result of some easing of tensions in most euro area sovereign

Table 4 Price changes in the Dow Jones EURO STOXX economic sector indices

(percentages of end-of-period prices)

	EURO STOXX	Basic materials	Consumer services	Consumer goods	Oil and gas	Financial	Health- care	Industrial	Tech- nology	Tele- communications	Utility
Share of sector in market capitalisation (end-of-period data)	100.0	9.8	6.5	14.0	7.5	23.8	3.9	14.6	4.7	6.8	8.4
Price changes (end-of-period data)											
Q4 2009	2.1	15.3	3.3	9.0	6.8	-5.5	7.7	3.8	-3.9	2.0	0.3
Q1 2010	0.8	1.6	6.8	3.5	-1.7	-2.6	4.0	4.1	16.0	-4.5	-3.3
Q2 2010	-11.1	-8.3	-7.2	3.1	-13.4	-17.6	-7.5	-7.1	-17.3	-12.1	-18.3
Q3 2010	7.3	9.0	11.1	8.0	5.3	8.2	-0.2	5.6	3.2	12.8	4.9
Q4 2010	3.8	16.3	0.7	9.0	7.9	-7.0	-1.1	13.3	10.2	-4.7	2.9
January 2011	4.4	-3.1	2.2	-1.9	6.1	12.5	3.1	2.2	6.3	4.9	6.4
February 2011	1.9	3.0	-0.7	0.4	3.5	3.3	2.6	2.3	0.4	1.1	0.2
30 Nov. 2010 - 2 Mar. 2011	10.6	6.7	1.7	1.7	17.3	20.4	8.7	10.7	15.6	6.1	9.5

Sources: Thomson Reuters and ECB calculations.

debt markets in the wake of successful sovereign debt auctions and a slightly more positive attitude towards risk. Euro area non-financial stock prices continued the broadly uninterrupted upward trend that started in mid-2010, increasing by 7.7% between the end of November 2010 and early March 2011. Within the non-financial sector, the consumer goods and consumer services sectors underperformed, while the industrial, technology and oil and gas sectors continued the persistently strong performance that began in mid-2010. Developments in stock market prices were also positive across all euro area countries over the review period, especially in those euro area countries in which sovereign debt tensions had recently been high.

The positive developments in stock prices underlying the good economic momentum are reflected similarly in the growth of actual earnings per share and in the favourable outlook for earnings expectations 12 months ahead. The growth of actual annual earnings per share of the companies listed on the Dow Jones EURO STOXX index amounted to 34% in February 2011, after 31% in November 2010. Earnings-per-share growth 12 months ahead is likewise forecast to remain relatively strong at 15%, although this is slightly lower than the growth of 17% that was envisaged in November 2010. The positive outlook for both actual earnings and earnings expectations is broad-based across all economic sectors. Furthermore, earnings announcements over the review period were overall better than expected. Only earnings reported by corporations in the consumer services sector disappointed markets somewhat.

Chart 31 Expected growth in corporate earnings per share in the United States and the euro area

(percentages per annum; monthly data)



Sources: Thomson Reuters and ECB calculations.

Notes: Expected earnings growth of corporations on the Dow Jones EURO STOXX index for the euro area and on the Standard & Poor's 500 index for the United States.

1) "Short-term" refers to analysts' earnings expectations 12 months ahead (annual growth rates).

2) "Long-term" refers to analysts' earnings expectations three to five years ahead (annual growth rates).

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

The real cost of financing for euro area non-financial corporations increased in the fourth quarter of 2010, reflecting a rise in costs across all sub-categories and, especially, in the cost of market-based financing. More recently, while the real cost of market-based debt continued to increase, the real cost of equity fell back somewhat. With regard to financial flows, the annual growth of loans to non-financial corporations became less negative in the fourth quarter of 2010, and returned to positive territory in January 2011 for the first time since August 2009. This suggests that a turning point in loan dynamics had been reached earlier in 2010. Debt securities issuance activity by non-financial corporations moderated further in the fourth quarter of 2010, but remained strong.

FINANCING CONDITIONS

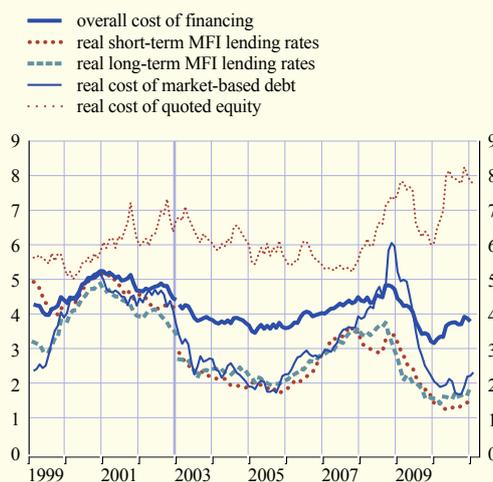
The real cost of external financing for euro area non-financial corporations – as calculated by weighting the cost of different sources of financing on the basis of their outstanding amounts, corrected for valuation effects – increased by 17 basis points in the fourth quarter of 2010 to stand at around 3.9% in December 2010, only to recede somewhat in January 2011 (see Chart 32).

The rise in the overall cost of financing was broadly based across sub-categories, although it was highest in the case of the real cost of market-based financing. Specifically, in the fourth quarter of 2010, the real cost of market-based debt rose by around 50 basis points in comparison with September 2010, and continued to increase somewhat in January and February 2011. The real cost of equity also increased by around 20 basis points in the fourth quarter of 2010, before falling back to end-September 2010 levels thereafter. The rise in the cost of market-based financing reflected the renewed financial market tensions experienced in the fourth quarter of 2010. Over the same period, real short-term MFI interest rates rose by 16 basis points, while real long-term interest rates edged up slightly by 5 basis points. Taking a longer-term perspective, in the four months to January 2011 the real cost of financing for non-financial corporations in the euro area remained close to the lowest levels recorded since 1999 for all sub-categories, except in the case of the real cost of equity, which stayed at historically high levels.

During the period under review nominal MFI interest rates on new loans to non-financial corporations increased for short-term maturities, while remaining broadly unchanged for longer maturities (see Table 5). The rise in rates on short-term loans appears to be in line with recent developments in money market rates, which normally have an impact on banks' short-term funding costs. These developments

Chart 32 Real cost of the external financing of euro area non-financial corporations

(percentages per annum; monthly data)



Sources: ECB, Thomson Reuters, Merrill Lynch and Consensus Economics Forecasts.

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

Table 5 MFI interest rates on new loans to non-financial corporations

(percentages per annum; basis points)

							Change in basis points up to January 2011 ¹⁾		
	Q4 2009	Q1 2010	Q2 2010	Q3 2010	Dec. 2010	Jan. 2011	Oct. 2009	Oct. 2010	Dec. 2010
MFI interest rates on loans									
Bank overdrafts to non-financial corporations	4.06	3.98	3.70	3.80	3.86	4.02	-16	19	16
Loans to non-financial corporations of up to €1 million									
with a floating rate and an initial rate fixation of up to one year	3.28	3.24	3.25	3.34	3.50	3.45	12	3	-5
with an initial rate fixation of over five years	3.96	4.00	3.80	3.78	3.86	3.86	-32	4	0
Loans to non-financial corporations of over €1 million									
with a floating rate and an initial rate fixation of up to one year	2.19	1.99	2.17	2.26	2.59	2.45	31	12	-14
with an initial rate fixation of over five years	3.58	3.44	3.37	3.51	3.50	3.93	29	47	43
Memo items									
Three-month money market interest rate	0.71	0.64	0.73	0.88	1.02	1.02	28	2	0
Two-year government bond yield	1.39	1.40	1.84	1.85	2.24	2.30	91	68	6
Seven-year government bond yield	2.99	2.82	2.39	2.12	2.71	2.81	-26	63	10

Source: ECB.

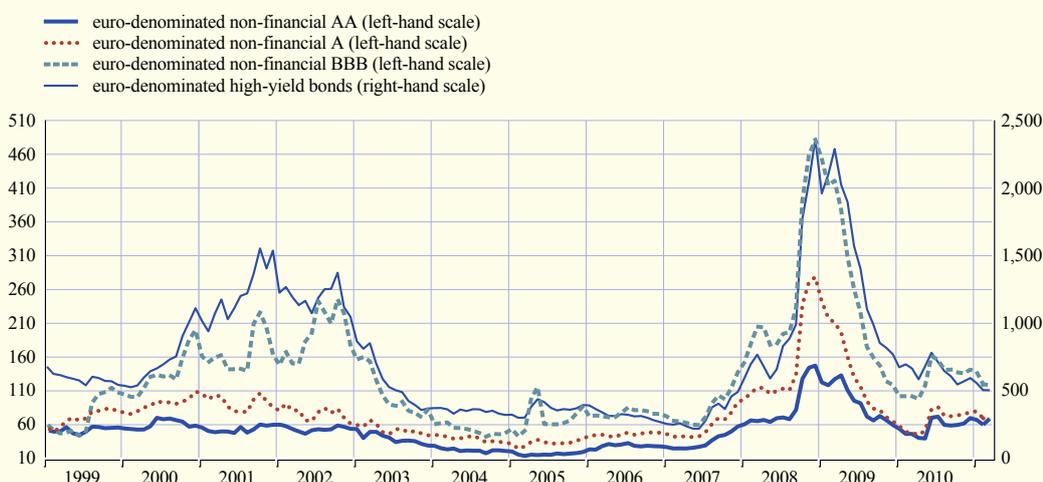
1) Figures may not add up due to rounding.

in bank lending rates thus appear to indicate that the gradual pass-through of past reductions in key ECB interest rates to banks' retail customers has come to an end.

Over the period under review, the spreads between non-financial corporate bond yields and government bond yields widened marginally in the case of higher-rated bonds and narrowed somewhat in the case of lower-rated bonds (see Chart 33). In November 2010 the widening of

Chart 33 Corporate bond spreads of non-financial corporations

(basis points; monthly averages)



Sources: Thomson Reuters and ECB calculations.

Note: Non-financial bond spreads are calculated against the AAA government bond yields.

corporate bond spreads, which was broad-based across sub-categories and somewhat in line with renewed tensions in financial markets, supported a rise in the real cost of market-based debt. More recently, the easing of financial market tensions supported a narrowing of the spreads between corporate and government bond yields, especially in the case of lower-rated bonds, which have narrowed by around 90 basis points since the beginning of 2011.

FINANCIAL FLOWS

Most indicators of the profitability of euro area non-financial corporations point to a further improvement in the fourth quarter of 2010. The annual growth rate of earnings per share for listed non-financial corporations in the euro area remained strongly positive in the fourth quarter of 2010, and peaked at around 40% in January 2011, close to historical highs (see Chart 34). Looking ahead, market participants expect a partial downward correction over the coming months.

As regards external financing, data for the fourth quarter of 2010 confirm the levelling-off of MFI lending to non-financial corporations observed over the past year. This normalisation of demand for bank loans may partly explain the protracted moderation in issuance of debt securities over the same period (see Chart 35). In particular, issuance of short-term debt securities, although showing some signs of recovery, remained negative, as was the case over the past year, while long-term debt securities issuance declined further in the fourth quarter. Similarly, issuance of quoted shares by non-financial corporations continued to decline, thus remaining subdued.

The annual rate of growth of bank loans to non-financial corporations became less negative at -0.2% in the fourth quarter of 2010 (see Table 6) and turned positive in January 2011, for the first time since August 2009. The recovery in loan dynamics primarily reflects a moderation in the pace of contraction in short-term loans to non-financial corporations (with maturities of up to one year). The annual rate of growth of loans with a maturity of over five years, by contrast, declined

Chart 34 Earnings per share of listed non-financial corporations in the euro area

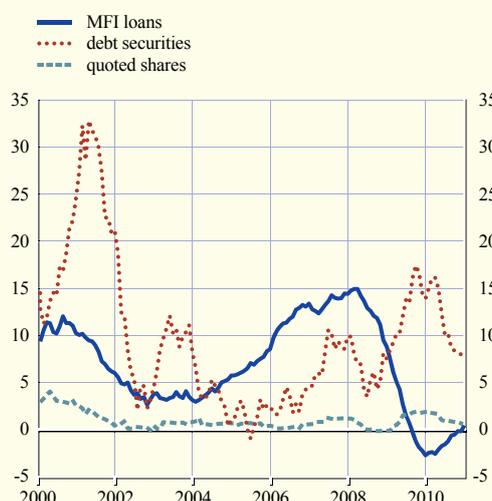
(annual percentage changes; monthly data)



Sources: Thomson Reuters and ECB calculations.

Chart 35 External financing of non-financial corporations broken down by instrument

(annual percentage changes)



Source: ECB.
Note: Quoted shares are euro-denominated.

Table 6 Financing of non-financial corporations

(percentage changes; end of quarter)

	Annual growth rates				
	2009 Q4	2010 Q1	2010 Q2	2010 Q3	2010 Q4
MFI loans	-2.2	-2.4	-1.7	-0.6	-0.2
Up to one year	-13.2	-11.2	-9.9	-6.4	-3.6
Over one and up to five years	-2.0	-4.2	-3.9	-2.0	-2.4
Over five years	3.7	3.0	3.3	2.7	2.2
Debt securities issued	14.5	16.1	12.3	8.6	8.0
Short-term	-40.7	-23.8	-15.6	-13.2	-7.3
Long-term, of which: ¹⁾	26.1	22.6	16.0	11.2	9.5
Fixed rate	33.8	26.9	18.9	13.7	11.6
Variable rate	-4.0	0.0	-1.3	-1.2	-0.4
Quoted shares issued	1.8	1.8	1.0	0.9	0.7
Memo items²⁾					
Total financing	1.1	1.4	1.6	2.1	-
Loans to non-financial corporations	0.3	0.4	0.9	1.9	-
Insurance technical reserves ³⁾	0.9	0.9	0.9	0.9	-

Sources: ECB, Eurostat and ECB calculations.

Notes: Data shown in this table (with the exception of the memo items) are reported in money and banking statistics and in securities issuance statistics. Small differences compared with data reported in financial accounts statistics may arise, mainly as result of differences in valuation methods.

1) The sum of fixed rate and variable rate data may not add up to total long-term debt securities data because zero-coupon long-term debt securities, which include valuation effects, are not shown.

2) Data are reported from quarterly European sector accounts. Total financing of non-financial corporations includes loans, debt securities issued, shares and other equity issued, insurance technical reserves, other accounts payable and financial derivatives.

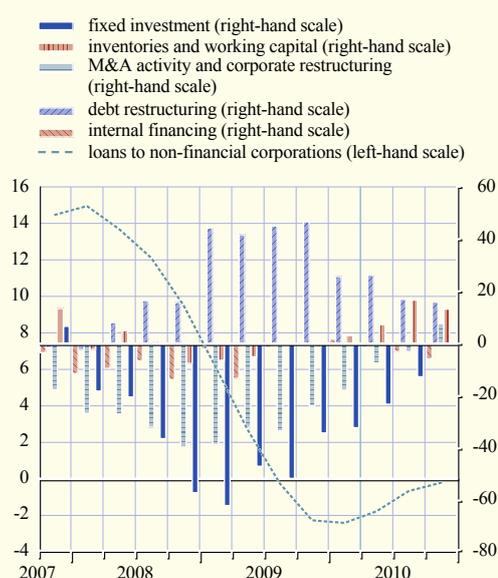
3) Includes pension fund reserves.

somewhat during the period under review. Empirical evidence suggests that lending to non-financial corporations typically tends to lag substantially behind the business cycle. From this perspective, the recently observed recovery in the annual growth rate of loans to non-financial corporations suggests that a turning point was reached earlier in 2010. At the same time, the greater availability of internal funds may have had a dampening effect on the revival of demand for bank loans by non-financial corporations.

The results of the bank lending survey for the euro area confirm the important role played by demand-side factors on demand for loans by non-financial corporations in the fourth quarter of 2010 (see Chart 36). Specifically, the improvement in overall net demand for loans was mainly driven by a halt in the decline in financing needs for fixed investment. Similarly, a pick-up in the financing of mergers and acquisitions (M&A) had a positive impact, while the contribution of financing needs for inventories and working capital decreased.

Chart 36 Loan growth and factors contributing to non-financial corporations' demand for loans

(annual percentage changes; net percentages)



Source: ECB.

Notes: The net percentages refer to the difference between the percentage of banks reporting that the given factor contributed to an increase in demand and the percentage reporting that it contributed to a decrease.

Moreover, the survey indicated a decline in the net tightening of credit standards for loans to enterprises on account of banks' more favourable risk perceptions and, in particular, their industry or firm-specific outlook. While the normalisation of credit conditions seems to be continuing in the euro area as a whole, access to bank credit remains significantly constrained in some countries. Moreover, in some cases the pick-up in loan demand may also exacerbate the potential impact of relatively tight credit standards on the loan supply.

The financing gap of (or net borrowing by) non-financial corporations – i.e. the difference between outlays for real investment and internally generated funds (gross savings) – although decreasing, remained positive in the third quarter of 2010 on the basis of four-quarter moving sums. Chart 37 illustrates the breakdown of euro area firms' saving, financing and investment as reported in the euro area accounts, for which data are only available up to the third quarter of 2010. As shown in the chart, corporate real investment (gross fixed capital formation) could be financed largely through internal funds, so that external financing, although edging up slightly, remained a minor source of corporate financing. At the same time, net acquisitions of financial assets, including equity, increased somewhat in the third quarter of 2010.

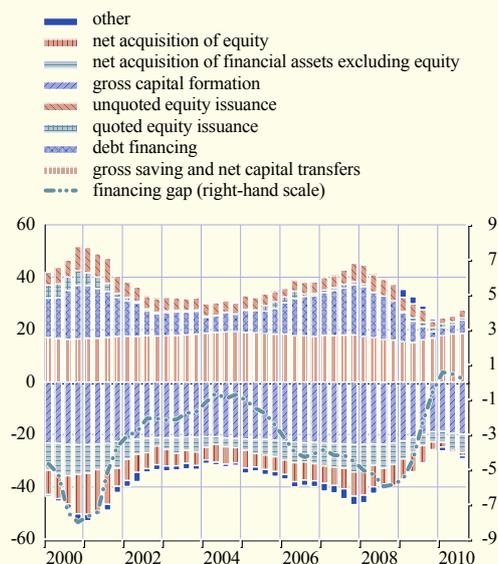
FINANCIAL POSITION

The process of deleveraging continued in the third quarter of 2010 when non-financial corporate indebtedness declined to 79% in terms of the ratio of debt to GDP, from 80% in the previous quarter, and to 415% in terms of the ratio of debt to gross operating surplus, from 422% in the previous quarter (see Chart 38). After the sharp decline experienced in the period from the end of 2008 to the beginning of 2010, the interest burden of non-financial corporations remained broadly stable in the second half of 2010 (see Chart 39).

Overall, the lower external financing flows and the increase in internal financing sources since the second half of 2009 suggest that firms have improved their financial position and have reduced their balance sheet vulnerabilities, thus gaining financial flexibility in respect of the cyclical upswing. The level of debt, and the associated interest rate burden, may still suggest further scope for balance sheet restructuring in conjunction with the recovery in cash flows.

Chart 37 Savings, financing and investment of non-financial corporations

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

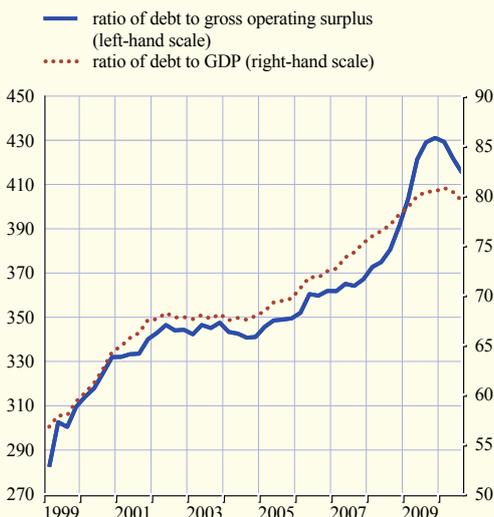


Source: Euro area accounts.

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

Chart 38 Debt ratios of non-financial corporations

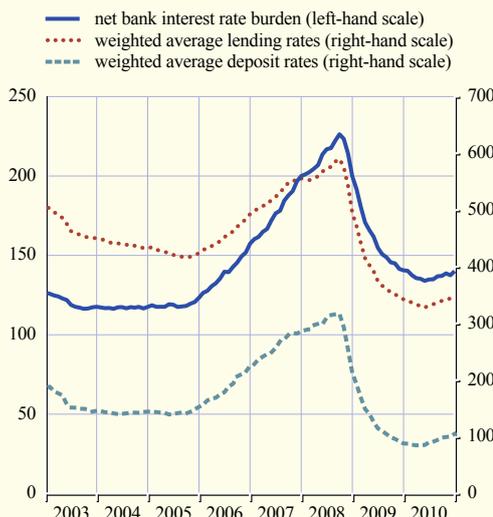
(percentages)



Sources: ECB, Eurostat and ECB calculations.
Notes: Debt is reported on the basis of the quarterly European sector accounts. It includes loans, debt securities issued and pension fund reserves.

Chart 39 Net bank interest rate burden of non-financial corporations

(basis points)



Source: ECB.
Note: The net bank interest rate burden is defined as the difference between weighted average lending rates and the weighted average deposit rates for the non-financial corporate sector and is based on outstanding amounts.

2.7 FINANCIAL FLOWS AND FINANCIAL POSITION OF THE HOUSEHOLD SECTOR

In the fourth quarter of 2010 households' financing conditions were characterised by broadly stable bank lending rates which, however, increased slightly in January 2011. Credit standards were tightened somewhat on loans to households for consumption purposes and house purchase towards the end of the year. The annual growth rate of MFI lending to households increased in January 2011 compared with the fourth quarter of 2010, but overall the annual growth rate of loans to households continued to show signs of levelling off. Households' debt-to-income ratio is estimated to have increased only slightly in the fourth quarter, and their interest payment burden broadly stabilised after declining in the previous quarter.

FINANCING CONDITIONS

The overall financing costs of the euro area household sector remained broadly stable during the fourth quarter of 2010, following a modest increase in the previous quarter, while they increased slightly in January 2011. Looking at the breakdown, developments in MFI interest rates on new loans to households showed a higher degree of heterogeneity across loan categories in the fourth quarter. While MFI interest rates on new loans for house purchase remained almost unchanged, those on new loans for consumer credit decreased slightly, a development which was offset by a modest increase in MFI interest rates on other lending. The stabilisation of interest rates on loans for house purchase also masks divergent developments in its sub-components. While interest rates on loans with shorter initial rate fixation periods (i.e. loans with a floating rate and an initial rate fixation period of up to one year) remained unchanged and those on loans with an initial rate fixation

period of over one and up to five years even declined slightly, interest rates on loans with longer rate fixation periods (i.e. with an initial rate fixation period of over five years) increased slightly (see Chart 40). In January 2011 MFI interest rates on new loans for house purchase increased across all maturities. Comparing recent developments in MFI interest rates on new loans for house purchase with developments in comparable market rates, the spreads between these interest rates have declined somewhat for loans with a rate fixation period of over one year, while even turning negative for longer maturities.

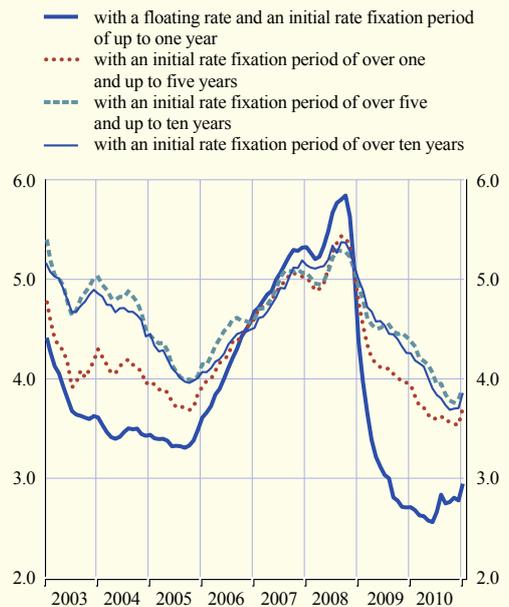
After remaining stable over the previous quarter, MFI interest rates on new loans to households for consumer credit decreased in the fourth quarter, declining by 40 basis points between September and December 2010. This development was broadly based across all loan categories, with particularly strong declines for interest rates on loans with longer initial rate fixation periods (i.e. with rate fixation periods of over five years), which resumed the negative trend interrupted in the previous quarter. However, in January 2011 MFI interest rates on new loans

to households for consumer credit returned to the level recorded in October 2010, following a similar increase in interest rates for loans with an initial rate fixation over one year. Spreads between interest rates on loans with rate fixation periods of up to one year and a comparable market interest rate declined slightly in the period from October 2010 to January 2011. Similarly, spreads between interest rates on loans with rate fixation periods of over five years and comparable market interest rates declined somewhat in the same period.

According to the results of the January 2011 bank lending survey, credit standards were tightened somewhat on loans to households for house purchase in the fourth quarter of 2010. This increase in net tightening appears to be explained mainly by an increase in banks' perception of risks related to the housing market and the general economic outlook, as well as a slight increase in funding costs and more stringent balance sheet constraints. At the same time, banks indicated that net demand for housing loans was positive in the fourth quarter and stronger than in the previous quarter, supported by improved housing market prospects and a significantly less negative contribution from consumer confidence. Similarly, credit standards were also tightened slightly on loans to households for consumption purposes and other lending in the fourth quarter. Net demand for consumer credit and other lending increased, but did not turn positive, and was perceived by banks as being dampened by developments in consumer confidence and household savings.

Chart 40 MFI interest rates on loans to households for house purchase

(percentages per annum; excluding charges; rates on new business)



Source: ECB.

FINANCIAL FLOWS

The annual growth rate of total loans to households remained broadly unchanged at 2.3% in the third quarter of 2010 (the most recent quarter for which data from the euro area accounts are available), having been on an upward trend since the fourth quarter of 2009. This broadly unchanged growth reflected similar developments in its sub-components. The annual growth rate of non-MFI loans to households stood unchanged at around zero, following significant declines over the previous three quarters. Data on MFI loans and securitisation activity suggest that the annual growth rate of total loans to households increased to around 2% in the fourth quarter (see Chart 41).

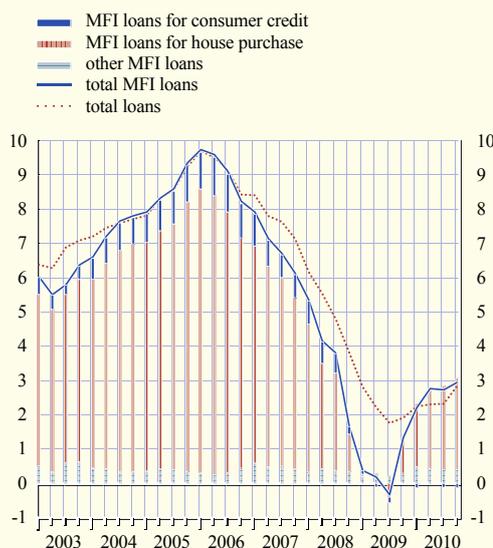
In January the annual growth rate of MFI loans to households increased to 3.1%, up from 2.8% in the third and fourth quarters. These latest developments confirm that growth in household borrowing has levelled off. Securitisation activity continues to have only a small impact on annual growth in MFI loans to households, although correcting for this impact points to a modest upward trend in loan growth. Given the recent pick-up in house prices and the fiscal

support measures in some countries, as well as the overall rise in consumer confidence, these recent developments in MFI loans to households seem to have remained relatively subdued. Thus, growth in loans to households is probably being dampened by the historically high level of household indebtedness and the fact that credit standards remain tight overall.

As regards the sub-components of MFI loans to households, the annual growth rate of loans for house purchase increased to 3.9% in January, up from 3.5% in the fourth quarter. By contrast, the annual growth rate of consumer credit weakened further (declining to -0.8% in January, down from -0.7% in the fourth quarter). The continued weakness of growth in consumer credit in recent months could be related to the worsening of consumers' expectations regarding their future financial situation, as can be seen in the results of European Commission surveys. In addition, the indicator for major purchases, which is usually strongly correlated with the consumption of durable goods, remains at historically low levels. Overall, this suggests that weak demand for consumer credit has been dampening consumer credit growth since the beginning of 2010 (see Box 4, entitled "Explaining the recent decoupling between growth in MFI loans for house purchase and consumer credit").

Chart 41 Total loans granted to households

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



Source: ECB.

Notes: Total loans comprise loans to households from all institutional sectors, including the rest of the world. For the fourth quarter of 2010, total loans to households have been estimated on the basis of transactions reported in money and banking statistics. For information on differences between MFI loans and total loans in terms of the calculation of growth rates, see the relevant technical notes.

EXPLAINING THE RECENT DECOUPLING BETWEEN GROWTH IN MFI LOANS FOR HOUSE PURCHASE AND CONSUMER CREDIT

The recovery in the annual growth rate of MFI loans to households observed since the last quarter of 2009 has coincided with a decoupling of developments in loans for house purchase and consumer credit. While the growth of mortgage loans increased to rates of close to 4%, that of consumer credit remained broadly unchanged in negative territory (see Chart A). The difference in the growth patterns of these two types of loan to households is relatively pronounced by comparison with the otherwise high degree of co-movement observed since 1999. This box reviews available indicators as the basis for possible explanations of the current divergence.

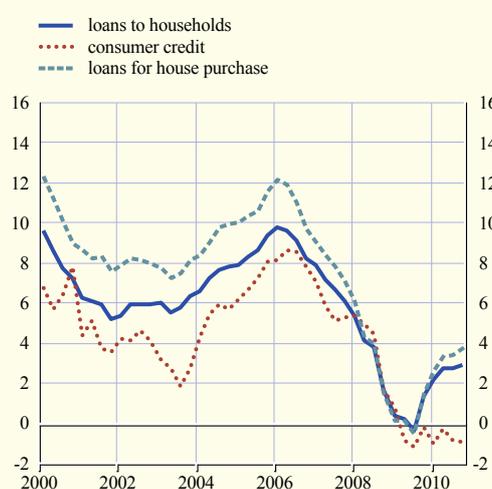
Information from credit standards and bank lending interest rates

The results of the euro area bank lending survey suggest that banks have not been discriminating between mortgage loans and consumer credit with regard to the tightening of credit standards (see Chart B). In particular, there seems to be no difference in the impact on tightening coming from banks' cost of funds and balance sheet constraints, which can be seen as more narrowly defined supply factors in credit provision. Nevertheless, there seems to be some difference in the way that banks have implemented this tightening, as since autumn 2009 they seem to have increased margins more on loans for consumer credit than on mortgage loans.

Indeed, while bank lending rates for consumer credit are typically higher than those for loans for house purchase – reflecting the fact that loans for house purchase tend to be better collateralised – the difference between the interest rates applied to each type of loan was particularly

Chart A MFI loans to households for house purchase and consumer credit

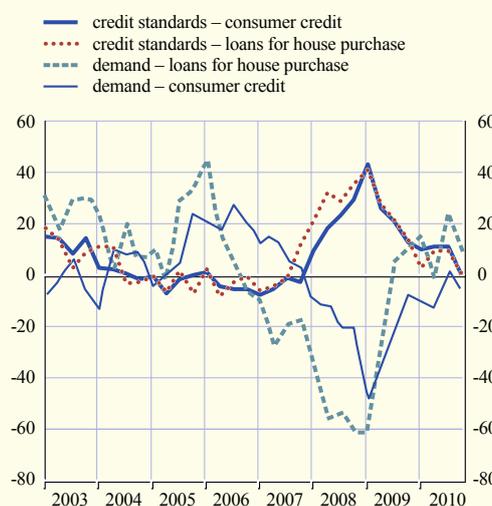
(annual percentage changes)



Source: ECB.

Chart B Bank lending survey: changes in banks' credit standards and households' demand for loans for house purchase and consumer credit

(net percentage balances)



Source: ECB.

large in the period between the second half of 2009 and the first half of 2010 when the decoupling of the two loan growth series started (see Chart C). More recently, the spread between the interest rates has been narrowing, but this has not yet resulted in a pattern of growth for consumer credit similar to that for loans for house purchase.

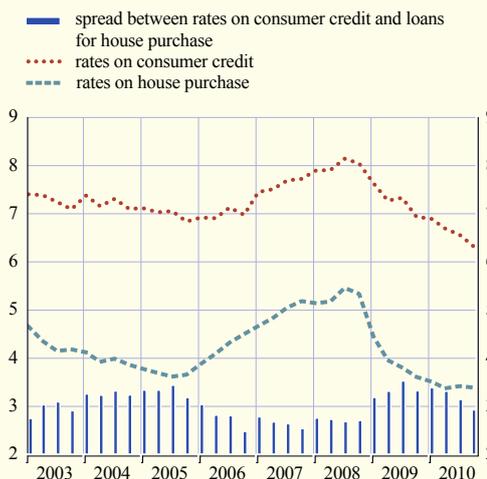
Information from demand indicators

In the bank lending survey, banks report a broadly similar evolution in the demand for consumer and mortgage loans, with a turning point in both cases in early 2009. However, some difference remained visible, as the growth in demand for loans for house purchase became positive as of the third quarter of 2009, whereas it remained slightly negative in the case of consumer credit (see Chart B).

The relatively weak demand for consumer credit also seems to be in line with results of consumer surveys. While consumer confidence has recovered substantially since the trough reached in the fourth quarter of 2009, the willingness to make major purchases – which displays a higher correlation with consumption of durable goods and purchases of big-ticket items and hence can be expected to mirror more closely the demand for consumer credit – has declined again after an initial upturn. Much of this may be related to the developments in car sales, a prominent component in the consumption of durable goods, which were characterised by a renewed weakness in most of 2010 following the expiry of the vehicle scrapping schemes (see Chart D).^{1,2} Subdued growth in real household disposable income and the still very high levels of household

Chart C Developments in MFI lending rates on loans to households

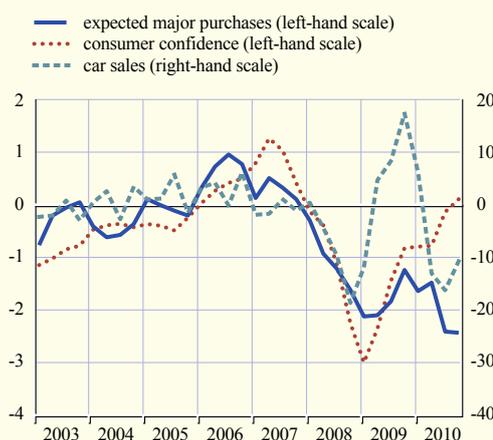
(percentages per annum)



Sources: ECB and ECB calculations.

Chart D Expected major purchases, consumer confidence and car sales

(consumer surveys in standardised net percentage balances; car sales in annual percentage changes)



Sources: European Commission Business and Consumer Surveys, Eurostat and ECB calculations.

1 For further information, see the box entitled “The effects of vehicle scrapping schemes across euro area countries” in the October 2009 issue of the Monthly Bulletin.

2 In principle, if the current negative growth in car sales is seen as holding back consumer credit growth then the strongly positive growth in car sales during the vehicle scrapping programmes should have boosted consumer credit growth. However, there are several possible reasons why this symmetry did not hold at the time. First, the scrapping programmes ultimately implied a high proportion of purchases of smaller cars, which in turn implied lower financing needs. Second, the financial incentives provided by the programmes may have implied less need to offer attractive terms and conditions in specific car finance deals. Third, the high level of liquid monetary assets held by households at the time when the scrapping programmes were in operation, and the low level at which they were being remunerated, may have led households to finance car purchases using cash rather than consumer credit.

indebtedness are likely to be additional factors dampening demand for consumer credit. The reason why this does not appear to be having an equally dampening impact on the demand for mortgage loans is likely to be the fact that house purchases also reflect investment considerations. In this respect, the renewed dynamism in real estate markets in a number of euro area countries after the falls in house prices observed during the crisis, together with the uncertainties and high cost of longer-term financial investment alternatives, may make real estate particularly attractive to households in the current situation.

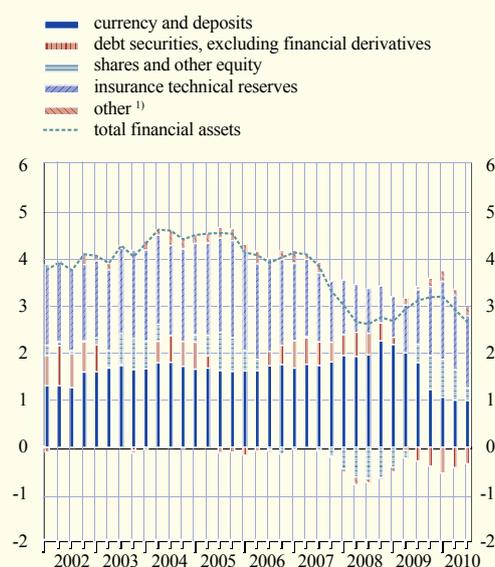
Conclusions

The set of indicators examined in this box suggest that the recent decoupling of growth rates for mortgage loans and consumer credit is due to demand factors which specifically impact on consumer credit. By contrast, supply factors, such as bank credit standards and interest rates, do not seem to have played a significant role.

Turning to the asset side of the euro area household sector's balance sheet, the annual growth rate of total financial investment by households declined to 2.7% in the third quarter (down from 2.9% in the previous quarter), thereby returning to the low levels of growth observed during the financial crisis (see Chart 42). Further positive quarterly flows were recorded for currency and deposit holdings in the third quarter, although these were of a much smaller magnitude than in the previous quarter and their contribution to the annual growth rate of financial investment by households remained broadly unchanged. This development is likely to have reflected some flattening of the yield curve in that quarter. The contribution of investment in shares declined slightly, possibly also reflecting uncertainty regarding the economic recovery amid the heightened tensions in sovereign debt markets. As a result, the contribution made by shares to annual growth in total financial investment more than halved in the third quarter compared with the previous quarter. By contrast, the contribution made by insurance and pension products to annual growth in total financial investment declined only marginally, and these instruments remained the largest contributor to total growth in financial investment. The contribution of debt securities remained negative, although it increased slightly by comparison with the previous quarter.

Chart 42 Financial investment of households

(annual percentage changes; percentage points)



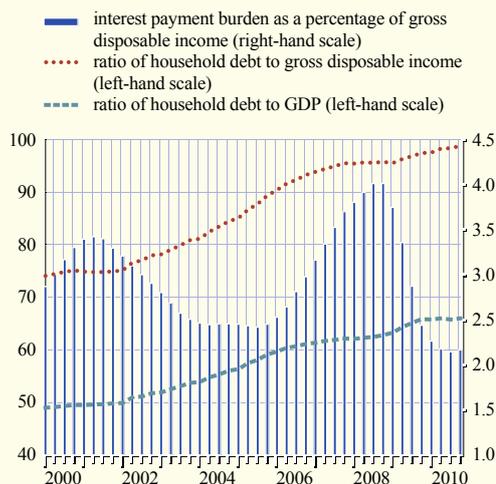
Sources: ECB and Eurostat.
1) Includes loans and other accounts receivable.

FINANCIAL POSITION

The household debt-to-disposable income ratio is estimated to have increased slightly further, standing at around 98.8% in the fourth quarter of 2010 and thereby continuing the moderate upward drift observed in previous quarters (see Chart 43). This reflects the fact that, although there has been some recovery in the growth rate of disposable income, growth in household borrowing is estimated to have increased somewhat more strongly. The household debt-to-GDP ratio is estimated to have remained broadly unchanged in the fourth quarter, reflecting the fact that general economic activity has been displaying a stronger cyclical pick-up than household income. The household sector's interest payment burden is estimated to have remained broadly unchanged at 2.2% of disposable income in the fourth quarter, having declined consistently since end-2008. Until the third quarter of 2010, the favourable impact stemming from declining interest rates more than offset the upward impact that increases in household indebtedness had on the interest payment burden. However, the recent marginal increase in the household interest rate burden seems to indicate that this dampening effect may no longer be present.

Chart 43 Household debt and interest payments

(percentages)



Sources: ECB and Eurostat.

Notes: Household debt comprises total loans to households from all institutional sectors, including the rest of the world. Interest payments do not include the full financing costs paid by households, as they exclude the fees for financial services. Data for the last quarter shown have been partly estimated.

3 PRICES AND COSTS

According to Eurostat's flash estimate, euro area annual HICP inflation was 2.4% in February 2011, after 2.3% in January. The increase in inflation rates in early 2011 largely reflects higher commodity prices. Inflation expectations over the medium to longer term 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. The March 2011 ECB staff macroeconomic projections for the euro area foresee annual HICP inflation in a range between 2.0% and 2.6% for 2011, and between 1.0% and 2.4% for 2012. Risks to the medium-term outlook for price developments are on the upside.

3.1 CONSUMER PRICES

Headline inflation rates rose significantly in the course of 2010, from around 1% in January, to above 2% in December. This increase was fuelled by rising commodity prices, with the rise in HICP inflation excluding energy and, in particular, energy and food, being much less pronounced. According to Eurostat's flash estimate, euro area annual HICP inflation rose to 2.4% in February 2011, from 2.3% in the previous month (see Table 7). The official inflation rate for January has been corrected downwards by 0.1 percentage point, owing to new calculation methods introduced as a result of the entering into force of a new regulation on the treatment of seasonal products.¹ The increase in overall inflation in January 2011 reflects higher annual rates of increase in the energy, processed food and services components of the HICP and lower inflation rates in the unprocessed food and non-energy industrial goods components.

Looking at HICP developments in more detail, the annual rate of change in energy prices stood at 12.0% in January 2011, up from 11.0% in December 2010, thus continuing the upward trend that started one year ago.

The increase in energy inflation in the course of 2010 to date has been due in part to upward base effects stemming from past volatility in oil prices and rising crude oil prices. Since January 2010 Brent crude oil prices in euro terms have increased by more than 40%, from around €54 per barrel

1 See Commission Regulation (EC) No 330/2009 of 22 April 2009 laying down detailed rules for the implementation of Council Regulation (EC) No 2494/95 as regards minimum standards for the treatment of seasonal products in the Harmonised Indices of Consumer Prices (HICP).

Table 7 Price developments

(annual percentage changes, unless otherwise indicated)

	2009	2010	2010 Sep.	2010 Oct.	2010 Nov.	2010 Dec.	2011 Jan.	2011 Feb.
HICP and its components								
Overall index ¹⁾	0.3	1.6	1.9	1.9	1.9	2.2	2.3	2.4
Energy	-8.1	7.4	7.7	8.5	7.9	11.0	12.0	.
Unprocessed food	0.2	1.3	2.3	2.3	2.6	3.2	2.1	.
Processed food	1.1	0.9	1.0	1.2	1.3	1.5	1.8	.
Non-energy industrial goods	0.6	0.5	0.9	0.8	0.9	0.7	0.5	.
Services	2.0	1.4	1.4	1.4	1.3	1.3	1.5	.
Other price indicators								
Industrial producer prices	-5.1	2.9	4.3	4.3	4.5	5.3	6.1	.
Oil prices (EUR per barrel)	44.6	60.7	59.8	60.2	63.1	69.6	72.6	76.6
Non-energy commodity prices	-18.5	44.7	54.7	47.5	48.6	49.6	45.9	47.5

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

Note: Data on industrial producer prices refer to the Euro 17.

1) HICP inflation in February 2011 refers to Eurostat's flash estimate.

to €77 per barrel in February 2011. The HICP items that recorded the highest inflation rates in this period were those more directly linked to oil prices, such as liquid fuels (home heating) and fuels for personal transportation. The annual rates of change in the other main energy sub-components, such as gas and electricity, which are linked to oil prices with a time lag, also increased, albeit at a more moderate pace.

Box 5

GAUGING THE IMPACT OF INDIRECT TAXATION ON EURO AREA HICP INFLATION

Fiscal policy adjustments, such as changes in VAT rates or other indirect taxes, can have a direct and immediate effect on overall HICP inflation. For the euro area, one of the tools used for estimating the impact of changes in indirect taxes on inflation is the HICP index at constant tax rates (HICP-CT), which has been published by Eurostat on a monthly basis since October 2009.¹ For reasons of simplicity, this index, developed by Eurostat in consultation with the ECB, is calculated assuming “mechanically” an immediate and full pass-through of any changes in indirect taxes to consumer prices. If all tax rates in a given year remain unchanged from December of the previous year, the monthly changes in the HICP and the HICP-CT will coincide. Any differences between HICP and HICP-CT developments provide an estimate of the upper limit for the actual impact of any changes in indirect tax rates. Furthermore, owing to the way in which the HICP-CT is constructed, the impact is concentrated in the month when the change in the tax rate becomes effective. It is also worth highlighting the fact that, in reality, the pass-through of changes in tax rates can be slower and/or incomplete, depending on the economic environment in which they are implemented, as well as on the extent to which they are absorbed by profit margins. For statistical purposes, however, there is no practical alternative to assuming a full and immediate pass-through, given that the index has to be compiled on a monthly and timely basis.²

Chart A shows that the mechanical impact of changes in indirect taxes on euro area HICP inflation has varied significantly over time. In the period from December 2003 to December 2010, it amounted to 0.15 percentage point per year, calculated as the difference between HICP and HICP-CT developments. In the same period the largest difference, of around 0.5 percentage point, was recorded in 2007 and was due mainly to the increase in the standard rate of VAT in Germany, from 16% to 19%. From 2008 to the middle of 2010 the mechanical impact of changes in indirect taxes on HICP inflation was virtually negligible, at least for the euro area as a whole. However, in the second half of 2010 it rose to over

Chart A Mechanical impact¹⁾ of changes in indirect taxes on the annual rate of euro area HICP inflation



Sources: Eurostat and ECB calculations.

1) Calculated as the difference between annual HICP and annual HICP-CT inflation rates.

1 See http://epp.eurostat.ec.europa.eu/portal/page/portal/hicp/methodology/hicp_constant_tax_rates.

2 For more information on the attributes and interpretation of the HICP-CT, see the box entitled “New statistical series measuring the impact of indirect taxes on inflation”, *Monthly Bulletin*, November 2009.

0.3 percentage point, owing to increases in indirect tax rates in several euro area countries.

Chart B displays the average mechanical impact in 2010 of changes in indirect taxes on the annual rate of HICP inflation in each euro area country. Greece stands out as having experienced the largest mechanical impact on inflation, of 3.8 percentage points. This includes the impact of the gradual increase in VAT rates in 2010, with the standard rate rising from 19% to 23%, and the impact of significant hikes in excise duties on alcoholic beverages, tobacco and fuels. These measures were part of the necessary fiscal consolidation in Greece. However, as their impact will wane in the coming months, HICP inflation rates in Greece are expected to ease significantly. In addition to those in Greece, increases in indirect taxes in Estonia, Spain, Portugal, Luxembourg, Slovenia, Malta, Slovakia, the Netherlands and Italy also contributed positively to HICP inflation in these countries in 2010.

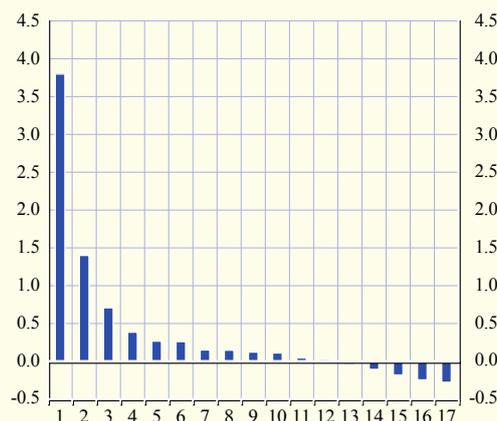
Looking ahead increases in indirect taxes that have already been implemented or announced are expected to continue to exert upward pressure on euro area HICP inflation in 2011, with their average annual contribution most likely being even greater than it was in 2010. Given the scale of the current fiscal imbalances in several euro area countries, the extent to which changes in indirect taxes play a role in related fiscal consolidation adjustment needs will continue to pose upside risks to euro area HICP inflation. Despite the benefits achieved through adjustments to the expenditure side of governments' balance sheets,³ some adjustment to indirect taxes remains quite likely. Consequently, the implementation of such measures needs to be monitored closely in order to assess their potential impact on euro area inflation developments.

3 Past experience in euro area countries suggests that a strong focus on reducing spending and, at the same time, introducing structural reforms to support potential growth can make a valuable contribution to achieving large reductions in government debt and helping countries to reap the benefits of consolidation. For further details, see, for instance, Nickel, C., Rother, P. and Zimmermann, L., "Major public debt reductions – Lessons from the past, lessons for the future", *Working Paper Series*, No 1241, ECB, September 2010; the box entitled "Experience with government debt reduction in euro area countries", *Monthly Bulletin*, ECB, September 2009; and the box entitled "The Greek economic and financial adjustment programme", *Monthly Bulletin*, ECB, May 2010.

Turning to more recent developments in the energy component, there was a strong month-on-month increase in prices in January 2011, but the effect of this increase on the annual growth rate was mostly offset by a strong downward base effect. In the same month the prices of liquid fuels and transport fuels rose sharply month on month. However, the annual rates of change in these sub-components declined slightly, owing to even stronger base effects, but remained at high levels of around 25% and 15% respectively. Gas and electricity prices also rose sharply in annual terms, by 8.8% and 6.7% respectively. In particular, the strong increase in electricity prices in January was

Chart B Average mechanical impact¹⁾ in 2010 of changes in indirect taxes on the annual rate of HICP inflation in each euro area country²⁾

(percentage points)



1 Greece	7 Malta	13 Cyprus
2 Estonia	8 Slovakia	14 Germany
3 Spain	9 euro area	15 Finland
4 Portugal	10 Netherlands	16 France
5 Luxembourg	11 Italy	17 Belgium
6 Slovenia	12 Austria	

Sources: Eurostat and ECB calculations.

1) Calculated as the difference between annual HICP and annual HICP-CT inflation rates.

2) There are no HICP-CT data available for Ireland.

most likely due to a lagged response to the cumulative increases in oil and gas prices during 2010, as well as specific administered charges for environmental policy reasons in certain countries.

The international prices of food commodities have also increased sharply since early 2010, in some cases exceeding the peaks observed during the commodity price shock in 2007-08 and raising concerns about their potential impact on consumer prices. Commodity price pressures have been building up since the summer of 2010, but there has thus far been only limited evidence of direct and indirect effects on HICP inflation. The annual growth rate of total food prices (including alcohol and tobacco) increased steadily in the course of 2010 and stood at 2.1% in December, before moderating to 1.9% in January 2011. The increase in 2010 was attributable in part to upward base effects stemming from developments in food commodity prices a year earlier. As for the sub-components, the annual rate of growth in the prices of unprocessed food (in particular fruit and vegetables) rose markedly in the course of 2010, owing to adverse weather conditions. The annual rate of change in the prices of processed food excluding tobacco (which should be the most affected by the above-mentioned hikes in food commodity prices) stood at 0.8% in January 2011, well below its long-term average of 1.7% since 1999. This rate of change stands in contrast to the negative growth rates recorded at the beginning of 2010. Increases in the EU's internal market prices for food commodities (which are more relevant for the euro area) have been smaller than those recorded in international markets. Milk prices have also remained more subdued compared with the sharp increases seen during 2007 and 2008. The effects of a food commodity price shock, however, are usually first visible in producer prices before they are transmitted to retail and consumer prices. In recent months there has been growing evidence of mounting pipeline pressures in the food production chain, with producer prices of food items rising by 5.7% in January 2011, compared with only 0.3% in July 2010. Furthermore, past experience shows that food commodity price shocks typically take between two and four quarters to work through the food production chain and fully reach the consumer level.

Excluding all food and energy items, which represent around 30% of the HICP basket, annual HICP inflation stood at 1.1% in January 2011. This measure of underlying inflation, which is determined predominantly by domestic factors, such as wages, profit mark-ups and indirect taxes, consists of two main items: non-energy industrial goods and services.

Non-energy industrial goods inflation has been following an upward trend since the second quarter of 2010, having declined to very low levels at the beginning of that year. However, according to the most recent data, the annual rate of change in non-energy industrial goods prices stood at 0.5% in January 2011, down from the level recorded in the fourth quarter of 2010, owing to the new standards for the treatment of seasonal products. The upward trend in non-energy industrial goods inflation has been attributable not only to upward base effects, but also to month-on-month increases in the prices of non-energy industrial goods on the back of tax changes, as well as some pass-through from past exchange rate depreciation and commodity price increases. At the same time price increases have been constrained by low, albeit rising, demand pressures and moderate wage growth.

Non-energy industrial goods can be broken down into three sub-components: durable goods (cars, furniture, electronic appliances, etc.), semi-durable goods (clothing materials, textiles, books, etc.) and non-durable goods (water supply, pharmaceutical products, newspapers, etc.). The increase in non-energy industrial goods inflation since the second quarter of 2010 has reflected higher contributions from all sub-components. The annual rate of change in the prices of durable goods rose to 0.0% in July and August 2010, and from September onwards recorded positive values for the first time since December 2007. This development was due mainly to the annual rate of

change in car prices, which turned positive in July, having been in negative territory since spring 2009. Car prices have continued to increase in annual terms and stood at 0.8% in January 2011, more than outweighing the recent drops in the prices of some consumer electronics. With regard to semi-durable goods, price developments tend to be affected heavily by seasonal sales (winter and summer), which make it difficult to detect small changes in their trends at the time. The annual rate of change in the prices of semi-durable goods declined in the third quarter of 2010, as the prices of clothing were affected by seasonal discounts, which were not as large as those observed during the summer sales a year earlier and in the aftermath of the severe economic downturn. In the fourth quarter of 2010 semi-durable goods inflation rose to 0.9%, reflecting increases in the prices of certain items, such as garments and footwear, and car spare parts. In January 2011 the annual rate of change in the prices of semi-durable goods turned slightly negative, owing mainly to changes in the prices of items such as garments and footwear, which are affected by the new regulation. Non-durable goods inflation hovered around 1% during 2010 as a result of different movements in the annual rates of change in the prices of many items, which were generally tempered by the slow growth in demand. In the same month the annual rate of change in the prices of non-durable goods stood at 1.3%.

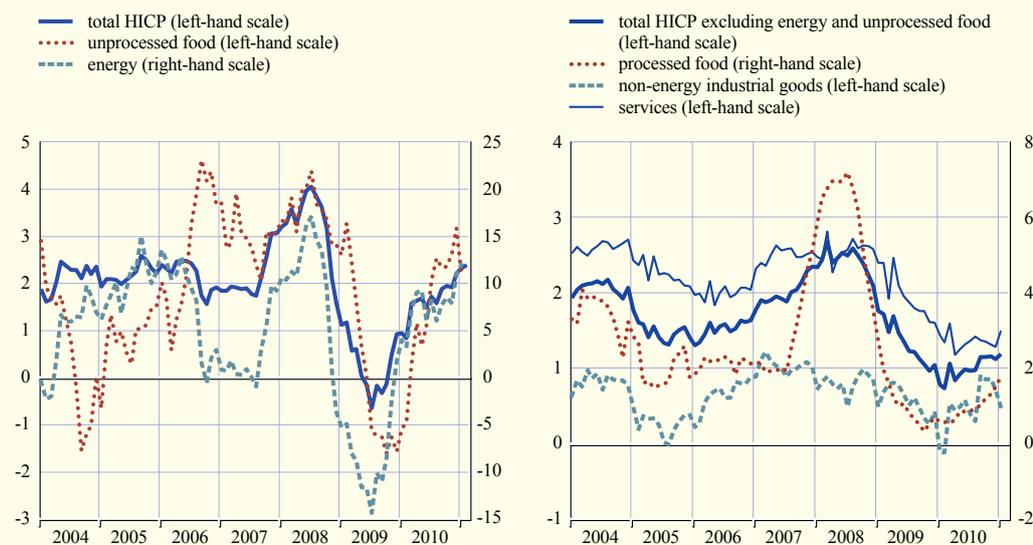
In 2010 the annual rate of change in services prices recovered from its low point of 1.2% in April, to hover in the range of 1.3% to 1.4% in the second half of the year and edge up to 1.5% at the beginning of 2011. Compared with the average rate of inflation of 2.2% since 1999, these figures were relatively low, reflecting relatively weak demand and moderate wage growth. Overall, inflation rates were stable in all services sub-components in the second half of 2010, with the exception of transport services, to which it would appear that the recent increases in oil prices have not been passed through, as the annual rates of change in this sub-component have declined in recent months, to stand at 1.5% in January 2011, compared with 2.7% in July 2010. Inflation in the housing sub-component has lingered in the range of 1.6% to 1.7% in recent months, with inflation in rents stabilising at 1.3%, possibly owing to the recovery in house prices. This stabilisation indicates an end to the downward trend in inflation in the housing sub-component. Inflation in the recreation and personal services sub-component, which includes a significant number of leisure items, such as package holidays, restaurants and accommodation services, remained in the range of 1.0% to 1.3% in the second half of 2010, but increased to 1.6% in January 2011. This range is rather low compared with the historical average of 2.6%. In fact, the inflation rates in all services sub-components are still well below their historical averages, with the exception of communication services, which saw its rate of decline moderate to -0.2% in January, from an average of -0.8% in 2010.

Looking ahead and taking into account the fact that Brent crude oil prices ranged between €75 and €80 per barrel at the end of February 2011, as well as the prices of oil futures contracts, energy inflation is expected to have increased slightly further in that month. Although base effects will exert some downward pressure on energy inflation, particularly in March and April, it is likely to remain at a high level for some time. In addition, the effects of past increases in oil prices are still pending and are likely to impact on consumer prices in the coming months. In particular, given the current levels of oil prices and the prices of oil futures contracts, as well as the lagged relationship between gas and oil prices, consumer gas prices may rise further in the course of 2011 (especially in April and July, as they tend to be reset according to a regular quarterly calendar in January, April, July and October). Later in the year, energy inflation is expected to moderate, assuming that there are no further increases in crude oil prices.

Growth in food prices is also set to accelerate further in the coming months. The uncertainty surrounding this outlook is greater than usual because future developments in food commodity prices

Chart 44 Breakdown of HICP inflation: main components

(annual percentage changes; monthly data)



Source: Eurostat.
Note: Data refer to the Euro 17.

are particularly difficult to anticipate. This is due to their high level of sensitivity to weather conditions in different parts of the world, the size of critical crops in a number of areas and the increase in stockpiling to counter the uncertainty in supply, be it because of speculative motives to invest in food commodities as an asset (e.g. in the case of hedge funds), or because of food security policies (e.g. in the case of many governments). The precise extent of the pass-through of higher food prices in the euro area will depend on the behaviour of producers and retailers, as well as on the strength of consumer demand.

Available leading indicators for non-energy industrial goods inflation, such as developments in producer prices for consumer goods (excluding food and tobacco) and in import prices for consumer goods (again excluding food and tobacco), indicate that domestic pipeline pressures are still moderate and have the potential to grow significantly in the course of 2011. By contrast, external price pressures stemming from global inflation developments and past exchange rate movements have increased. Overall, these indicators, combined with the gradual improvement in domestic demand, suggest that non-energy industrial goods inflation, while projected to remain broadly stable around the current level in the months ahead, is subject to predominantly upside risks.

Finally, services price inflation is expected to increase gradually in the course of 2011, fuelled by strengthening domestic demand. Some upward pressure may be generated by increases in commodity prices, as well as by changes in indirect taxes in some euro area countries.

3.2 INDUSTRIAL PRODUCER PRICES

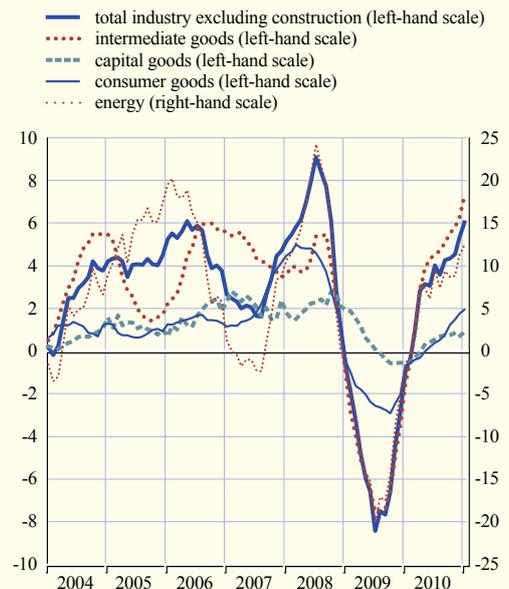
From their trough in the summer of 2009, supply chain pressures increased steadily in the course of 2010 (see Table 7 and Chart 45). In the third quarter the annual rate of change in industrial

producer prices (excluding construction) stood at around 4%, to then increase even further towards the turn of the year. In January 2011 the PPI (excluding construction) stood at 6.1%. The overall index can be broken down into intermediate goods, capital goods, consumer goods and energy. The upward trend in the overall index since the summer of 2009 has been driven predominantly by the energy and intermediate goods components as a result of the increase in the prices of oil and other raw materials since then. Besides rises in the prices of food and agricultural commodities, substantial increases were observed in the prices of industrial raw materials and metals, which, to some extent, reflect a recovery in global demand. In the fourth quarter of 2010 the annual rate of change in the energy and intermediate goods components was about three and four times that of its average since 1991 respectively. The annual rate of change in consumer goods prices has risen steadily since the autumn of 2009, as has that in capital goods prices since the end of 2009. The gradual recovery in the prices of these two components partly reflects higher demand for consumer and capital goods produced in the euro area. Within the consumer goods component, the annual rate of change in non-durable goods prices only turned positive in June 2010 and stood at 2.0% in January 2011, owing to the rise in producer prices for food items on the back of hikes in the prices of food commodities. However, despite the recent strong rises in producer prices for food items, they have been less extreme than those recorded in 2007 and thus still suggest a limited pass-through of the higher food commodity prices. Producer prices for consumer goods, excluding food and tobacco, stabilised in the fourth quarter of 2010, signalling low pipeline pressures for underlying consumer price inflation.

Survey data on production chain pressures continue to signal, for the first two months of the first quarter of 2011, upward price pressures in the manufacturing sector and, to a lesser extent, in the services sector (see Chart 46). With regard to the Purchasing Managers' Index, price data show that input

Chart 45 Breakdown of industrial producer prices

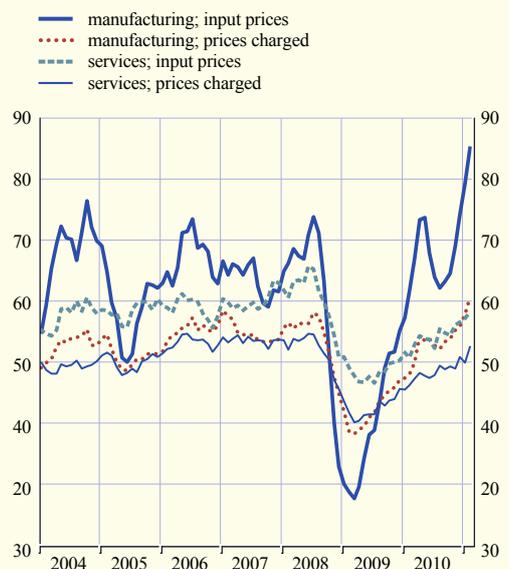
(annual percentage changes; monthly data)



Sources: Eurostat and ECB calculations.
Note: Data refer to the Euro 17.

Chart 46 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.

costs and selling prices edged up further in both sectors in February. In the manufacturing sector, both input costs and selling prices registered their highest historical values since the beginning of the survey (85.3 and 60.8 respectively), reflecting the recent pick-up in the prices of raw materials and metals and the pass-through of these increases to the production chain. Price pressures in the services sector are also increasing, with the input cost index rising to 58.4, from 57.2 in January, and the selling price index edging up to 52.8. This is also an indication that, in the services sector too, increases in input costs are being passed on to consumers.

3.3 LABOUR COST INDICATORS

The declines in labour costs in the euro area appear to have broadly bottomed out in the first half of 2010 (see Chart 47 and Table 8), as euro area labour market conditions have stabilised over recent months.

Overall, labour cost indicators in the third quarter of 2010 remained subdued. Negotiated wages – the only labour cost indicator currently available for the fourth quarter 2010 – increased to 1.6%, from 1.5% in the third quarter. However, this indicator lags behind other labour cost indicators because the average length of contractual wage agreements is about one and a half years. Looking ahead it is likely that the annual rate of growth in negotiated wages will increase moderately. After the modest salary increases agreed in recent years, slightly higher salary increases are anticipated, owing to expectations of a continued economic recovery.

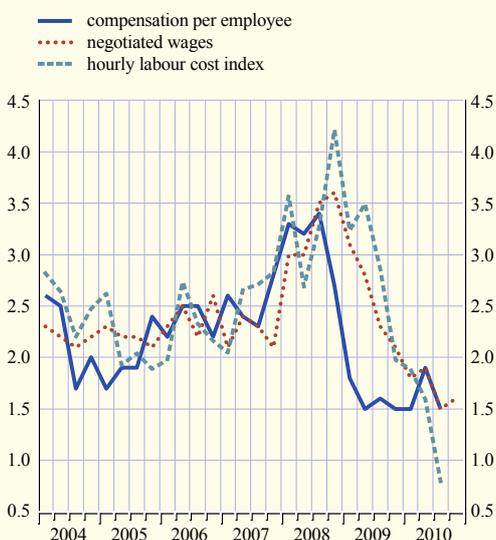
Labour cost developments in the third quarter of 2010 were affected significantly by hours worked, with hours worked per employee rising markedly, owing to improved economic activity. The increase in hours worked per employee led to a decline in the hourly labour cost index (referring to the market

economy only), as employees worked longer hours without it necessarily having an impact on their overall compensation, owing to various schemes, such as flexible time accounts and government-subsidised short-time work schemes, particularly in industry. Against this background, annual hourly labour cost growth in the euro area decreased in the third quarter of 2010 to 0.8%, from 1.6% in the previous quarter, the lowest rate of growth observed since the start of the hourly labour costs series in 2001. At the same time the annual growth rate of compensation per employee decreased to 1.5%, from 1.9% in the second quarter. This deceleration was attributable to a decline in growth in compensation per hour, as well as in growth in hours worked per employee.

Turning to individual sectors, the contraction in hourly labour cost growth in the third quarter of 2010 was broadly based across sectors (see Chart 48), the strongest decline being recorded in the construction sector. In the industrial and market services sectors, hourly

Chart 47 Selected labour cost indicators

(annual percentage changes; quarterly data)



Sources: Eurostat, national data and ECB calculations.
Note: Data refer to the Euro 17.

Table 8 Labour cost indicators

(annual percentage changes, unless otherwise indicated)

	2009	2010	2009 Q4	2010 Q1	2010 Q2	2010 Q3	2010 Q4
Negotiated wages	2.6	1.7	2.1	1.8	1.9	1.5	1.6
Hourly labour cost index	2.9	.	2.0	1.9	1.6	0.8	.
Compensation per employee	1.6	.	1.5	1.5	1.9	1.5	.
<i>Memo items:</i>							
Labour productivity	-2.3	.	0.1	2.1	2.6	2.1	.
Unit labour costs	3.9	.	1.4	-0.5	-0.6	-0.5	.

Sources: Eurostat, national data and ECB calculations.
Note: Data refer to the Euro 17.

labour cost growth also expanded at a slower rate than in the previous quarter. Overall, it would appear that non-wage costs continued to grow at a faster pace than the wages and salaries component of compensation per employee.

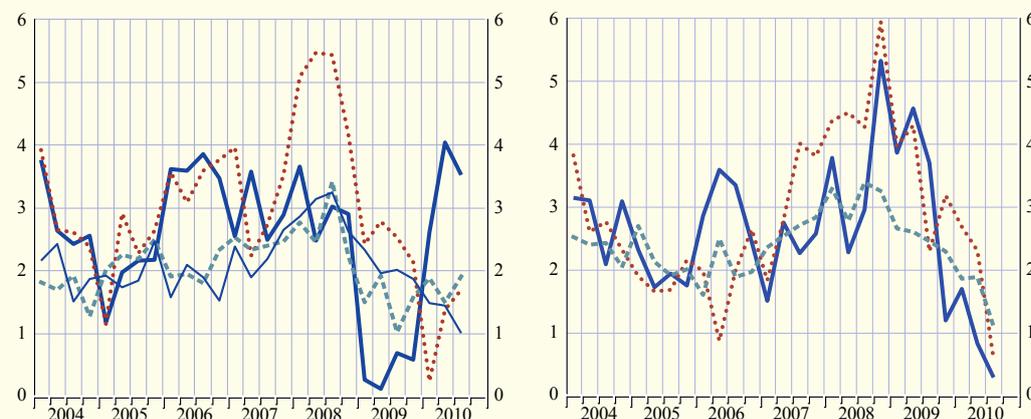
Measured on a per head basis, the annual growth rate of labour productivity decreased in the third quarter of 2010, to stand at 2.1%. The ongoing improvement in euro area productivity reflects the lagged adjustment of employment to output growth developments. The growth rate of labour productivity exceeded that of compensation per employee for the third consecutive quarter. Consequently, the annual rate of change in unit labour costs was negative again in the third quarter (-0.5%). The ongoing decline in unit labour costs should be beneficial for firms' profit margins, which were severely hit by the recession in 2009.

Looking ahead labour productivity is expected to grow further as employment recovers, but at a more modest pace. This, in combination with a gradually increasing rate of growth in compensation

Chart 48 Sectoral labour cost developments

(annual percentage changes; quarterly data)

— industry excluding construction, CPE
... construction, CPE
- - - market services, CPE
— services, CPE
— industry excluding construction, hourly LCI
... construction, hourly LCI
- - - market services, hourly LCI



Sources: Eurostat and ECB calculations.

Notes: Data refer to the Euro 17. CPE stands for "compensation per employee" and LCI stands for "labour cost index".

per employee, should contribute to a moderate rebound in unit labour cost growth for euro area firms. Labour cost pressures are nevertheless likely to remain contained in the medium term in the light of gradual labour market improvements.

3.4 CORPORATE PROFIT DEVELOPMENTS

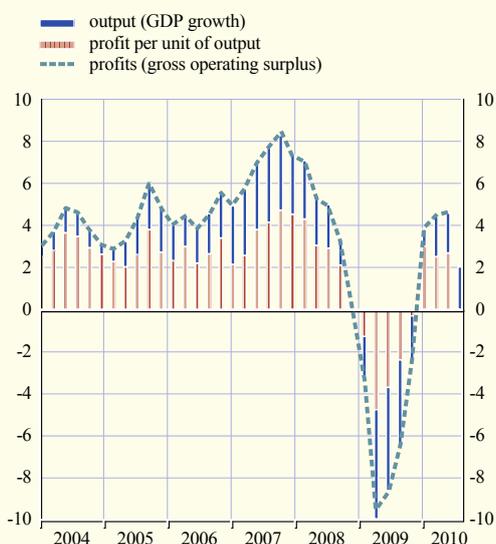
Having posted five consecutive quarters of contraction since the end of 2008 (see Chart 49), corporate profits started to recover from their trough in the first quarter of 2010, owing to an expansion in economic activity (volume) and higher unit profits (margin per unit of output), which benefited from falling unit labour cost growth. In the third quarter of 2010 year-on-year growth in corporate profits stood at 4.6%.

Following the sharp falls recorded in 2009, the level of profits in industry continued to recover in the third quarter of 2010, albeit at a decelerating pace, with a year-on-year increase in excess of 13% (see Chart 50). This indicates that profits in this sector tend to follow a stronger cyclical pattern than that of the economy as a whole. However, despite this increase, the level of profits in industry reached in the third quarter of 2010 is still fairly low and close to the level reached in the middle of 2005. Profits in market services also continued to increase year on year in the third quarter of 2010 (by 2.1%), having contracted for four consecutive quarters in the course of 2009.

Looking beyond the available national accounts data, improving demand conditions and the expected further increase in productivity should continue to foster profits, in a broadly similar manner to that experienced in previous cyclical upswings. However, the outlook for this variable in the short term is still highly uncertain, owing, among other things, to heightened input cost pressures stemming from the hikes in oil and commodity prices.

Chart 49 Breakdown of euro area profit growth into output and profit per unit of output

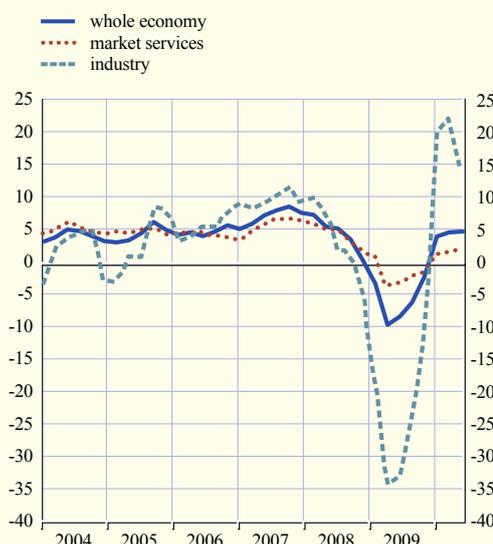
(annual percentage changes; quarterly data)



Sources: Eurostat and ECB calculations.

Chart 50 Euro area profit developments by main branch of activity

(annual percentage changes; quarterly data)



Sources: Eurostat and ECB calculations.

3.5 THE OUTLOOK FOR INFLATION

Inflation rates are expected to stay above 2% for the whole of 2011. Pressure stemming from the sharp increases in energy and food prices is also discernible in the earlier stages of the production process. It is paramount that the rise in HICP inflation does not lead to second-round effects and thereby give rise to broad-based inflationary pressures over the medium term. Inflation expectations over the medium to longer term must remain firmly anchored in line with the Governing Council's aim of maintaining inflation rates below, but close to, 2% over the medium term.

The March 2011 ECB staff macroeconomic projections for the euro area foresee annual HICP inflation in a range between 2.0% and 2.6% in 2011, and between 1.0% and 2.4% in 2012. Compared with the December 2010 Eurosystem staff macroeconomic projections, the ranges for HICP inflation have been shifted upwards. This is mainly due to the considerable rise in energy and food prices. It should be stressed that the projections are based on commodity price futures as of mid-February 2011, and therefore do not take into account the most recent oil price increases. Moreover, it needs to be emphasised that the projections assume continued moderate domestic wage and price-setting behaviour.

Risks to the medium-term outlook for price developments are on the upside. They relate, in particular, to higher than assumed increases in energy and non-energy commodity prices. Furthermore, increases in indirect taxes and administered prices may be greater than currently assumed, owing to the need for fiscal consolidation in the coming years. Finally, risks also relate to stronger than expected domestic price pressure in the context of the ongoing recovery in activity. Price and wage setters' behaviour should not lead to broadly based second-round effects stemming from higher commodity prices.

4 OUTPUT, DEMAND AND THE LABOUR MARKET

Economic activity in the euro area has been expanding since the middle of 2009, most recently with quarter-on-quarter growth rates of 0.3% in the third and fourth quarters of 2010. As a result, GDP grew by 1.7% in 2010 as a whole. Recent data and survey evidence generally continue to confirm the positive underlying momentum of economic activity at the beginning of 2011. Looking forward, euro area exports should continue to be supported by the ongoing recovery at the global level. At the same time, taking into account the relatively high level of euro area business confidence, private sector domestic demand should increasingly contribute to growth, supported by the very accommodative monetary policy stance and the measures adopted to improve the functioning of the financial system. However, the process of balance sheet adjustment in various sectors is expected to dampen the recovery in activity somewhat.

This assessment is also reflected in the March 2011 ECB staff macroeconomic projections for the euro area, according to which annual real GDP growth will range between 1.3% and 2.1% in 2011, and between 0.8% and 2.8% in 2012. In a context of elevated uncertainty, the risks to the economic outlook are broadly balanced.

4.1 REAL GDP AND DEMAND COMPONENTS

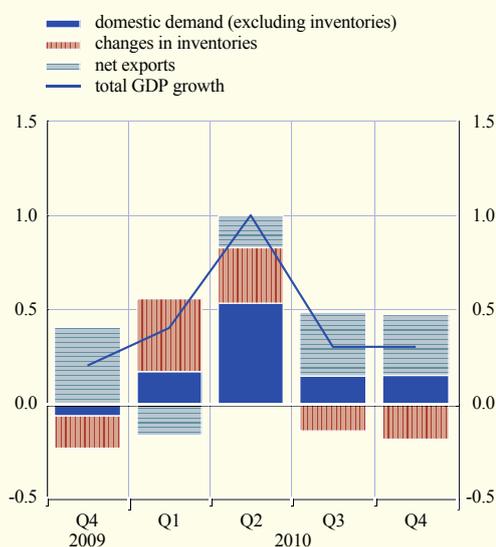
According to Eurostat's second release, euro area real GDP grew by 0.3% on a quarterly basis in the fourth quarter of 2010, the same growth rate as in the previous quarter (see Chart 51). As a result, GDP grew by 1.7% in 2010 as a whole, which was higher than most analysts had forecasted in 2009 (see also Box 6 entitled "Recent revisions to forecasts for activity growth"), with positive contributions from net exports and, to a lesser extent, final domestic demand and inventories. Available indicators suggest that the underlying positive momentum of the recovery remains in place.

PRIVATE CONSUMPTION

While economic activity in the euro area started to recover in the second half of 2009, private consumption has remained subdued since the severe contraction recorded during the trough of the last economic downturn in late 2008 and early 2009. In the fourth quarter of 2010 private consumption increased by 0.4%, quarter on quarter, compared with 0.1% in the third quarter. As a result, consumption has recovered most of the loss of about 1.7% incurred during the recession, a decline which was far less pronounced than the decline in total GDP. In 2010 as a whole, consumption grew by 0.8%. Recent indicators point to a further increase in euro area consumer spending at the beginning of 2011.

Chart 51 Real GDP growth and contributions

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



Sources: Eurostat and ECB calculations.
Note: Data refer to the Euro 17.

Box 6

RECENT REVISIONS TO FORECASTS FOR ACTIVITY GROWTH

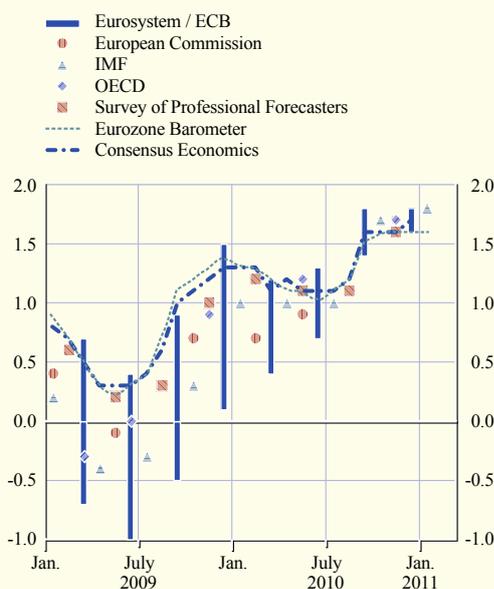
Since the recovery began in the second half of 2009, the pace of growth in activity has been faster than expected, prompting a series of upward revisions to GDP projections. This box looks at changes to external forecasters' and Eurosystem/ECB staff projections since the end of the recession and assesses some of the factors driving the upturn in euro area activity.

Growth is typically difficult to forecast around a turning point and the pick-up in growth since the end of the recession has surprised most forecasters (see Chart A). For example, the average projection for annual GDP growth in 2010 provided to Consensus Economics in June 2009 was 0.3%, while the Eurosystem staff projection was between -1.0% and 0.4%. The latest data from Eurostat puts year-on-year euro area GDP growth at 1.7% in 2010. Activity has been stronger than most forecasters expected in mid-2009 in all the large euro area countries (see Chart B). Forecasts from Consensus Economics in mid-2009 projected muted growth in 2010 in the three largest euro area countries and continuing falls in output in Spain and the Netherlands. The strength of the rebound in growth in Germany has caused particular surprise. By contrast, forecasters' expectations of continuing weakness in the Spanish economy proved to be closer to actual developments.

A major factor behind the swift recovery in euro area growth has been the rapid rebound in world trade, which boosted euro area foreign demand and exports. In mid-2009 the prevailing

Chart A Vintages of projections for annual GDP growth in 2010

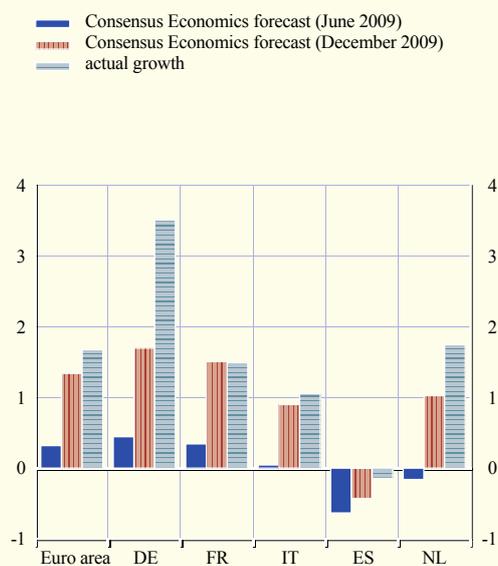
(annual percentage changes)



Sources: Consensus Economics, ECB, Eurozone Barometer, IMF and OECD.

Chart B Projections for annual GDP growth in 2010 in the five largest euro area countries

(annual percentage changes)



Sources: Consensus Economics and Eurostat.

high uncertainty and the ongoing effects of the financial turmoil had been expected to continue to dampen global growth during the early stages of the recovery. Eurosystem staff macroeconomic projections in June 2009 were for modest growth in the euro area's export markets of around 1% in 2010 and export growth of between -2.0% and 1.0% in the same period.¹ However, the rebound in global trade proved to be much more dynamic than anticipated, with particularly strong growth in emerging markets. As global business and consumer confidence recovered and uncertainty diminished, previously postponed investments and purchases were taken up again, firms restored inventories, and trade picked up quickly. That benefited the euro area recovery: in 2010 growth in euro area export markets is estimated to have been around 12%, while euro area exports grew by nearly 11%.² Exports are also likely to have benefited from the depreciation of the euro effective exchange rate during 2010. Overall, net exports made a considerable contribution to GDP growth in 2010 (see Chart C).

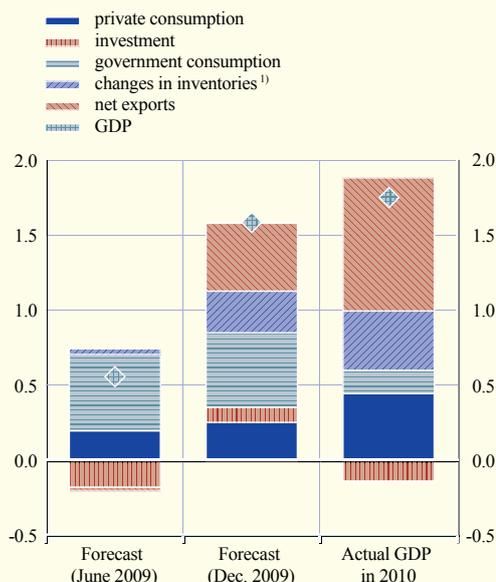
Domestic demand was also stronger in 2010 than had been expected. The uncertainty that prevailed during the depths of the recession receded relatively quickly and confidence picked up, as reflected by a modest increase in household spending and a decline in rates of saving. At the same time, the brighter prospects for domestic and global growth combined with the reduction in uncertainty prompted a sharp turnaround in the inventory cycle, which contributed strongly to growth in the early stages of the recovery.³

Overall, it appears that the series of upward revisions since the end of the recession were required mainly owing to stronger than expected global recovery. Indeed, it seems that a large part of the global downturn in 2008 and 2009 was only temporary, reflecting the strong rise in uncertainty following the sharp increase in tensions in financial markets, which led companies all over the globe to rescale or postpone investment. Projections at the time did not anticipate the temporary nature of part of the adjustment in late 2008 and early 2009 and thus underestimated the strength of the following global upturn in trade.

1 See "Eurosystem staff macroeconomic projections for the euro area", *Monthly Bulletin*, ECB, June 2009.
2 See the box entitled "ECB staff macroeconomic projections for the euro area" in this issue of the *Monthly Bulletin*.
3 See the box entitled "The current euro area recovery across expenditure components from a historical perspective", *Monthly Bulletin*, ECB, February 2011.

Chart C Contributions to euro area GDP growth in 2010 as projected by Consensus Economics

(annual percentage changes; percentage points)



Sources: Consensus Economics and ECB calculations.
Note: Contributions are calculated on the basis of projected annual growth rates for 2010 for components of demand, using current Eurostat figures for 2009 as the starting point.

1) Forecasters provide Consensus Economics with projections for private consumption, investment, government consumption, exports and imports. No projections for changes in inventories are provided. The projection for inventories in this chart is therefore calculated as the sum of the residual of the GDP projection and the contributions of the other components.

Subdued developments in disposable income growth, reflecting stabilising labour market conditions, remain the main factor behind muted consumption growth since the start of the recovery. Even though labour market conditions should gradually improve, the relatively high inflation that is expected (see also Section 3) is likely to dampen real disposable income growth over most of the current year.

Regarding the different components of household income, the contributions from nominal compensation of employees and from gross operating surplus and mixed income to the annual rates of change in gross disposable income continued to increase in the first three quarters of 2010, while net social benefits and contributions had less of an impact on total income (see the box entitled “Integrated euro area accounts for the third quarter of 2010” in the February 2011 issue of the Monthly Bulletin).

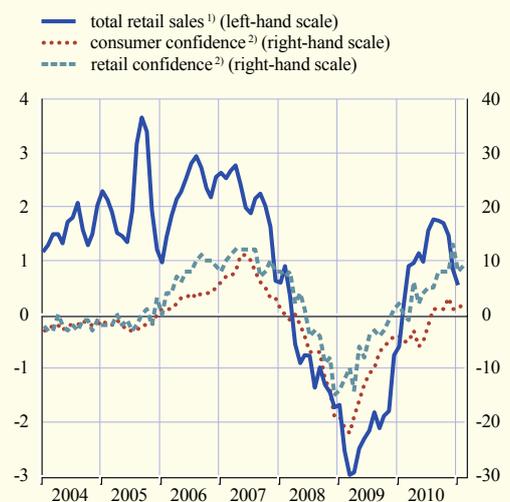
An additional factor behind subdued consumption growth was the strong decline in financial wealth in 2008 and 2009, which had a protracted impact on savings and consumption into 2010. The overall decline in house prices in 2009 also had an adverse effect on consumption developments through its effect on housing wealth. Both financial and housing wealth seem, however, to have positively contributed to households’ net worth in the first three quarters of 2010.

In addition to wealth effects, the availability of credit is an important driver for consumer spending. After a strong decline in lending for house purchase and consumer credit between 2007 and mid-2009, growth in lending for house purchase has increased, while consumer credit growth has remained negative (see Box 4 in this issue of the Monthly Bulletin and the article entitled “Recent developments in loans to the private sector” in the January 2011 issue of the Monthly Bulletin).

Finally, uncertainty regarding the economic situation in general, and employment prospects in particular, has also probably prompted consumers to hold back their spending. This was visible in the European Commission’s consumer confidence indicator, which declined strongly until the beginning of 2009, with an accompanying increase in the savings ratio. However, consumer confidence has been recovering since then, while the savings ratio has declined. The improvement is largely due to expectations of lower unemployment. Consumer confidence stood at a level above its long-term average in January and February 2011. On average over these two months, consumer confidence stood slightly below the level of the fourth quarter of 2010, but remained above that of the third quarter of 2010. Meanwhile, the indicator of major purchases, which shows a comparatively high correlation with euro area

Chart 52 Retail sales and confidence in the retail trade and household sectors

(monthly data)



Sources: European Commission Business and Consumer Surveys and Eurostat.

Notes: Data refer to the Euro 17. From May 2010 onwards, European Commission business survey data refer to the NACE Rev. 2 classification.

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

year-on-year consumption growth, remained unchanged in the first two months of 2011 at a low level, but marginally better than the average of the fourth quarter of 2010.

Regarding the most recent developments in hard data, retail sales decreased by 0.5% on a quarterly basis in the fourth quarter of 2010, after an increase of 0.4% in the third (see Chart 52). Meanwhile, new passenger car registrations rose by 6.5% in the fourth quarter, after falling by 5.0% in the previous quarter. In January 2011 car registrations remained at a similar level to the fourth quarter of 2010. The Purchasing Managers' Index (PMI) for retail sales was above 50 on average in January and February 2011, and also above the average for the fourth quarter of 2010. According to the European Commission surveys, retail confidence over these two months was above its long-term average, but below the level of the fourth quarter. Both indicators point to positive growth in retail sales in the first quarter of 2011.

INVESTMENT

Gross fixed capital formation decreased by 0.6% quarter on quarter in the fourth quarter of 2010, after declining by 0.1% in the third, reflecting a partial retrenchment after the strong outcome in the second quarter. This brought the annual rate of change for 2010 to -0.7%. The quarterly growth rates of total investment have been negative since the second quarter of 2008, with the exception of the second quarter of 2010. The positive rates in that quarter were due to temporary factors.

The full breakdown of capital formation is not yet available. However, on the basis of available country data, non-construction investment, which includes equipment and machinery, as well as means of transport, and which accounts for about half of total investment, accelerated in the fourth quarter, after having slowed in the previous quarter. Since the middle of 2009 the contraction in non-construction investment has been much milder, driven by a strengthening in overall economic activity and less stringent financing conditions; in 2010 non-construction investment actually grew. Industrial production of capital goods, an indicator of future non-construction investment, continued to grow strongly in the fourth quarter of 2010 in quarter-on-quarter terms. Manufacturing confidence was high in the fourth quarter of 2010, according to surveys. In addition, capacity utilisation increased further in January, compared with October (see also Box 8 entitled "Investment outlook in the euro area: an assessment based on survey and capacity utilisation data" in the February 2011 issue of the Monthly Bulletin).

On the other hand, both the residential and non-residential components of construction investment are likely to have fallen. Construction production continued to decline in the fourth quarter of 2010, albeit more slowly than in the third. Building permits also declined in the same period. This decline in activity was partly due to unfavourable weather conditions in some countries and to the persistent weakness of the construction sector in countries which saw substantial increases before the onset of the recent recession. The European Commission surveys and the PMI suggest that activity in the construction sector is still subdued.

As regards the first quarter of 2011, the few early indicators available point to a positive rate of growth of gross capital formation in the euro area. Rising capital utilisation rates should continue to have a positive impact on non-construction investment, as growing demand has to be met by larger production capabilities in some countries and sectors. Improving financial conditions in most countries would also help to sustain productive capital formation.

The positive momentum in activity, indicated by the strong reading in the overall manufacturing PMI and its new orders component in February, as well as by the largely positive developments in

industrial confidence, as measured by European Commission and national surveys, also supports the favourable outlook for non-construction investment in the first quarter of 2011. Hard data on new industrial orders, available up to December 2010, point to an increase in the overall index and a steeper rise for the investment goods sector, and are compatible with these prospects.

Construction investment is expected to grow in early 2011, partly owing to the recovery in building activity in those regions which were likely to have been negatively affected by adverse weather conditions in the last quarter of 2010.

Looking forward over a longer time horizon and excluding short-term volatility, non-construction investment is expected to continue to strengthen in the coming quarters, in line with the general growth in economic activity and as financial conditions gradually get back to normal. Difficult financial conditions in particular were a major cause of the weak pick-up in capital formation in the early phases of the recovery up to the second quarter of 2010. More subdued but nevertheless positive growth is envisaged for construction investment. Specifically, the residential component should be sustained by a recovery in real estate markets. However, there is still a need for further adjustments in the housing markets in some parts of the euro area.

GOVERNMENT CONSUMPTION

Euro area government consumption growth has been moderate in recent quarters, mainly reflecting fiscal consolidation efforts in a number of countries. Nominal government consumption growth declined further and was negative in the fourth quarter of 2010, at -0.5%, quarter on quarter. However, this dynamic is only partially reflected in the profile of real government consumption, given the rather volatile profile observed in the government consumption deflator. Consequently, following positive growth rates in previous quarters, quarter-on-quarter real government consumption growth remained marginally positive in the fourth quarter, at 0.1%.

When assessing the factors behind the evolution of real government consumption, it is worth reviewing its evolution in nominal terms to maintain consistency with the budgetary figures used by governments. Restraint in compensation of government employees – which affects real government consumption through estimated productivity and has a nominal effect through the government consumption deflator – has been a major driving force underlying nominal government consumption. This restraint in compensation, which has a weight of about half of total government consumption, is a result of both wage cuts and employment reductions in some countries. Intermediate government consumption expenditure, which accounts for around a quarter of the total, has also been growing moderately, owing to the consolidation efforts of governments. This contrasts with social transfers in kind, which also account for about a quarter of government consumption and which have been growing more in line with historical averages, reflecting the evolution of items such as health expenditure, which have a somewhat autonomous dynamic. The remaining components of government consumption, such as the consumption of fixed capital, are relatively small and have not shaped the overall profile noticeably over the last year.

Looking ahead, the impetus to domestic demand from government consumption is expected to remain moderate in the coming quarters as a result of further expected fiscal consolidation efforts in a number of euro area countries.

INVENTORIES

In the last quarter of 2008 and the first half of 2009, euro area firms responded to the recession by sharply depleting their inventories. Thereafter, changes in inventories have made, on average,

a small positive contribution to quarter-on-quarter GDP growth. This is in line with the economic recovery and expectations of further rises in demand.

More recently, however, inventories contributed slightly negatively to GDP growth in the second half of 2010. Caution is warranted when interpreting quarterly developments, as inventories are estimated with statistical uncertainty and are prone to revisions. However, anecdotal evidence suggests that the negative contribution of changes in inventories to quarterly GDP growth in the final quarter of 2010 might relate to increased efforts to reduce working capital at the end of the year.

Surveys suggest small movements in inventories in the first quarter of 2011. Firms increased their appraisal of inventories of raw materials purchased in the first two months of 2011 somewhat, compared with the average in the fourth quarter of 2010. Looking ahead, a limited building-up of inventories cannot be ruled out against a backdrop of ongoing improvements in demand conditions and expectations of further price increases.

EXTERNAL TRADE

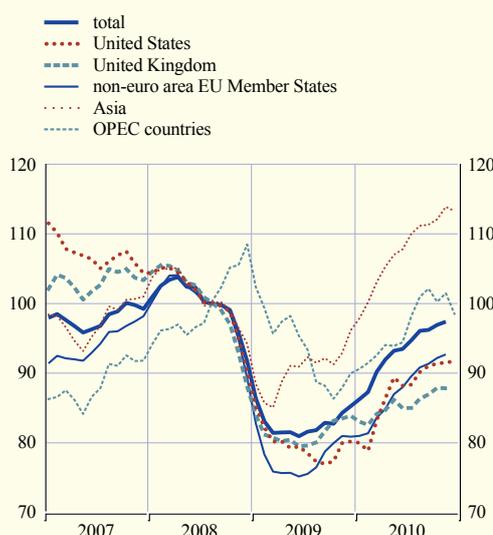
After reaching a peak during the first half of 2010, euro area trade volumes increased further in the third quarter of 2010, albeit at more moderate pace, while there were some signs of stabilisation in the growth rates in the fourth. These trends have been broadly based across all major product categories. In particular, imports and exports of all product categories registered a peak in their growth rates in the second quarter of 2010, followed by a moderation in the third. Data on trade volumes, available up to November, suggest that the growth rates recovered for consumption goods, but continued to slow across the remaining product categories.

Data on trade values available up to December indicate that euro area trade growth rates showed some signs of a slight rebound at the end of the fourth quarter (see Box 7 for a more detailed account of developments in the euro area balance of payments). Overall, the expansion of extra-euro area exports in the final quarter of 2010 was supported by foreign demand, particularly from Asia (mainly China) and some non-euro area EU Member States (see Chart 53). The contribution to this expansion from developed economies, such as the United States and the United Kingdom, remained more limited. At the same time, the growth in euro area imports was mainly linked to the higher level of domestic demand activity and was also in line with recent increases in industrial production.

Against the backdrop of an improvement in global activity, euro area exports are expected to continue to grow in the near term, but at a somewhat faster pace than in the second half of 2010. This is also consistent with available survey-based evidence. The PMI for new export orders in the euro area manufacturing sector

Chart 53 Extra-euro area export volumes to selected trading partners

(indices: Q3 2008 = 100; seasonally adjusted; three-month moving averages)



Sources: Eurostat and ECB calculations.

Notes: The latest observations refer to December 2010, except for the total, the non-euro area EU Member States and the United Kingdom (November 2010). The non-euro area EU Member States aggregate does not include Denmark, Sweden or the United Kingdom.

remained well above the expansion/contraction threshold of 50 in February and has actually been rising since September 2010. As the euro area economy continues to recover, import growth may prove slightly stronger in the following months than in late 2010. Even so, net trade is likely to continue to support euro area GDP growth in the near term.

Box 7

RECENT DEVELOPMENTS IN THE EURO AREA BALANCE OF PAYMENTS

This box analyses developments in the euro area balance of payments in the fourth quarter of 2010 and in 2010 as a whole. Overall in 2010, the current account deficit of the euro area increased slightly, compared with 2009, standing at €56.4 billion (around 0.6% of euro area GDP). In the financial account, net inflows in combined direct and portfolio investment declined markedly, to €111.2 billion in 2010.

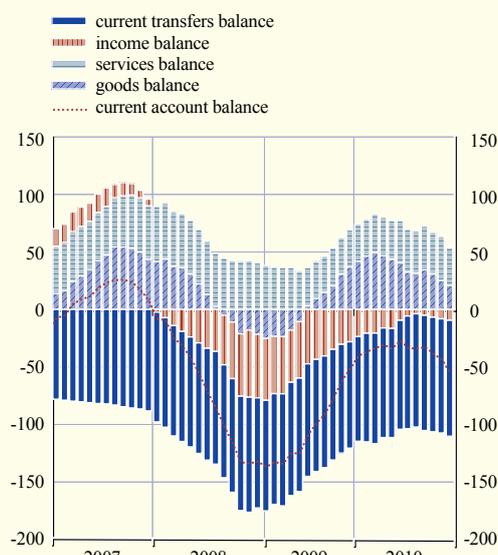
Slight increase in the current account deficit in 2010

According to euro area balance of payments data, growth in extra-euro area trade in goods and services increased in the fourth quarter of 2010. On a quarter-on-quarter basis, the values of exports and imports of goods and services rose by 1.8% and 5.0% respectively, compared with 1.1% and 1.3% in the previous quarter (see the table). Regarding trade in goods, exports and imports also rose at a higher rate in the fourth quarter than in the third. The increase in export growth reflects the rebound in global trade towards the end of 2010 as global growth momentum strengthened again. Even so, the growth in extra-euro area exports was lower than in the first half of the year as global economic activity slowed. The export growth rate for services was negative, standing at -0.9% in the fourth quarter, whereas import values increased by 2.9%. The overall export growth in the fourth quarter can be mainly attributed to developments in volumes, as export prices remained contained. By contrast, the growth in import values was strongly influenced by import prices, which rose by 1.3% in the fourth quarter, owing in particular to the rise in commodity prices.

For the year 2010 as a whole, the current account deficit recorded a slight increase (see the table and Chart A), standing at €56.4 billion (around 0.6% of euro area GDP), up from €51.4 billion in 2009. This is the result of a worsening in the goods and current transfer balances, partly compensated by an improvement in the income balance. In particular, the lower goods surplus was

Chart A Main items of the current account

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



Source: ECB.

Main items of the euro area balance of payments

(seasonally adjusted data, unless otherwise indicated)

	2010		Three-month cumulated figures 2010				12-month cumulated figures	
	Nov.	Dec.	Q1	Q2	Q3	Q4	2009 Q4	2010 Q4
<i>EUR billions</i>								
Current account	-10.5	-13.3	-1.9	-6.7	-14.4	-33.4	-51.4	-56.4
Goods balance	-4.1	0.4	15.3	6.1	5.5	-6.1	37.0	20.8
Exports	136.3	134.5	365.0	388.4	393.7	404.2	1,288.7	1,551.3
Imports	140.4	134.1	349.7	382.3	388.2	410.3	1,251.7	1,530.5
Services balance	4.4	-1.1	8.5	9.9	9.6	4.9	32.2	32.9
Exports	44.9	41.1	121.9	128.6	128.7	127.5	469.1	506.7
Imports	40.5	42.2	113.4	118.7	119.1	122.6	436.9	473.8
Income balance	-4.3	-4.4	2.3	0.4	-1.5	-10.6	-28.0	-9.4
Current transfers balance	-6.5	-8.2	-28.1	-23.1	-27.9	-21.7	-92.6	-100.7
Financial account¹⁾	11.3	9.3	22.1	27.4	-7.9	26.1	31.0	67.8
Combined net direct and portfolio investment	48.9	56.5	-23.7	72.3	-51.4	113.9	190.3	111.2
Net direct investment	23.4	19.0	-40.3	-38.4	-37.4	30.3	-74.5	-85.9
Net portfolio investment	25.6	37.5	16.6	110.7	-13.9	83.7	264.8	197.1
Equities	-9.2	-8.5	-36.0	19.0	40.0	19.2	37.2	42.3
Debt instruments	34.8	46.0	52.7	91.7	-54.0	64.4	227.6	154.8
Bonds and notes	28.1	48.0	23.9	93.6	-99.9	64.1	117.1	81.8
Money market instruments	6.6	-2.0	28.8	-1.9	45.9	0.3	110.6	73.0
Net other investment	-38.2	-48.5	46.5	-47.8	48.2	-82.1	-215.4	-35.2
<i>Percentage changes from previous period</i>								
Goods and services								
Exports	3.6	-3.1	7.8	6.2	1.1	1.8	-15.9	17.1
Imports	3.0	-2.6	6.7	8.2	1.3	5.0	-18.2	18.7
Goods								
Exports	2.1	-1.3	9.4	6.4	1.4	2.7	-18.3	20.4
Imports	3.4	-4.5	7.2	9.3	1.6	5.7	-21.5	22.3
Services								
Exports	8.3	-8.5	3.3	5.4	0.1	-0.9	-8.5	8.0
Imports	1.7	4.2	4.9	4.6	0.4	2.9	-7.1	8.4

Source: ECB.

Note: Figures may not add up, due to rounding.

1) Figures refer to balances (net flows). A positive (negative) sign indicates a net inflow (outflow). Not seasonally adjusted.

partly due to the increase in oil prices seen throughout the year, which contributed to a widening of the oil trade deficit to €169.6 billion in the 12 months to November 2010, well above the level of €132.1 billion registered a year earlier. The deterioration in the current transfers balance reflects a reduction in transfers being paid to the euro area from other governments and non-governmental institutions, as well as higher workers' remittances from the euro area to non-euro area countries. The improvement in the income account balance was the result of a higher level of compensation received by euro area residents from working abroad and lower investment income being paid to non-euro area residents on dividends and interest from their investments in the euro area, thus reflecting the stronger economic developments outside the euro area. Finally, the services surplus remained broadly stable during 2010, while the growth rates of both imports and exports turned positive again following the global economic recovery.

Net inflows resumed in the financial account in the fourth quarter

The financial account balance – in terms of quarterly figures – was broadly stable throughout 2010 with the exception of the third quarter. Specifically, in the fourth quarter of 2010, combined direct and portfolio investment shifted from net outflows to net inflows, which were only partially counterbalanced by net outflows in other investment. A closer look at more detailed investment categories suggests that portfolio investment was the main driver of these developments (see the table).

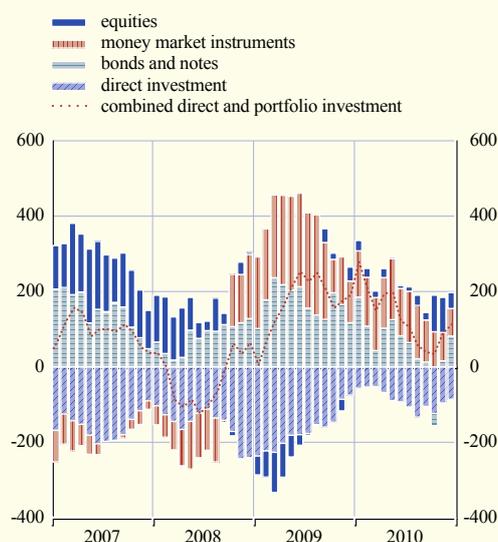
Looking at portfolio investment developments in more detail, the balance shifted from net outflows to net inflows in the fourth quarter of 2010, mainly due to the evolution of bonds and notes. While non-residents had sold euro area bonds in the third quarter of 2010 amid market concerns related to the sustainability of the sovereign debt of some euro area countries,¹ they resumed their purchases in the fourth quarter as tensions eased.

Turning to equity, net inflows declined in the fourth quarter. Overall, in an environment of increasing stock market prices and declining market volatility, cross-border purchases of equity by both euro area residents and non-euro area residents accelerated in the second half of the year, rebounding from the drop observed in first half of the year.

For the year 2010 as a whole, the net inflows in combined direct and portfolio investment declined considerably, standing at €111.2 billion, down from €190.3 billion in 2009. The decrease was mainly due to a significant reduction in portfolio investment inflows, which dropped from €264.8 billion in 2009 to €197.1 billion in 2010 (see the table and Chart B). This reduction was mainly driven by developments in investment in debt instruments. Specifically, non-residents decreased their purchases of euro area debt instruments while, at the same time, euro area residents increased their purchases of debt instruments abroad to a certain extent. As in 2009, the euro area banking sector sold foreign debt securities in 2010. This was probably related to the process of deleveraging by euro area banks. Contrary to the developments in debt instruments, net inflows of equity instruments increased marginally in 2010. As regards other investment, which mainly comprises loans and deposits, net outflows decreased sharply from €215.4 billion in 2009 to €35.2 billion in 2010. This net decrease masks a process of normalisation in the development of other investment in the first half of 2010, as euro area residents resumed investing abroad and non-residents resumed investing in the euro area. However, this process seems to have lost some momentum in the second half of the year.

Chart B Main items of the financial account

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



Source: ECB.

¹ It should be noted that the previous period that registered sales of those securities was the fourth quarter of 2007.

4.2 OUTPUT, SUPPLY AND LABOUR MARKET DEVELOPMENTS

Looking at the production side of national accounts, total value added has recovered overall since the end of the recession, albeit at a slow pace, both by historical standards and when assessed against the backdrop of the large losses during the recent recession. While a strong pick-up in activity was recorded in the industrial sector, the recovery in services value added has hitherto been weak overall and developments in the construction sector have been particularly negative. Focusing on more recent developments, after the strong growth rates recorded in the first half of 2010, value added growth lost momentum in the second, but short-term indicators point to a robust expansion at the beginning of 2011.

Labour market conditions have stabilised in the euro area (see the labour market section below). After a strong deterioration in 2009, both employment growth and the unemployment rate have remained fairly stable since the beginning of 2010.

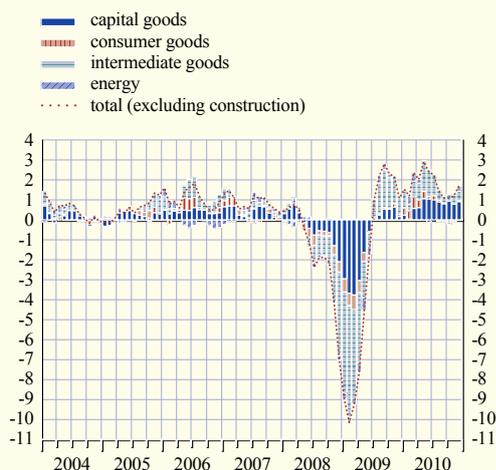
SECTORAL OUTPUT

Total value added grew by 2.5% up to the fourth quarter of 2010 since its trough following the recession in the second quarter of 2009. In other words, over the six quarters since the end of the recession for which data are available, it has recovered some 45% of the losses recorded over the five quarters during the recession. This comparison highlights the modest strength and “U-shaped” pattern of the current recovery in overall economic activity. A breakdown of total value added by economic sector reveals that activity in the industrial sector has recovered strongly (by about 9%) since the end of the recession, although this is not exceptionally strong by historical standards. The strength of growth in industrial value added since the trough also has to be evaluated against the large losses during the recession. At the same time, the improvement in services value added in the current recovery has been weaker than at the same stage during historical euro area recoveries. It has only become stronger since the start of 2010. However, the weakest activity, both across economic sectors and by historical standards, is recorded in the construction sector. Here, value added fell sharply up to the fourth quarter of 2010.

Taking a closer look at recent developments, the recovery in total value added, which had strengthened significantly in the first half of 2010 (with average quarterly growth of 0.7%), slowed in the second half of the year to quarterly value added growth of 0.3% in both the third and fourth quarters of 2010. The weakening in total value added growth from the second to the third quarter of 2010 was, to a large extent, due to a significant slowing in growth in industrial value added, which fell from the very high rate of 2.0% to 0.3%. Production data for the main industrial groupings indicate that the decline in industrial value added growth in the third quarter of 2010 was mainly due to a pronounced weakening in growth in the intermediate goods sector, but growth in capital and consumer goods production also slowed somewhat. The main contributor to the expansion in industrial production in the third quarter of 2010 was the capital goods industry, but intermediate goods production contributed positively as well, albeit at a decelerating pace. Industrial value added increased significantly in the last quarter of 2010, contributing strongly to total value added growth in the quarter. Production data show that the largest contribution to industrial growth in that quarter again came from the capital goods industry, but intermediate goods production and energy production also contributed positively, the latter also being related to the unusually adverse weather conditions in December 2010 (see Chart 54). Given the improvements in industrial activity, capacity utilisation further increased significantly in the three months to January 2011 to a level of 80.0, which is only slightly below its long-term average. Moreover, European Commission survey data indicate that limits to production declined further over this period, but remain somewhat elevated. The decline in limits to production was related to a further

Chart 54 Industrial production growth and contributions

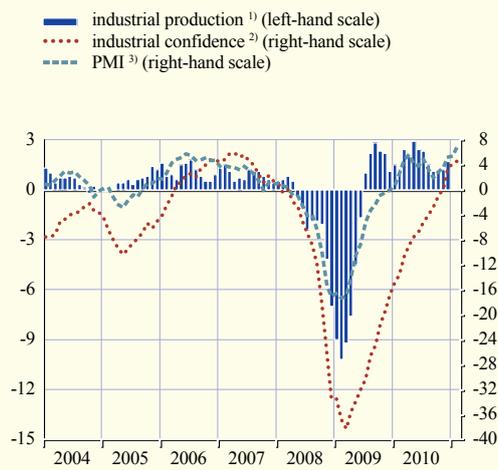
(growth rate and percentage point contributions; monthly data; seasonally adjusted)



Sources: Eurostat and ECB calculations.
Notes: Data refer to the Euro 17. Data shown are calculated as three-month moving averages against the corresponding average three months earlier.

Chart 55 Industrial production, industrial confidence and the PMI

(monthly data; seasonally adjusted)



Sources: Eurostat, European Commission Business and Consumer Surveys, Markit and ECB calculations.
Notes: Data refer to the Euro 17. Survey data refer to manufacturing. From May 2010 onwards, European Commission business survey data refer to the NACE Rev. 2 classification.
1) Three-month-on-three-month percentage changes.
2) Percentage balances.
3) Purchasing Managers' Index; deviations from an index value of 50.

large drop in limits from insufficient demand, while supply-side constraints, most notably from lack of equipment, have increased. Short-term indicators point to strong growth momentum in the industrial sector at the start of 2011. Industrial new orders, which should subsequently appear in production, continued to increase until December, while the manufacturing PMI increased further in January and February to a level close to its record high, as did the European Commission industrial confidence indicator (see Chart 55).

The construction sector also contributed to the weakening in growth in total value added between the second and third quarters of 2010. Following continuous falls since the start of the recent recession, construction value added posted a quarterly increase in the second quarter, which was also related to adverse weather effects at the start of the year. In the third quarter, however, construction activity fell again, making a slightly negative contribution to growth in total value added. The decline in construction value added accelerated in the fourth quarter of 2010. This, too, was related to the unusually cold weather conditions in December 2010, which were also reflected in a particularly sharp fall in construction production in that month. The backlogs of construction work caused by the adverse weather conditions in December, as well as the significant increase in the construction PMI in January, however, point to some improvements in the conditions for construction activity in the first quarter of 2011.

Growth in services value added also slowed somewhat in the third quarter of 2010 relative to the robust rate seen in the second quarter on account of a significant decline in the growth rate in the more cyclical trade and transportation services sector. Moreover, services value added growth slowed significantly further in the last quarter of 2010 as growth in trade and transportation services

value added slowed further, while value added growth also decelerated in the financial and business services sector, as well as in government-related services. Surveys, however, point to a rebound in services value added growth at the beginning of the year.

LABOUR MARKET

Following the pick-up in demand, the euro area labour market showed signs of gradual improvement during 2010, with indicators suggesting further growth in early 2011. A large part of the total labour adjustment during the downturn occurred through a reduction in hours worked per person employed, rather than through headcount employment, as firms hoarded labour in the face of the steep decline in demand. Since the end of the recession, much of the increase in demand has been met by utilising this spare capacity within firms. Consequently, initial indications of improvement in labour markets have been seen in the recovery in hours worked per head, with gradual increases since the second quarter of 2009, while employment growth in terms of numbers employed was more muted. These developments have meant that, despite the pick-up in activity, the unemployment rate was broadly stable over the course of the year and a large amount of slack remained in labour markets.

Specifically, total hours worked in the euro area grew by 0.1% quarter on quarter in the third quarter of 2010, a slightly slower rate of growth than in the second quarter. Total labour input rose in the third quarter in all sectors except the construction sector, reflecting the continued weakness in activity in that sector. Data on hours worked per head show a rise of 0.2% in the third quarter, the sixth consecutive quarterly increase. In line with the picture for value-added growth since the beginning of the recovery, the sharpest increase in hours worked per head was in the industrial sector (excluding construction), with hours per head increasing at an average quarterly rate of 0.9% since the third quarter of 2009. In contrast, increases in hours worked per head have been more subdued in the services and construction sectors.

Employment remained unchanged on a quarterly basis in the third quarter of 2010, following slight increases in the first half of the year. Total services employment growth was 0.2% quarter on quarter in the third quarter of 2010, marginally down on the previous two quarters, while job losses continued in industry (excluding construction) and construction, where employment declined by -0.4% and -1.1% respectively (see Table 9). Looking beyond available official data, surveys

Table 9 Employment growth

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

	Persons					Hours				
	Annual rates		Quarterly rates			Annual rates		Quarterly rates		
	2008	2009	2010 Q1	2010 Q2	2010 Q3	2008	2009	2010 Q1	2010 Q2	2010 Q3
Whole economy	0.8	-1.9	0.0	0.1	0.0	0.6	-3.4	0.1	0.3	0.1
<i>of which:</i>										
Agriculture and fishing	-1.8	-2.2	0.0	-1.1	-0.2	-2.0	-2.6	-1.2	-0.2	-0.7
Industry	-0.7	-5.8	-0.9	-0.3	-0.6	-1.0	-8.7	-0.4	0.4	-0.1
Excluding construction	0.0	-5.4	-0.8	-0.3	-0.4	-0.5	-9.0	-0.1	0.6	0.5
Construction	-2.1	-6.7	-1.0	-0.3	-1.1	-1.8	-8.2	-1.0	0.0	-1.2
Services	1.4	-0.5	0.3	0.3	0.2	1.4	-1.4	0.4	0.3	0.3
Trade and transport	1.2	-1.8	-0.1	-0.1	0.0	0.9	-2.7	0.0	0.0	0.1
Finance and business	2.1	-2.1	0.5	1.0	0.3	2.5	-3.4	0.2	0.9	0.5
Public administration ¹⁾	1.2	1.4	0.5	0.2	0.2	1.4	1.0	0.8	0.2	0.3

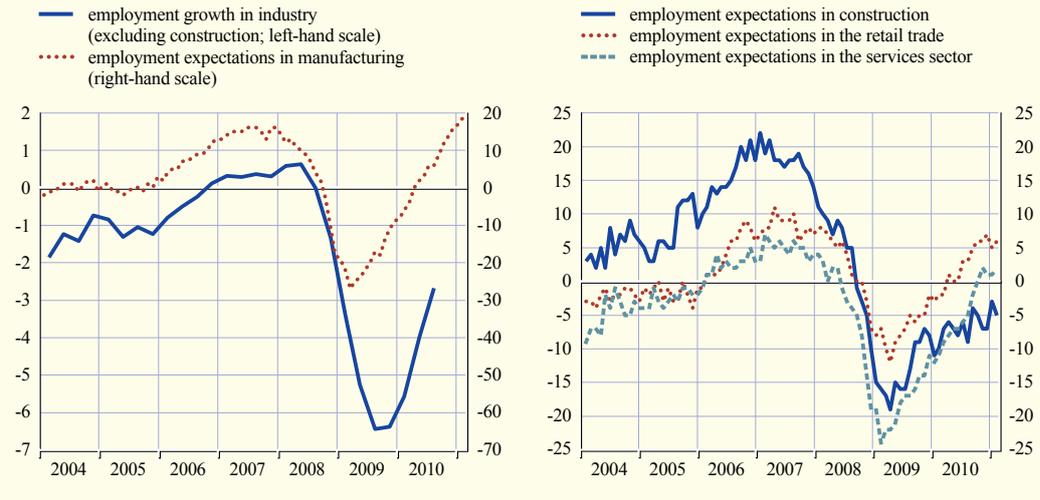
Sources: Eurostat and ECB calculations.

Note: Data refer to the Euro 17.

1) Also includes education, health and other services.

Chart 56 Employment growth and employment expectations

(annual percentage changes; percentage balances; seasonally adjusted)

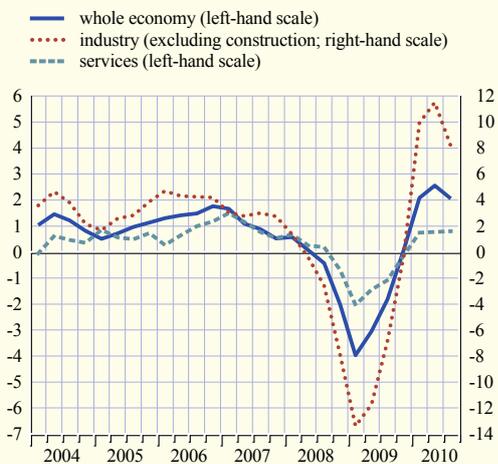


Sources: Eurostat and European Commission Business and Consumer Surveys.
Notes: Data refer to the Euro 17. Percentage balances are mean-adjusted. From May 2010 onwards, European Commission business survey data refer to the NACE Rev. 2 classification.

of employment expectations suggest that employment continued to increase modestly in the final quarter of 2010 and in early 2011 (see Chart 56). The composite euro area PMI for employment was above 50 in February for the tenth consecutive month, while the European Commission’s survey also indicated a positive outlook for employment in the services and industrial sectors.

Chart 57 Labour productivity

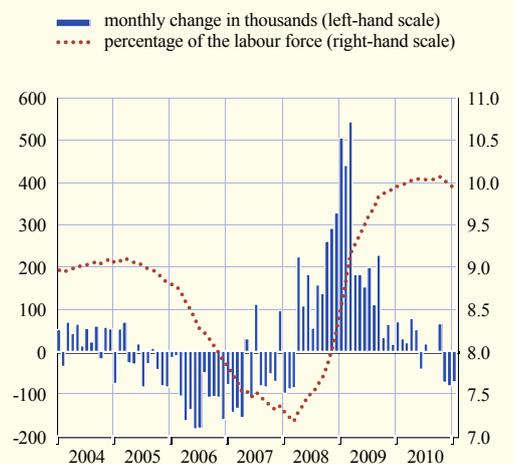
(annual percentage changes)



Sources: Eurostat and ECB calculations.
Note: Data refer to the Euro 17.

Chart 58 Unemployment

(monthly data; seasonally adjusted)



Source: Eurostat.
Note: Data refer to the Euro 17.

The recovery in euro area output growth, combined with the more modest improvements in employment, has brought about increases in productivity since the end of the recession in the second quarter of 2009. However, as employment increases and growth stabilises, productivity growth is expected to slow. Indeed, the latest available data, for the third quarter of 2010, show a moderate decline in productivity growth in year-on-year terms (see Chart 57).

Unemployment rose sharply during the recent recession and for some months afterwards, increasing from 7.2% in March 2008 to 9.9% by November 2009 (see Chart 58). Since then, as activity has recovered, the euro area unemployment rate has been broadly stable, remaining at 10.0% in December 2010, before declining slightly to 9.9% in January 2011. Box 8 presents measures of labour market mobility in the euro area.

Box 8**LABOUR MARKET MOBILITY AND TRANSITIONS IN LABOUR MARKET STATUS IN THE EURO AREA**

One important goal of the Europe 2020 – which is aimed at achieving inclusive growth and strengthening employment – and Lisbon Agenda (2000-2010) strategies is to increase labour market flexibility, including the ease with which individuals can move from inactivity and unemployment into employment. Over the 2000-2009 period, there was an overall increase in labour market participation rates in the euro area of about 4 percentage points, essentially driven by the addition of those individuals recognised as being “marginally attached” to the labour market, such as women and young people. At the same time, the unemployment rate declined over most of this period, suggesting some positive progress in the performance of euro area labour markets.

This box presents information on alternative measures of labour market “flexibility” in euro area countries for the period from 1998 to 2008, based on Eurostat’s Labour Force Survey microdata.^{1,2} To illustrate the ease of transition among the labour market states of employment, unemployment and inactivity, measures of the probability of moving from or remaining in a particular labour market state over any two-year period are constructed, as is an overall summary index of mobility (see Shorrock, 1978).³

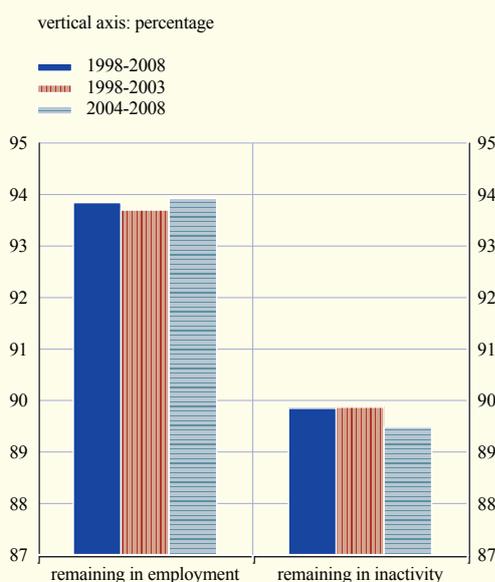
The results denote a high probability of remaining in the same labour market status over a two-year period, with average probabilities of remaining in employment and inactivity of 94% and 90% respectively (see Chart A). The probability of remaining in unemployment between one year and the next is around 61% over the whole sample period from 1998 to 2008. It decreased by around 5 percentage points between the 1998-2003 and 2004-2008 periods, from 62% to 57% (see Chart B), indicating an improvement in labour market flexibility

1 It focuses on the 15 countries belonging to the euro area in 2008 for which there is comparable information over time. Germany, Ireland and Malta are excluded (as data are missing for these countries), as are Spain and the Netherlands (as the information for these countries is only available for more recent waves of data).

2 Individuals’ labour market states are based on the subjective assessment of the respondent’s current and past working status.

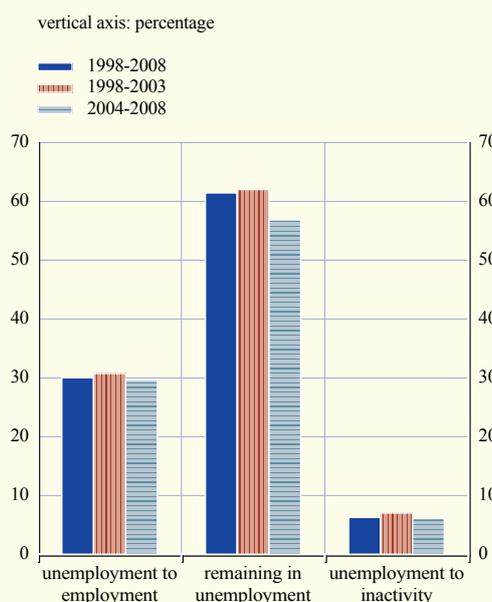
3 The Shorrock index is a summary measure of labour market mobility. It captures the probability of moving across the three labour market states (employment, unemployment and inactivity) between the current and previous period. The index is bounded between zero and one, where a value of zero implies a zero probability of leaving any labour market state (i.e. no mobility) and a value of one implies full mobility. For more details, see Shorrock, A.F., “The measurement of mobility”, *Econometrica*, Vol. 46, 1978, pp. 1013-1024.

Chart A Probability of remaining in employment and inactivity over a two-year period



Sources: LFS microdata and ECB calculations.
 Note: The charts exclude Germany, Ireland, Spain, Malta and the Netherlands. Observations are weighted averages according to the labour force share in each country over the euro area aggregate.

Chart B Probability of transitioning from unemployment to another labour market status over a two-year period



Sources: LFS microdata and ECB calculations.
 Note: The charts exclude Germany, Ireland, Spain, Malta and the Netherlands. Observations are weighted averages according to the labour force share in each country over the euro area aggregate. The bars for those moving from unemployment to inactivity exclude France.

over that time. Yet the probability of an individual remaining in unemployment over a two-year period is still particularly high, compared with the probability of transitioning from employment or inactivity into unemployment (20 times higher). This suggests that the number of people in unemployment is high, relative to the number moving into unemployment every year, with the result that, on average, European individuals tend to remain unemployed for a relatively long time.⁴

Despite the decrease in the probability of remaining unemployed over a two-year period, other labour market transitions have remained roughly constant over the last decade. For example, the transition from unemployment to employment remained at 30%, while the transition from unemployment to inactivity remained at about 6% (see Chart B). Considered together, these results suggest that euro area countries need to do more in their labour market reform efforts, for example through reforms to facilitate the transition from unemployment into work and from inactivity into employment, as well as to reduce flows out of the labour market.

The degree of labour market mobility according to the Shorrocks index (a summary measure of mobility, as defined in footnote 3) varies across euro area countries and groups of workers, indicating that there has been an increase in labour market “flexibility” over the last ten years in a number of countries. Labour markets in Spain, France, Luxembourg and the Netherlands seem to be more flexible on average, displaying mobility indices which are twice as high as those of

⁴ By comparison, an employed person is only around three times as likely as an unemployed person and 13 times as likely as an inactive person to remain employed in the following year.

Belgium, Greece, Italy and Slovenia (see Chart C). Moreover, Chart D shows that, on average over the whole period, labour market mobility is particularly high for people between the ages of 25 and 29, and for those who are highly educated.⁵

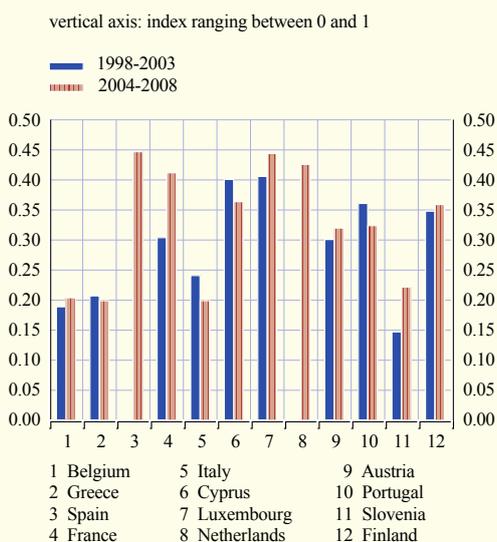
The countries with high mobility are also those with a higher percentage of temporary contracts and part-time work, as well as those with less stringent employment protection legislation. Although there is no clear correspondence between the unemployment rate and mobility, there are no countries with both low mobility and low unemployment rates, suggesting that a certain level of mobility is a necessary – albeit insufficient – condition for low unemployment.

Summing up, the results of this analysis suggest that the observed increase in mobility across labour market statuses is expected, all other things being equal, to (i) increase the efficiency of matching skills with job vacancies by speeding up the pace at which workers can find new jobs, (ii) under the same reasoning, reduce the cost to governments of long-term unemployment and (iii) increase labour market participation, which contributes to the potential output of the euro area over the longer term. Although the persistence of unemployment has fallen, it remains high, highlighting the need for labour market reforms aimed at increasing flexibility in euro area labour markets.

5 Moreover, breaking down this result by sub-period (not reported here) highlights the fact that mobility has generally increased for females, explaining why there are no significant differences in the mobility index by gender on a full-period average.

Chart C Labour market mobility index over time

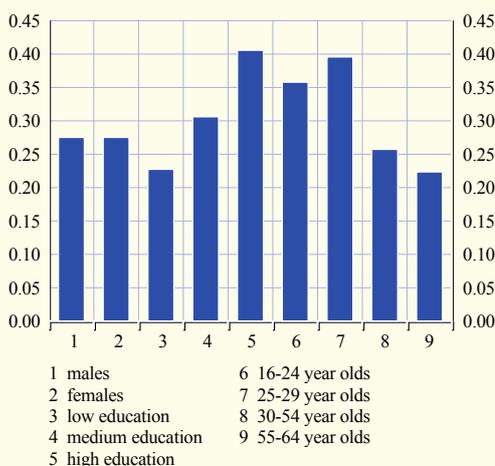
(1998-2003 compared with 2004-2008)



Sources: LFS microdata and ECB calculations.
Note: Measures based on the Shorrocks mobility index (see footnote 3).

Chart D Labour market mobility index by population group

(1998-2008 average)



Sources: LFS microdata and ECB calculations.
Note: Measures based on the Shorrocks mobility index (excluding Germany, Ireland, Spain, Malta and the Netherlands), as defined in footnote 3. The results are a weighted average of country results. Observations are weighted according to the proportion of each sub-category in the respective countries (i.e. males, females, highly educated, etc.) of the euro area as a whole.

4.3 THE OUTLOOK FOR ECONOMIC ACTIVITY

Looking ahead, recent data releases and surveys continue to confirm the positive underlying momentum of economic activity in the euro area. The ongoing recovery in the world economy should continue to support euro area exports. Private sector domestic demand should increasingly contribute to growth, supported by the very accommodative monetary policy stance and the measures adopted to improve the functioning of the financial system. However, the process of balance sheet adjustment in various sectors is expected to dampen the recovery in activity somewhat.

This assessment is also reflected in the March 2011 ECB staff macroeconomic projections for the euro area, according to which annual real GDP growth will range between 1.3% and 2.1% in 2011, and between 0.8% and 2.8% in 2012. Compared with the December 2010 Eurosystem staff macroeconomic projections, the lower ends of these ranges have been shifted upwards, reflecting better prospects for the global economy, as well as for domestic demand (see also Box 9). In a context of elevated uncertainty, the risks to the economic outlook are broadly balanced. On the one hand, global trade may continue to perform more strongly than expected, thereby supporting euro area exports. In addition, strong business confidence could provide more support to domestic economic activity than is currently expected. On the other hand, downside risks relate to the ongoing tensions in some segments of the financial markets and their potential spillover to the euro area real economy. Further downside risks relate to further increases in commodity prices, in particular in view of renewed geopolitical tensions, and to protectionist pressures and the possibility of a disorderly correction of global imbalances.

Box 9

ECB STAFF MACROECONOMIC PROJECTIONS FOR THE EURO AREA

On the basis of the information available up to 18 February 2011, ECB staff have prepared projections for macroeconomic developments in the euro area.¹ Average annual real GDP growth is projected to range between 1.3% and 2.1% in 2011, and between 0.8% and 2.8% in 2012. Inflation is projected to be between 2.0% and 2.6% in 2011, and between 1.0% and 2.4% in 2012.

Technical assumptions about interest rates, exchange rates, commodity prices and fiscal policies

The technical assumptions about interest rates and about both energy and non-energy commodity prices are based on market expectations, with a cut-off date of 10 February 2011.² The assumption about short-term interest rates is of a purely technical nature. Short-term rates are measured by the

1 The ECB staff macroeconomic projections complement the Eurosystem staff macroeconomic projections that are produced jointly by experts from the ECB and from the euro area national central banks on a biannual basis. The techniques used are consistent with those of the Eurosystem staff projections as described in "A guide to Eurosystem staff macroeconomic projection exercises", ECB, June 2001, which is available on the ECB's website. To reflect the uncertainty surrounding the projections, ranges are used to present the results for each variable. The ranges are based on the differences between actual outcomes and previous projections carried out over a number of years. The width of the ranges is twice the average absolute value of these differences. The method used, involving a correction for exceptional events, is documented in "New procedure for constructing Eurosystem and ECB staff projection ranges", ECB, December 2009, also available on the ECB's website.

2 Oil and food price assumptions are based on futures prices up to the end of the projection horizon. For other commodities, prices are assumed to follow futures until the first quarter of 2012 and thereafter to develop in line with global economic activity.

three-month EURIBOR, with market expectations derived from futures rates. This methodology gives an overall average level of short-term interest rates of 1.5% for 2011 and 2.4% for 2012. The technical assumptions for the euro area ten-year nominal government bond yields are also derived from market expectations and imply an average level of 4.5% in 2011 and 4.9% in 2012.³ Regarding financing conditions, the baseline projection assumes that over the projection horizon bank lending rate spreads vis-à-vis short-term interest rates will narrow somewhat. Spreads vis-à-vis long-term rates are assumed to gradually increase, following their marked narrowing recorded in the last quarter of 2010 and will return to their historical average level at the end of the projection horizon. Credit supply conditions are assumed to normalise further but to continue weighing somewhat on activity over the projection horizon. As regards commodity prices, on the basis of the path implied by futures markets in the two-week period ending on the cut-off date, Brent crude oil prices per barrel are assumed to average USD 101.3 in 2011 and USD 102.4 in 2012. The prices of non-energy commodities in US dollars are assumed to increase strongly, rising by 27.5% in 2011 and by 1.0% in 2012.

Bilateral exchange rates are assumed to remain unchanged over the projection horizon at the average levels prevailing in the two-week period ending on the cut-off date. This implies a USD/EUR exchange rate of 1.37 over the whole projection horizon and an effective exchange rate of the euro that, on average, depreciates by 1.1% in 2011 and increases by 0.1% in 2012.

Fiscal policy assumptions are based on individual euro area countries' national budget plans as available on 11 February 2011. They include all policy measures that have already been approved by national parliaments or that have been specified in sufficient detail by governments and are likely to pass the legislative process.

Assumptions with regard to the international environment

The global economy showed some renewed growth momentum at the turn of the year, supported by overall improved global financial conditions. The near-term outlook for economic activity is also supported by the new US fiscal stimulus measures. Nonetheless, the cyclical position remains uneven across countries. In the major advanced economies, the medium-term growth prospects remain rather subdued, particularly in economies where balance sheet repair needs to continue. Moreover, widespread housing market weakness and persistently high unemployment rates are expected to cloud the outlook for private consumption in these economies over the medium term. By contrast, robust growth and increasing inflationary pressures are expected to prevail in some emerging economies. World real GDP outside the euro area is assumed to grow, on average, by 4.7% in 2011 and 4.6% in 2012. Reflecting the significant recovery in global trade, growth in euro area foreign demand is assumed to be 7.9% in 2011 and 7.6% in 2012. These growth rates are somewhat above the average rates recorded in the ten years prior to the financial crisis.

Real GDP growth projections

Euro area real GDP increased by 0.3% in the fourth quarter of 2010, the same rate as in the previous quarter. Looking ahead, the economic recovery is projected to continue, with domestic

³ The technical long-term interest rate assumption for the euro area is calculated up to the cut-off date as the average of the countries' ten-year benchmark bond yields, weighted by annual GDP figures. It is then prolonged over the projection horizon using the profile of the forward path derived from the ECB's euro area yield curve.

Table A Macroeconomic projections for the euro area(average annual percentage changes)^{1), 2)}

	2010	2011	2012
HICP	1.6	2.0 - 2.6	1.0 - 2.4
Real GDP	1.7	1.3 - 2.1	0.8 - 2.8
Private consumption	0.7	0.6 - 1.4	0.4 - 2.2
Government consumption	0.8	-0.3 - 0.5	-0.5 - 0.9
Gross fixed capital formation	-0.8	0.4 - 3.4	0.7 - 5.5
Exports (goods and services)	10.9	4.9 - 9.5	3.0 - 9.2
Imports (goods and services)	9.0	3.5 - 7.7	2.8 - 8.4

1) The projections for real GDP and its components are based on working day-adjusted data. The projections for imports and exports include intra-euro area trade.

2) The data refer to the euro area including Estonia, except for the HICP data in 2010. The average annual percentage change for the HICP in 2011 is based on a euro area composition in 2010 that already includes Estonia.

demand increasingly taking over from exports as the main driver. This rebalancing reflects the effects of past monetary policy moves, as well as the significant efforts made to restore the functioning of the financial system. However, the need for balance sheet repair in various sectors, as well as the fiscal adjustment efforts aimed at restoring confidence in medium-term sustainability assumed in the projections, are anticipated to weigh on the outlook for growth in the euro area. In annual terms, following a growth rate of 1.7% in 2010, real GDP is expected to increase by between 1.3% and 2.1% in 2011, and between 0.8% and 2.8% in 2012. As annual potential growth is projected to be significantly lower than the pre-crisis rates, the output gap is expected to narrow over the projection horizon.

Price and cost projections

According to Eurostat's flash estimate, euro area annual HICP inflation was 2.4% in February 2011. Overall HICP inflation is projected to stay above 2% until the end of 2011, largely owing to recent strong increases in energy and food prices. Thereafter, on the basis of current futures prices for commodities, import price increases are projected to moderate. In contrast, domestic price pressures are expected to intensify somewhat, reflecting the gradual improvement in activity and higher wage growth, leading to a gradual rise in the inflation rate of the HICP excluding food and energy over the projection horizon. Overall, average annual headline inflation is projected to be between 2.0% and 2.6% in 2011, and between 1.0% and 2.4% in 2012. Growth in compensation per employee in the euro area is projected to pick up over the next two years, in line with the gradual improvement in labour market conditions. Nevertheless, real compensation per employee is expected to decline somewhat in 2011, owing to the rise in inflation, and to turn slightly positive in 2012. As productivity growth is projected to moderate over the next two years, unit labour costs, which exhibited a cyclical decline in 2010, are expected to rebound in 2011 and to grow at a faster pace in 2012. This, in turn, is projected to curtail increases in profit margins, which recovered substantially in 2010.

Comparison with the December 2010 projections

Compared with the Eurosystem staff macroeconomic projections published in the December 2010 issue of the Monthly Bulletin, the lower ends of the projection ranges for real GDP growth in 2011 and 2012 have been revised upwards, reflecting stronger global economic growth and a projected increase in euro area exports, as well as a stronger outlook for domestic demand, as indicated by improved confidence. With regard to HICP inflation, the ranges for 2011 and 2012 have been

Table B Comparison with the December 2010 projections

(average annual percentage changes)

	2010	2011	2012
Real GDP – December 2010	1.6 - 1.8	0.7 - 2.1	0.6 - 2.8
Real GDP – March 2011	1.7	1.3 - 2.1	0.8 - 2.8
HICP – December 2010	1.5 - 1.7	1.3 - 2.3	0.7 - 2.3
HICP – March 2011	1.6	2.0 - 2.6	1.0 - 2.4

revised upwards compared with the December 2010 projections, mainly on account of stronger than expected increases in energy and food prices.

Comparison with forecasts by other institutions

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

According to the forecasts currently available from other organisations and institutions, euro area real GDP growth is expected to range between 1.5% and 1.7% in 2011 and between 1.7% and 2.0% in 2012, which is well within the ranges of the ECB staff projections. As regards inflation, available forecasts anticipate average annual HICP inflation to be between 1.3% and 2.2% in 2011. Most of these inflation forecasts are below the range of the ECB staff projections, as the former likely do not yet take into account recent increases in commodity prices. The HICP inflation forecasts for 2012 range between 1.2% and 1.8%, which is within the range of the ECB staff projections.

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

(average annual percentage changes)

	Date of release	GDP growth		HICP inflation	
		2011	2012	2011	2012
OECD	November 2010	1.7	2.0	1.3	1.2
European Commission	February 2011	1.6	1.8	2.2	1.7
IMF	January 2011	1.5	1.7	1.5	1.5
Survey of Professional Forecasters	February 2011	1.6	1.7	1.9	1.8
Consensus Economics Forecasts	February 2011	1.6	1.7	2.0	1.8
ECB staff projections	March 2011	1.3 - 2.1	0.8 - 2.8	2.0 - 2.6	1.0 - 2.4

Sources: European Commission Interim Forecast, February 2011, for 2011 figures and European Economic Forecast – Autumn 2010 for 2012 figures; IMF World Economic Outlook, October 2010, for inflation and World Economic Outlook Update, January 2011, for GDP growth; OECD Economic Outlook, November 2010; Consensus Economics Forecasts; and the ECB's Survey of Professional Forecasters.

Notes: The ECB staff macroeconomic projections and the OECD forecasts both report working day-adjusted annual growth rates, whereas the European Commission and the IMF report annual growth rates that are not adjusted for the number of working days per annum. Other forecasts do not specify whether they report working day-adjusted or non-working day-adjusted data.

5 FISCAL DEVELOPMENTS

One year after the start of the sovereign debt crisis in Greece that subsequently spread to a number of countries, the public finance situation in the euro area as a whole has broadly stabilised, although – as in other regions of the world – it remains precarious. At this stage, it is crucial that governments uphold their commitment to fiscal consolidation, as tensions on government bond markets are still present. It is therefore essential that all euro area countries fully implement their fiscal consolidation plans in 2011. Where current plans are inadequate, additional corrective measures must be detailed and implemented swiftly. Beyond 2011 countries need to specify concrete policy actions in their stability programmes, preferably based on structural expenditure restraint, as well as pension and health care reforms. This should underpin the credibility of their fiscal consolidation targets to ensure a rapid correction of excessive deficits, a return to a close-to-balance or surplus position over the medium term and a sufficiently diminishing debt ratio.

THE FISCAL SITUATION REMAINS PRECARIOUS

One year after tensions started to escalate in sovereign debt markets, the euro area fiscal situation remains precarious. After increasing sharply in 2008 and 2009, the euro area government deficit remained unchanged in 2010 at 6.3% of GDP. At the same time, the euro area government debt ratio remains on an upward trend and is projected to continue to rise, from 84.1% of GDP in 2010 to 86.5% of GDP in 2011 and 87.8% of GDP in 2012 (according to the European Commission's autumn 2010 economic forecast).¹

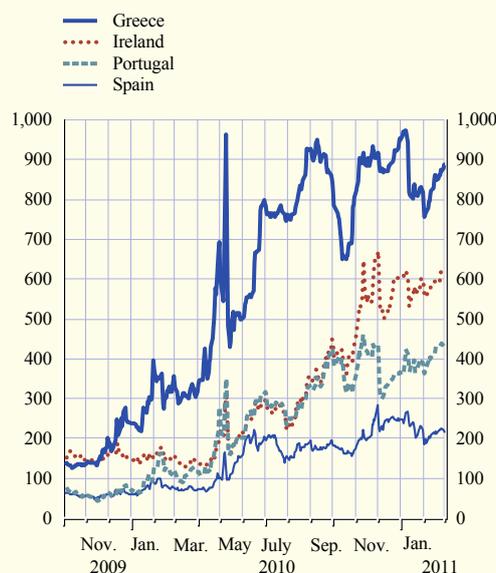
The sustainability of public finances in a number of countries is being questioned, in particular by financial market participants. This reflects large fiscal imbalances, but also the fiscal implications of risks in other areas, notably the stability of the financial sector. Accumulated macroeconomic imbalances and uncertainty over the outlook for GDP growth pose additional risks to the soundness of public finances. In the light of this, market participants continue to demand high interest rate risk premia from countries that are perceived as being particularly vulnerable (see Chart 59). After a sharp peak and subsequent drop after 9 May 2010, sovereign bond spreads for vulnerable countries gradually rose again and have remained, with some volatility, at very high levels, as Chart 59 shows.

FISCAL CONSOLIDATION HAS STARTED

In this uncertain environment, countries are implementing fiscal consolidation plans of varying degrees of ambition. The most recent developments and budgetary plans in the largest, as well as the most vulnerable euro area countries, are presented below.

Chart 59 Spread over German ten-year government bond yield

(daily data; in basis points; 1 October 2009-2 March 2011)



Sources: Bloomberg, Thomson Reuters and ECB calculations. Data: Bond yield spreads vis-à-vis the German ten-year government bond, end-of-day data (last value on 2 March 2011, 17:00 CET).

¹ See the December 2010 issue of the Monthly Bulletin for a detailed presentation.

In Germany, according to the latest official estimates, the government expects the general government deficit to decrease from 3.3% of GDP in 2010 to around 2.5% of GDP in 2011. Therefore, the excessive deficit situation should be corrected as early as this year, i.e. two years in advance of the 2013 deadline set in the excessive deficit procedure (EDP) recommendations. From 2011, the implementation of the new constitutional debt rule imposes the need to gradually reduce the structural deficit to the threshold level of 0.35% of GDP by 2016. The German federal state governments will need to record structurally balanced budgets as of 2020. With a view to achieving the necessary structural adjustment at the federal level, in September 2010 the government decided on a consolidation programme up to 2014, focusing on reductions in current spending. On the revenue side, the package includes new taxes on airline tickets and reactor fuel, which have been introduced in 2011.

In France, the government deficit is estimated to have reached 7.7% of GDP in 2010 according to the latest official data on budget execution presented by the Ministry of Finance. This is more favourable than was expected in the 2010 update of the stability programme, which projected a further increase in the deficit ratio from 7.9% of GDP in 2009 to 8.2% of GDP in 2010. According to the programme, from 2011 the deficit ratio is envisaged to decrease each year, leading to the correction of France's excessive deficit in 2013, in line with the EDP recommendation issued by the ECOFIN Council in 2009. This planned fiscal path has been confirmed in the multi-annual budget plan submitted with the 2011 budget proposal in autumn last year. The ratio of government debt to GDP is projected to continue to rise until 2012, before declining slightly to 86.8% in 2013. According to the government's plans, it is envisaged that the structural consolidation process will start in 2011 and will be mainly based on spending restraint. These planned budgetary improvements are complemented by a comprehensive pension reform, most notably the raising of the minimum retirement age from 60 to 62 and of the legal age for a full pension to 67. To support these consolidation plans, the French government has proposed the implementation of a budget balance rule.

In Italy, the national statistical agency recently estimated that the 2010 government deficit amounted to 4.6% of GDP, lower than the target of 5.0% of GDP set in the 2010 update of the stability programme and agreed under the EDP requirements. In view of the need to reduce the deficit ratio to below 3% of GDP by 2012, a consolidation package for the period 2011-2012 was approved by parliament in August 2010. The entailed fiscal measures mainly affect current expenditure and, according to the government, would improve the budgetary position by around 1.6% of GDP cumulatively over the period 2011-12, resulting in a reduction of the deficit to 3.9% of GDP in 2011 and to 2.7% of GDP in 2012.

For Spain, preliminary estimates suggest that in 2010 the general government deficit stood at 9.2% of GDP, slightly below the target of 9.3% of GDP (following the new government objectives set in May 2010). A much lower than budgeted central government deficit was largely offset by the higher than budgeted deficits of the social security system and regional government sub-sectors. The government is aiming for a general government deficit of 6.0% of GDP in 2011. This includes the remaining impact of the increase in the main rate of VAT from 16% to 18%, and the 5% cut on average in the wages of government employees, which both came into force in mid-2010. In addition to these measures, the deficit reduction is to be achieved via pensions and wage freezes, cuts in government employment and broad-based cuts in managed expenditure. It is planned to further reduce the deficit ratio to 4.4% of GDP in 2012 and 3.0% of GDP in 2013.

In Portugal, according to the latest government projections, the government deficit is expected to decline gradually from 7.3% of GDP in 2010 to 2.0% of GDP in 2013, while government debt is

expected to increase from 82.1% of GDP in 2010 to 86.6% of GDP in 2011. The latest available information indicates that Portugal is likely to have at least met the 7.3% general government deficit target for 2010 that was set in May 2010. As regards fiscal measures, a multi-annual consolidation package was approved by parliament in November 2010. The package includes corrective measures affecting both the revenue and the expenditure sides. According to the government, the package should enable the 2011 deficit target (4.6% of GDP) and a deficit below 3.0% of GDP in 2012 to be reached.

In Greece, a large reduction in the government deficit of around 6% of GDP was achieved in 2010. However, the original deficit target of 8% of GDP under the joint EU/IMF programme is estimated to have been missed by 1½ percentage points. This is mainly the result of the statistical upward revision of the 2009 deficit, which also affected 2010 figures, but is also owing to the large revenue shortfall and fiscal underperformance of local governments and social security funds. For 2011 the Greek government confirmed its commitment to fully make up for the ground lost in the previous year and to achieve the original deficit target of 7.5% of GDP. Looking forward, additional permanent fiscal measures amounting to 8% of GDP, of which 6% still need to be identified, are needed to reduce the government deficit to below 3% by 2014. Since tax increases and across-the-board expenditure cuts were largely exploited in the initial phase of the programme, the remaining measures will need to address deep-rooted structural problems. These include the areas of tax policy and administration, public financial management, loss-making state-owned enterprises, the structure and size of public employment, the public remuneration system, social security and health care systems, and the public investment budget. The government will present its medium-term fiscal strategy by the end of March.

In Ireland, the 2010 fiscal outcome is likely to have been more favourable than the deficit of 32.3% of GDP expected in the European Commission's autumn 2010 forecast (which had been affected upward by capital transfers to the banking sector amounting to about 20% of GDP). In November 2010 Ireland was granted joint EU/IMF financial assistance, conditional on strong fiscal consolidation, financial sector reforms and structural reforms. According to the Council Implementing Decision (2011/77/EU) of 7 December 2010 on granting Union financial assistance to Ireland, the government deficit shall not exceed 10.6% of GDP in 2011, 8.6% of GDP in 2012 and 7.5% of GDP in 2013 in order to place Ireland on track to reduce the government deficit to below 3.0% of GDP by 2015, an extension of the previous 2014 deadline. Policies will need to remain strongly focused on implementing the agreed joint EU/IMF programme.

LENIENT IMPLEMENTATION OF THE STABILITY PACT

With regard to the implementation of the Stability and Growth Pact, there is a risk that the commitments made by countries to fully adhere to the letter and the spirit of the provisions, as proclaimed in May 2010 in the face of strong financial market pressure, may be weakening.² All euro area countries except Estonia and Luxembourg are currently subject to EDPs (as summarised in Table 10), and have been found to have taken effective action within six months of the ECOFIN Council recommendations. However, this was assessed against rather vague policy prescriptions for taking effective action, especially as, in most cases, the required structural effort had been formulated in terms of an annual average over the whole adjustment period instead of for each individual year. This gave countries the scope to backload their adjustment efforts.

² Euro area countries made a strong commitment to fiscal consolidation in the Statement of the Heads of State or Government of the euro area of 7 May 2010. Notably, they committed inter alia to ensure the stability, unity and integrity of the euro area and agreed to take all measures needed to meet their fiscal targets in line with EDP recommendations. In the conclusions of the ECOFIN Council of 9 May 2010, the Member States reaffirmed a strong commitment to ensure fiscal sustainability and to accelerate fiscal consolidation and structural reforms, where warranted.

Table 10 Excessive deficit procedures in the euro area countries

(as a percentage of GDP)

	Budget balance 2010	Start	Deadline	Recommended average structural adjustment per annum
Belgium	-4.8	2010	2012	0.75
Germany	-3.7	2011	2013	≥ 0.5
Estonia	-1.0	-	-	-
Ireland	-32.3	2010	2015	2
Greece	-9.6	2010	2014	≥ 10 overall in 2009-14
Spain	-9.3	2010	2013	>1.5
France	-7.7	2010	2013	>1
Italy	-5.0	2010	2012	≥ 0.5
Cyprus	-5.9	2010	2012	1.5
Luxembourg	-1.8	-	-	-
Malta	-4.2	2010	2011	0.75
Netherlands	-5.8	2011	2013	0.75
Austria	-4.3	2011	2013	0.75
Portugal	-7.3	2010	2013	1.25
Slovenia	-5.8	2010	2013	0.75
Slovakia	-8.2	2010	2013	1
Finland	-3.1	2010	2011	0.5

Sources: European Commission's autumn 2010 economic forecast (column 1) and ECOFIN Council recommendations (columns 2, 3 and 4).

Even under these relatively loose requirements, the finding that effective action has been taken is based on a generous interpretation of structural developments in 2010 and 2011. Effective action was deemed to have been taken in some of the countries where fiscal adjustment was due to start in 2010, even though very little or no consolidation had occurred compared with the average annual effort required. In particular, the French structural deficit increased slightly in 2010 despite an explicit call not to allow a further deterioration. Moreover, in several countries the structural adjustment was minimal, although the macroeconomic environment was more favourable than expected at the time of the Council recommendations. As regards the consolidation plans for 2011, the expected tightening fiscal stance at the euro area level – with the average deficit ratio in the euro area as a whole likely to decline to 4.6% of GDP according to the European Commission's autumn 2010 forecast – mainly reflects measures in the most vulnerable countries, while in many others the plans remain vague. While all the euro area countries subject to EDPs are required to implement consolidation measures in 2011, only some of them have presented their consolidation plans in sufficient detail so far.

Overall, current policies and plans give rise to concern for a number of reasons. First, some countries missed the opportunity to frontload consolidation in 2010, when the macroeconomic environment was more favourable than expected. Second, major increases in the consolidation efforts will be needed to ensure compliance with the Council recommendations until the excessive deficits are corrected. Third, in these times of high uncertainty, governments have yet to demonstrate convincingly the seriousness of their consolidation promises, which require strict compliance with the deadlines and targets set under the EDPs.

AMBITIOUS CONSOLIDATION EFFORTS CAN AND MUST BE SUSTAINED

On account of the still precarious fiscal situation in a number of countries, the commitment to fiscal consolidation needs to be sustained and confirmed in the forthcoming updates of the stability programmes. The scale of the present fiscal challenges requires an ambitious multi-year consolidation effort in most countries, with a strong emphasis on structural expenditure cuts as well as pension and health care reforms. This should be reflected in the stability programme updates

that governments are due to submit by the end of April.³ In particular, countries need to specify concrete policy actions to underpin the credibility of their fiscal consolidation targets to ensure a rapid correction of excessive deficits and a return to a close-to-balance or surplus position over the medium term. Given that countries are still far away from their medium-term fiscal objectives, structural consolidation efforts will need to exceed significantly the benchmark of 0.5% of GDP per annum set in the Stability and Growth Pact. In countries with high government deficit and/or debt ratios, the annual structural adjustment should reach at least 1.0% of GDP to achieve a sufficient decline in the debt ratio and to safeguard fiscal sustainability.

This is all the more necessary in the light of the current severe fiscal imbalances and coming challenges. High and rising sovereign debt ratios make more acute the budgetary risks related to any further bank restructuring and the projected future costs of population ageing, especially given the prospect of a lower trend potential growth rate. A credible and comprehensive reform strategy also helps to sustain market confidence, which could be particularly important in countries with vulnerable fiscal positions and could have a favourable impact on financing conditions in the longer run. In particular, reforms in the pension and health care systems are needed in view of the pending population ageing burden.

Future fiscal challenges require a quick move to primary surpluses of a sufficient size to ensure that the debt ratio is sufficiently declining and approaching the 60% of GDP reference value at an appropriate pace, as required by the Treaty. In this regard, experience in some EU Member States shows that it is indeed possible to achieve and maintain primary surpluses for a relatively long period (see Box 10).

STRENGTHENING THE INSTITUTIONAL FRAMEWORK

In parallel to urgent fiscal action, the discussions on reinforcing the EU economic governance framework that started in spring 2010 are currently going through the legislative process. The European Commission published legislative proposals in late September 2010, and a task force mandated by the European Council under the chairmanship of President Van Rompuy presented recommendations that were endorsed by the European Council in October 2010. The Commission proposals and the task force recommendations include broader and deeper coordination of economic policies, enhanced budgetary surveillance, new surveillance of macroeconomic imbalances, more effective enforcement measures and requirements for national budgetary frameworks. In addition, a more robust framework for crisis management is being developed. While the envisaged progress on the economic governance framework is welcome, the proposals and recommendations in their current form do not constitute the required quantum leap towards deeper economic union commensurate with monetary union. In this respect, the EU legislator and the Member States should take advantage of the ongoing legislative process to reinforce the economic governance framework to the maximum possible under the current Treaties.⁴

3 The timing of the submission of stability programme updates was changed to bring it into alignment with the European Semester introduced in 2011.

4 For details, see the article entitled “The reform of economic governance in the euro area: essential elements” in this issue of the Monthly Bulletin.

Box 10

**GOVERNMENT DEBT DYNAMICS AND PRIMARY BUDGET BALANCE DEVELOPMENTS
IN THE EU MEMBER STATES**

The Treaty on the Functioning of the European Union (Article 126(2) and Protocol No 12) require EU Member States to maintain a ratio of government debt to gross domestic product at market prices below the 60% reference value, unless the debt ratio is sufficiently diminishing and approaching the reference value at a satisfactory pace. As a consequence of the recent financial and economic crisis, government debt ratios have increased rapidly since 2007 in nearly all EU Member States, reaching levels in excess of the 60% reference value in 14 Member States in 2010. According to the European Commission¹, for 13 of these Member States, the government debt ratio is projected to rise further until 2012, albeit at a slower pace that reflects the recovery and some planned fiscal consolidation measures.

The primary budget balance, defined as the budget balance net of interest payments, is a key determinant of government debt dynamics. Stabilising the government debt-to-GDP ratio and subsequently putting it on a declining path towards the reference value requires a sufficiently large primary surplus to be generated over an extended period of time if the interest rate-growth differential is positive, as conventionally assumed.² The expected substantial rise in age-related public expenditure over the coming decades will make this objective challenging, but also increasingly urgent.

To put this challenge into perspective, this box takes a closer look at the historical behaviour of primary budget balances in EU Member States. Many EU Member States have indeed achieved significant primary surpluses over extended periods.³ Several uninterrupted episodes of high annual primary surplus stand out: Finland maintained an average annual primary surplus of 5.7% of GDP over 11 years (1998-2008); Belgium sustained one at 5.4% of GDP over 11 years (1994-2004); the average primary surplus for Denmark was 5.3% of GDP over 26 years (1983-2008) and in Italy it stood at 5.1% of GDP over six years (1995-2000). Overall, ten EU Member States (Belgium, Bulgaria, Denmark, Ireland, Spain, Italy, Luxembourg, Netherlands, Finland and Sweden) recorded uninterrupted episodes of primary surplus for ten or more years, the lowest average annual surplus per episode being 1.6% of GDP. In cumulative terms up to 2009, the primary balance surplus stood at over 50% of GDP in seven EU Member States (Belgium, Bulgaria, Denmark, Ireland, Luxembourg, Netherlands and Finland).

As is the case today, some of these episodes of annual primary surplus were triggered by the need to reduce high government debt burdens in the aftermath of crises. Nevertheless, it is noteworthy that these EU Member States were successful in maintaining high primary surpluses over long periods. This signals that the strong commitment to sound fiscal policies needed to achieve such adjustments rested on broad political support. Moreover, the long duration of such

1 European Commission, "European Economic Forecast – Autumn 2010", *European Economy*, No 7, 2010.

2 For a discussion on measuring fiscal sustainability, as well as an overview of the impact of the financial crisis on the sustainability of euro area public finances, see Chapter 5 in van Riet, A. (ed.), "Euro area fiscal policies and the crisis", *Occasional Paper Series*, No 109, ECB, Frankfurt am Main, 2010.

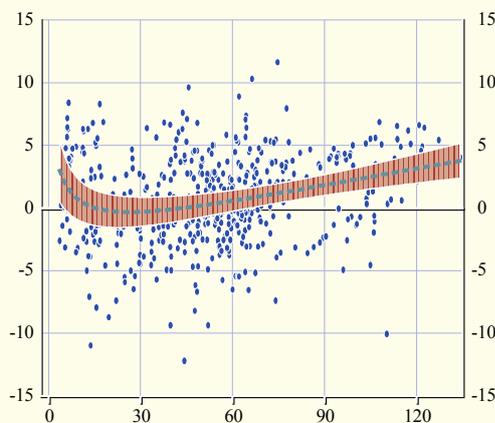
3 Based on consistent time series across countries according to the European Commission's new AMECO definition. The longest available time series is for a period of 40 years, i.e. 1979-2009, in the case of Belgium, the United Kingdom and the Netherlands.

Chart A Primary balances and government debt across EU Member States

(as a percentage of GDP)

x-axis: one-year lagged government debt-to-GDP ratio
y-axis: annual primary balance

● annual primary balances
▨ 95% confidence interval
- - - predicted values

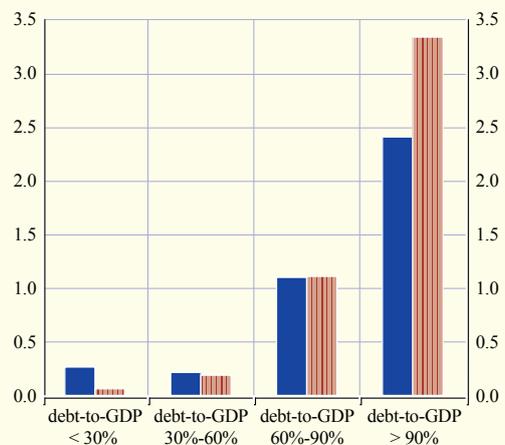


Source: ECB calculations based on the European Commission's AMECO data.

Chart B Annual primary balances by lagged debt ranges across EU Member States

(as a percentage of GDP)

■ mean
▨ median



Source: ECB calculations based on the European Commission's AMECO data.

episodes of primary surplus suggests that they were not the result of unsustainably high GDP growth rates. Indeed, in cyclically-adjusted terms, these episodes were even longer and the efforts made to achieve this were slightly larger (the lowest average annual surplus per episode was 2.1% of GDP).

In the current environment, the extent to which high debt ratios induce governments to adjust primary balances is an important question. The empirical work on the topic⁴ suggests that governments in advanced economies do take the debt solvency constraint into account, albeit to varying degrees. Holding other relevant factors constant, governments tend to improve primary balances in response to rising debt-to-GDP ratios.

For the EU27, historical data for general government up to 2009 show that, above a low debt-to-GDP threshold, higher debt ratios are associated with higher primary surpluses (or lower primary deficits). Chart A shows actual values of the primary balances of EU Member States and fitted values as a function of one-year lagged debt-to-GDP ratios (the regression line is shown with a 95% confidence interval⁵).

4 See Bohn, H., "The Behaviour of US Public Debt and Deficits", *Quarterly Journal of Economics*, Vol. 113(3), pp. 949-963, 1998 and Mendoza, E.G., and Ostry, J.D., "International Evidence on Fiscal Solvency: Is Fiscal Policy "Responsible"?", *Journal of Monetary Economics*, Vol. 55(6), pp. 1081-1093, 2008.

5 The predicted primary balance is fitted using a fractional polynomial regression, which seeks the best-fitting power or combinations of powers from a set of possible choices. Standard errors are clustered by country. See Royston, P. and Altman, D., "Regression using fractional polynomials of continuous covariates: parsimonious parametric modelling", *Applied Statistics*, Vol. 43, pp. 429-467, 1994. Moreover, a regression analysis controlling for other factors driving primary balances across EU Member States (e.g. output gap, lagged expenditure/revenue ratios, nominal GDP growth rate, long-term interest rate, country and/or time-fixed effects) finds a similar reaction function of primary balances to lagged debt.

For this historical sample, the mean annual primary balance across EU Member States is 0.2% of GDP for debt-to-GDP ratios between 30% and 60%, and 2.4% of GDP for debt ratios above 90% of GDP (see Chart B for mean and median annual primary balances across various debt ranges). The much higher median for the high-debt group reflects the impact on the mean of a negative outlier, namely a one-off primary deficit of around 10% of GDP recorded by Greece in 2009. The median primary balance (not influenced by outliers) is 3.3% of GDP for the highest debt group compared with 0.1% of GDP for the lowest debt group.

Looking ahead, given higher government debt ratios and lower potential growth after the crisis, the primary surpluses necessary to stabilise and reduce debt ratios would need to be higher than in the past. Overall, the past experiences of EU Member States suggest that governments should be expected to rise to the challenge of moving to and sustaining high primary surpluses over an extended period, in particular, if the right incentives for fiscal discipline and a strengthened EU budgetary surveillance framework are put in place.

ARTICLE

THE REFORM OF ECONOMIC GOVERNANCE IN THE EURO AREA – ESSENTIAL ELEMENTS



This article presents the key elements required for an enhanced economic governance framework for the euro area to ensure the smooth functioning and stability of Economic and Monetary Union. It highlights the deficiencies in the current framework and provides an overview and assessment of the proposed changes based on the European Commission's package of legislative proposals and the recommendations of the Van Rompuy Task Force.

The following are essential elements of an enhanced economic governance framework: i) more “automaticity” and less room for discretion in the operation of the preventive and corrective arms of the fiscal and macroeconomic surveillance framework; ii) strict deadlines to avoid lengthy procedures, and the elimination of “escape clauses”; iii) the creation of a macroeconomic surveillance framework with a clear focus on euro area countries that are less competitive, have sustained current account deficits or have high levels of public and private debt; iv) the introduction of additional political and reputational measures for compliance with the rules of the governance framework; v) the early and gradual application of financial sanctions under the proposed macroeconomic surveillance framework; vi) more ambitious benchmarks for establishing the existence of an excessive deficit; vii) more ambitious requirements as regards the adjustment path towards a country's medium-term budgetary objective; viii) guaranteed quality and independence of fiscal and economic analysis; ix) a commitment on the part of the euro area countries to swiftly enhance their national budgetary frameworks; x) improvements in the quality of annual and quarterly economic statistics, in terms of both their timeliness and their reliability; and xi) the creation of an effective crisis management framework, with any financial assistance being based on strong conditionality that avoids moral hazard.

I INTRODUCTION

The global financial crisis exposed weaknesses in the economic governance framework of the EU, and of the euro area in particular, and severe shortcomings in its implementation. Some Member States had already accumulated large fiscal imbalances in “good times”. However, the Stability and Growth Pact (SGP) – the fiscal surveillance mechanism in place to safeguard the stability of Europe's Economic and Monetary Union (EMU) – did not provide sufficient incentives for the correction of these fiscal imbalances, particularly after the reform of the SGP in 2005. The financial and economic crisis led to a further deterioration in fiscal positions, owing to the effects on budgets of automatic stabilisers in the tax and benefit systems, the fiscal stimulus packages introduced by governments to counter the economic downturn, and the support provided to the financial sector. Other macroeconomic imbalances and divergences across Member States in terms of competitiveness were also allowed to develop over a number of years and, in the absence of

more far-reaching economic reforms, they have left countries with relatively weak economic growth prospects after the crisis.

These severe fiscal and macroeconomic imbalances led financial markets to question the sustainability of public debt in some euro area countries. Owing to the high level of economic and financial integration in the euro area, risks of adverse spillovers from individual countries to the euro area as a whole emerged. In May 2010 ad hoc measures were thus necessary to assist vulnerable Member States. The European Financial Stability Facility (EFSF) and the European Financial Stabilisation Mechanism (EFSM) were set up. It was also decided to review the economic governance framework of the euro area.

At its meeting in March 2010 the European Council mandated its President, Herman Van Rompuy, to establish, in cooperation with the European Commission, a task force comprising representatives of the Member States, the rotating Council Presidency and the ECB. The Van Rompuy Task Force (VRTF) was asked to draft

proposals to strengthen the EU surveillance framework, in particular budgetary and macroeconomic surveillance, and to establish a crisis management framework.¹ The VRTF report, endorsed by the European Council at its meeting in October 2010, put forward proposals that included broader and deeper coordination of economic policies (see Box 1); enhanced fiscal surveillance and a new framework for the surveillance of macroeconomic imbalances and

competitiveness developments; and a stronger institutional framework. Moreover, the Heads of State or Government agreed in December 2010 on the need to establish a permanent crisis management framework.

¹ The ECB actively contributed to the work of the VRTF. On 15 June 2010 the President of the ECB submitted a note to the President of the European Council entitled “Reinforcing economic governance in the euro area” (see www.ecb.europa.eu/pub/pdf/other/reinforcingeconomicgovernanceintheeuroareaen.pdf).

Box 1

THE EUROPEAN SEMESTER

The European Council agreed on 17 June 2010 to implement one of the recommendations of the Van Rompuy Task Force on economic governance, namely to reinforce the ex ante dimension of economic policy coordination by introducing the “European semester” on 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 will be aligned to ensure consistency, while they will remain legally and procedurally separate.

The European semester starts in January with the publication of a European Commission report, the Annual Growth Survey, which aims to identify the main policy challenges for the EU and the euro area as a whole (see the chart). An annual economic summit of the European Council in

The European semester of policy coordination

	Policy guidance for the EU and euro area as a whole				Country-specific guidance			Second half of the year
	January	February	March	April	May	June	July	
European Commission	Annual Growth Survey					Policy guidance & possible recommendations		
Council of Ministers		} Debate & orientations					Finalisation & adoption of guidance	
European Parliament								
European Council			Annual economic summit				Endorsement of guidance & possible recommendations	
Member States			Fiscal notifications	National reform programmes & stability and convergence programmes				Adoption of next year's budgets
Continuous: surveillance and, if warranted, recommendations under the preventive and corrective arms of the Stability and Growth Pact								

March then provides strategic guidance on policies to be taken into account by Member States in their stability and convergence programmes (SCPs), which are submitted in April. In parallel, and as part of the Europe 2020 strategy¹ to strengthen growth and employment, Member States identify their growth bottlenecks in their national reform programmes (NRPs) and devise an appropriate and detailed reform strategy to foster employment and sustainable, socially inclusive economic growth. Based on the SCPs and the NRPs, the Council issues policy recommendations focused on the following year, ahead of the finalisation of national budgets in the autumn.

In 2012 an enhanced macroeconomic surveillance framework aimed at preventing the emergence of major macroeconomic imbalances and correcting existing imbalances will be implemented. It comprises an alert mechanism based on a scoreboard of a set of macroeconomic indicators and the Commission's report on potential and existing excessive macroeconomic imbalances in the Member States. The results of the scoreboard and the Commission's report will both be published at the same time as the Annual Growth Survey. They will provide an initial indication of the existence or potential risk of macroeconomic imbalances and vulnerabilities in the Member States. If any are identified, the Commission will provide broad-based, in-depth reviews of economic, financial and public finance developments in the Member States concerned. These reviews will be published early in June, together with the Commission's assessments of SCPs and NRPs. On the basis of a Commission recommendation, and in parallel to other policy recommendations in the context of the Europe 2020 strategy, the Council can recommend economic policy measures, specifically aimed at reducing these imbalances and risks, to the countries in question.

Finally, the cycle ends with the publication of the Annual Growth Survey in the following year, in which the Commission assesses the extent to which Member States have taken EU recommendations into account.

¹ The Europe 2020 strategy was adopted by the European Council in June 2010 as a follow-up to the Lisbon strategy for growth and jobs. The strategy aims at promoting sustainable economic growth and delivering high levels of employment, productivity and social cohesion. See http://ec.europa.eu/europe2020/index_en.htm.

In this context, the Commission issued six legislative proposals on 29 September 2010 relating to the reform and enforcement of the budgetary surveillance framework, the establishment and enforcement of a new surveillance framework to identify and correct emerging macroeconomic imbalances, and the harmonisation and strengthening of national budgetary frameworks.² This legislative package is currently being discussed by the Council and the European Parliament, with an agreement expected by June 2011.

Against the background of the proposals made by the VRTF and the legislative proposals of the Commission, this article assesses the proposed changes to the economic governance framework, as well as the potential features of a crisis management framework. Overall, the ECB views the proposals as a step in the right direction of

broadening and strengthening the existing framework for fiscal and macroeconomic surveillance in the EU. However, they are not ambitious enough, particularly regarding the changes needed for the euro area.³ Experience since the global financial crisis erupted leads to the inescapable conclusion that a quantum leap in economic governance is required to appropriately consolidate and reinforce the functioning of EMU.

The high degree of integration among euro area countries clearly justifies deeper economic union. The global financial crisis has shown that unsound economic and budgetary policies pursued by

² The Commission proposals are COM(2010) 522, COM(2010) 523, COM(2010) 524, COM(2010) 525, COM(2010) 526 and COM(2010) 527.

³ This position is reflected in the ECB opinion on the Commission's legislative package published on 17 February 2011 (http://www.ecb.europa.eu/ecb/legal/pdf/en_con_2011_13.pdf).

individual euro area countries, whatever their size, and the resulting negative spillovers, can cause difficulties for other euro area countries and endanger financial stability in the euro area as a whole. Countries must recognise their joint responsibility for stability and prosperity in the euro area, which requires the setting-up of effective institutions and the exercise of peer pressure. Thus, the ECB has urged the EU legislators and the Member States to take the historic opportunity offered by the reform process to fully exploit the current Treaty framework to strengthen euro area economic governance. The ECB has also called for the reversal of those changes to the SGP introduced in 2005 that increased the leeway allowed to Member States in respect of their obligations under the SGP.

The next section of this article takes stock of the present economic governance framework in the euro area and shows why it did not suffice to prevent unsustainable fiscal policies and the emergence of excessive macroeconomic imbalances. The following three sections assess the current reform proposals. Section 3 discusses the proposed reforms to the fiscal surveillance framework, while Section 4 analyses the proposed macroeconomic surveillance framework. Section 5 briefly examines the envisaged crisis management framework, and conclusions are drawn in Section 6.

2 ECONOMIC GOVERNANCE IN THE EURO AREA – WHY A QUANTUM LEAP IS REQUIRED

The Treaty on the Functioning of the European Union (TFEU) specifies a clear division of responsibilities between European and national policy-makers in EMU. Monetary policy is inherently indivisible in a monetary union, and in the euro area it is thus conducted at the supranational level. By contrast, economic policies, such as fiscal and structural policies, have remained largely the competence of national governments and reflect national political preferences. However, for EMU to function properly, a price and financial

stability-oriented monetary policy alone is insufficient. Sustainable fiscal policies, as well as other economic policies to promote financial stability, economic growth and social cohesion across the euro area, are also required.⁴

The TFEU specifies that Member States are required “to conduct their economic policies with a view to contributing to the achievement of the objectives of the Union” (Article 120 of the TFEU). They “shall regard their economic policies as a matter of common concern and shall coordinate them within the Council” (Article 121(1) of the TFEU). This implies that Member States’ economic policies cannot be conducted fully independently, but are subject to common rules and joint scrutiny. EMU requires the transfer of at least some national sovereignty in economic policy-making to the supranational level, particularly in the euro area.

THE LACK OF RIGOROUS IMPLEMENTATION OF THE SGP

With the introduction of EMU, euro area countries agreed to conduct their fiscal policies in accordance with the rules of the TFEU and the SGP. Member States are under an obligation to avoid excessive government deficits (a limit of 3% of GDP is stipulated) and debt (which should not exceed 60% of GDP unless it is diminishing at a satisfactory pace). Additionally, the SGP establishes the details of a multilateral surveillance framework to prevent and, where necessary, correct fiscal policies that do not comply with this obligation. However, in 2005 the Member States agreed on a revision of the SGP, which, among other changes, introduced more discretion and flexibility into the surveillance procedures.⁵ At that time, the ECB expressed serious concerns about the negative effect of these reforms on the functioning of the preventive and corrective arms of the SGP.⁶

⁴ See the article entitled “The economic policy framework in EMU”, *Monthly Bulletin*, ECB, November 2001.

⁵ Morris, R., Ongena, H. and Schuknecht, L., “The reform and implementation of the Stability and Growth Pact”, *Occasional Paper Series*, No 47, ECB, Frankfurt am Main, June 2006.

⁶ See the article entitled “The reform of the Stability and Growth Pact”, *Monthly Bulletin*, ECB, August 2005.

The preventive arm of the SGP is based on regular monitoring of national public finances by the Commission and the Council on the basis of the stability and convergence programmes submitted by Member States on an annual basis. Each Member State is required to pursue its medium-term budgetary objective (MTO).⁷ Member States that have not yet achieved their MTOs should undertake consolidation efforts to do so, and such efforts should be stronger in “good times”, but could be more limited in “bad times”. The purpose of the corrective arm of the SGP is to remedy policies which put fiscal sustainability at risk. When a country fails to comply with its obligations, the excessive deficit procedure (EDP) is triggered. The EDP foresees a series of steps ranging from Council recommendations to financial sanctions for euro area countries.

Some Member States used the years before the crisis, when output growth exceeded its potential level, to achieve sustainable budgetary positions. However, many others did not. According to the opinions issued by the Economic and Financial Affairs (ECOFIN) Council at the beginning of 2008, only eight of the 17 countries currently in the euro area strictly complied with their MTOs in 2007, and several others had backloaded the projected adjustment paths towards their MTOs.⁸ While this issue was raised in the ECOFIN Council’s assessment of the stability and convergence programmes, it did not trigger the use of procedural tools available under the preventive arm of the SGP, such as early warnings or policy advice issued by the European Commission.⁹ In fact, even before the onset of the crisis some countries – both large and small – had recorded excessive deficits in many years after the introduction of the single currency (this was not always evident owing to the misreporting of fiscal data). Moreover, the reduction in interest payments owing to narrowing spreads on government bonds was not consistently used to reduce debt levels.

The failure of the SGP to provide sufficient incentives to use good times to vigorously

pursue sustainable budgetary positions and to impose a swift correction of excessive deficits in all countries can be attributed to several shortcomings. Under the SGP’s preventive arm, a country’s adjustment path towards its MTO and the MTO itself are assessed on the basis of its cyclically adjusted budget balance (net of one-off and temporary measures) which, owing to technical factors, tends to be overestimated in good times. As a result, revenue windfalls allowed government expenditure to grow considerably faster than medium-term potential output in some countries before the crisis. Nevertheless, they were deemed to have complied with the adjustment path towards their MTOs.

In addition, although Article 126(2) of the TFEU assigns equal importance to the deficit and debt criteria, the debt criterion has largely been ignored in the surveillance procedures. The evolution of the debt ratio in some countries before the crisis was influenced substantially by stock-flow adjustments that are overlooked in deficit-based surveillance (see Chart 1). Nevertheless, no action has been taken under the corrective arm of the SGP in response to non-compliance with the debt criterion, in part because quantitative criteria for assessing the pace of debt reduction were lacking.

Another flaw was that stability and convergence programmes were based on national budgets that had already been approved by national parliaments, which hampered the incorporation of policy advice into national budgets. As a

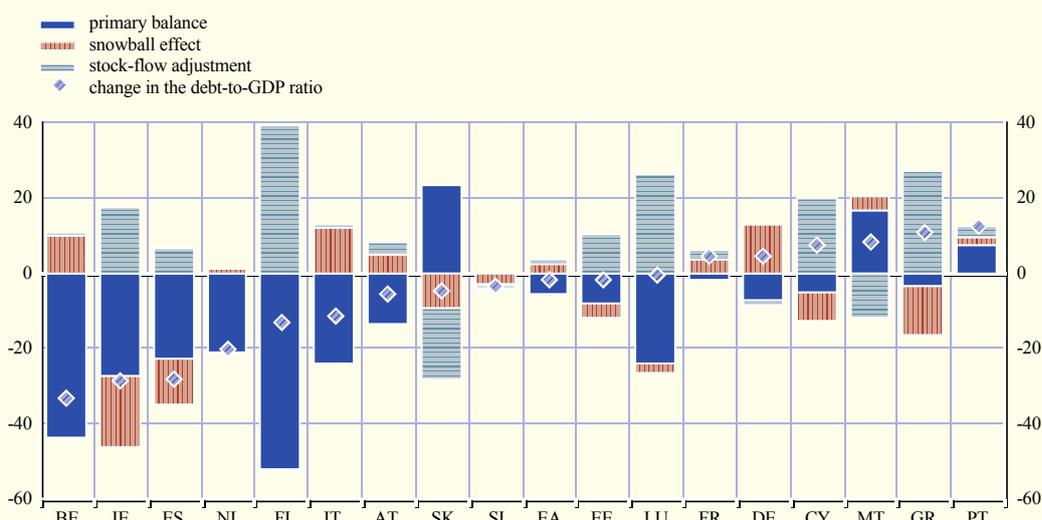
7 The MTO has a threefold aim: i) to preserve a safety margin with respect to the 3% of GDP reference value for the government deficit ratio; ii) to ensure rapid progress towards sustainable public finances and prudent debt levels; and iii) thus to allow room for budgetary manoeuvre, in particular so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

8 Technical issues related to the calculation of structural balances also led to an overestimation of the progress achieved in 2007 towards the MTOs. The historical data reported in the Commission’s 2010 spring forecast revealed that in fact only five of the current euro area countries complied with their MTOs in 2007.

9 In the light of its 2008 spring forecast the Commission issued “economic and budgetary policy advice” only to France at the end of May 2008, since its general government deficit was projected to increase to 2.9% of GDP in 2008 and 3.0% of GDP in 2009.

Chart I Change in government debt ratios 1999-2007 and decomposition

(percentage points of GDP)



Source: European Commission.

Note: Countries are ordered by the change in their debt ratio. For Slovenia and the euro area aggregate, data start in 2001. The “snowball effect” represents the influence of the growth/interest rate differential on the evolution of the debt ratio.

result, the extent to which the fiscal rules of the SGP had been included in national budgetary frameworks differed greatly across countries.

Perhaps most importantly, the provisions of the SGP were only implemented half-heartedly. Peer pressure among the Member States – potentially a strong tool of mutual fiscal surveillance – was weak as countries did not attach sufficient importance to their joint responsibility for the stability of the euro area. The procedural tools for addressing instances of non-compliance lacked automaticity and left a great deal of room for discretion. Both the Commission and the Council were reluctant to use these tools and there was a lack of urgency in the follow-up measures requested from non-compliant countries. Sanctions, in the form of financial penalties imposed in the event of persistent failure to correct an excessive deficit, which were foreseen as the ultimate step in the long course of the EDP, were in fact never applied.

Finally, effective fiscal surveillance requires timely availability of reliable data and the impartial analysis of these data. However,

Eurostat, the Commission’s statistical service, did not have the necessary mandate to acquire reliable and comprehensive national fiscal statistics and to audit national statistical authorities.

THE LACK OF MACROECONOMIC SURVEILLANCE

The economic governance framework was also unable to prevent the emergence of excessive macroeconomic imbalances in the euro area.¹⁰ Some countries experienced significant internal and external economic imbalances, and inflation rates persistently above the euro area average. Increases in labour compensation in some countries, driven in most cases by high public sector wage increases, exceeded productivity gains by a significant margin, leading to increases in unit labour costs in excess of those seen in other euro area countries and the euro area average, and a gradual erosion of competitiveness. At the same time, growth in

¹⁰ However, under Articles 121(2), 121(3) and 121(4) of the TFEU it would have been possible to establish within the preventive arm of the SGP a relatively strong macroeconomic surveillance mechanism.

the unregulated financial sector and unsustainably strong domestic demand growth, coupled in some cases with excessive credit growth and large and sustained increases in real estate prices, resulted in large current account deficits (see Chart 2) and high levels of private and external debt.

Many factors contributed to these developments, including unrealistically optimistic expectations about future income developments and the underestimation of credit risks by financial institutions. However, the key factor was that wage and income policies were not sufficiently geared towards preserving competitiveness in a monetary union (see Chart 3). In addition to deficient fiscal, supervisory and regulatory policies, the necessary structural policies were not implemented. Governments failed to address structural rigidities in the euro area economies – relating inter alia to wage-setting institutions, including wage indexation, as well as labour and product market regulation.¹¹

Excessively high credit growth led to the accumulation of severe financial risks in some countries. The extent of these risks was

uncovered in the context of the global financial crisis when governments intervened in order to stabilise the banking sector in their countries: euro area countries with a highly exposed private financial sector subsequently suffered from particularly severe deteriorations in their public finances. Such instabilities in the financial sector of one country can quickly spill over to other countries, given the euro area's highly integrated financial markets, implying risks to the stability of the euro area as a whole.

The euro area lacks appropriate mechanisms to identify and correct excessive macroeconomic imbalances. The coordination of economic policies in the EU is mainly conducted within the framework of the Broad Economic Policy Guidelines, the Employment Guidelines and the Europe 2020 strategy¹² (formerly the Lisbon

11 Holm-Hadulla, F., Kamath, K., Lamo, A., Pérez, J.J. and Schuknecht, L., "Public wages in the euro area – towards securing stability and competitiveness", *Occasional Paper Series*, No 112, ECB, Frankfurt am Main, June 2010.

12 The Europe 2020 strategy was adopted by the European Council in June 2010 as a follow-up to the Lisbon strategy for growth and jobs. The strategy aims at promoting sustainable economic growth and delivering high levels of employment, productivity and social cohesion. See http://ec.europa.eu/europe2020/index_en.htm.

Chart 2 Current account balances

(percentages of GDP)

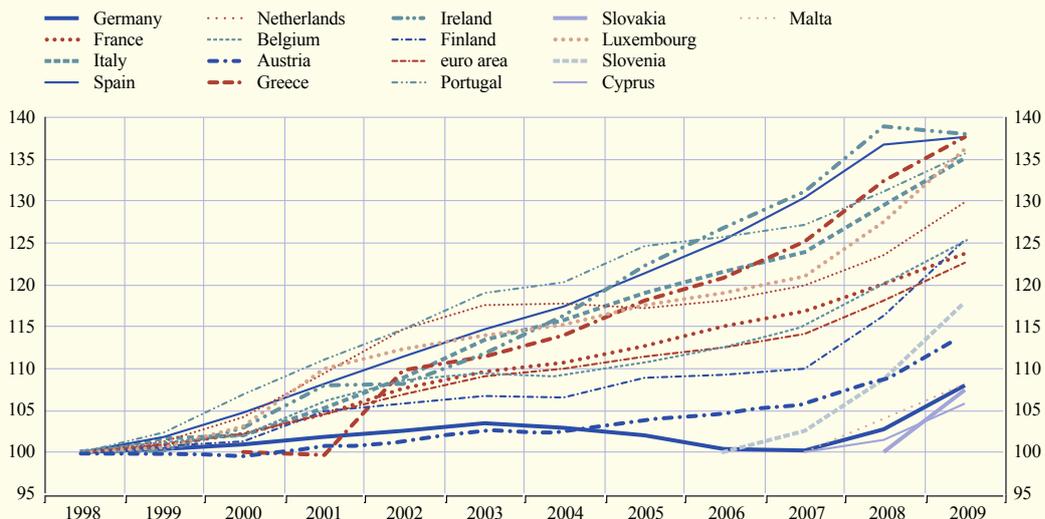


Source: ECB balance of payments statistics.

Note: Countries are ranked in descending order according to their average balance in the period 1999-2008.

Chart 3 Indices of unit labour costs in nominal terms

(indices based on annual data)



Source: Eurostat.

Note: The unit labour cost indices are set to 100 in the last year before the accession of the respective country to the euro area.

strategy), which set out policy recommendations to national policy-makers on macroeconomic, structural and labour market policies. The framework lacks sufficient surveillance instruments to monitor the implementation of policy recommendations, which are not binding and were thus all but ignored by Member States. While macroeconomic imbalances were frequently criticised in Council opinions on stability and convergence programmes, these opinions did not carry enough weight to persuade the Member States concerned to change their economic policies. Most importantly, however, this framework does not sufficiently focus on the risks associated with the build-up of significant macroeconomic imbalances and losses in competitiveness in the euro area and the potential for spillovers to other Member States.

THE LACK OF A CRISIS MANAGEMENT FRAMEWORK

The SGP was designed to safeguard the stability of EMU and effectively prevent a sovereign debt crisis from emerging in the euro area. In the run-up to EMU, hypothetical crisis scenarios for individual euro area countries were developed

and their consequences for public finances were simulated. The simulations showed that, under the assumption that the rules of the SGP were adhered to, only cases of deep recession would significantly weaken the fiscal position of euro area countries and the 3% deficit ceiling would be exceeded in only a very few situations.

Nonetheless, some euro area countries with high public debt levels lost access to market financing following the global financial crisis. On the one hand, none of the crisis scenarios were based on the assumption of a crisis of the magnitude experienced in 2007-08. No one was able to foresee a crisis of this severity and depth. On the other hand, and more importantly, however, many euro area countries did not adhere to the fiscal rules of EMU. The SGP was severely weakened in the 2005 reform and was not properly implemented. Thus, some euro area countries were already in a vulnerable fiscal position before the impact of the economic and financial crisis struck public finances.

In May 2010 the Council introduced support measures for individual, vulnerable euro

area countries on an ad hoc basis, acting in conjunction with the IMF, and subject to strict conditionality and non-concessional terms, with the objective of preserving financial stability and preventing spillovers to other countries. A permanent crisis management framework – designed to safeguard the stability of the euro area as a whole, while very significantly strengthening incentives for sound public finances – would enable such matters to be addressed in a systematic, rule-based manner.

In summary, this section has shown that the euro area requires, first, a stronger commitment on the part of countries to effectively prevent the pursuit of unsustainable fiscal policies and the emergence of other harmful macroeconomic developments. Second, if imbalances in public finances, significant losses in competitiveness or excessive macroeconomic imbalances nonetheless emerge, robust corrective mechanisms must come into force. There must be an appropriate degree of automaticity to ensure that these mechanisms are not open to wide interpretation or to undue political discretion. Third, in the unlikely event that the reinforced preventive and corrective arms of the proposed enhanced framework are unable to prevent a crisis in the future, the euro area would benefit from a well-designed permanent crisis management framework.

3 ENHANCED FISCAL SURVEILLANCE

In the wake of the financial crisis and the turmoil in sovereign debt markets, the European Council has agreed to overhaul the existing budgetary surveillance framework, as described in Section 2. The SGP will be enhanced and its application made more consistent and effective. To achieve this, the European Council has, among other changes, agreed to: i) strengthen the focus on government debt and fiscal sustainability; ii) reinforce compliance; and iii) ensure that national budgetary frameworks respect the European rules.

PROPOSED REFORMS TO THE SGP AND NATIONAL BUDGETARY FRAMEWORKS

In order to strengthen the preventive arm of the SGP, the VRTF has recommended including expenditure developments (net of discretionary revenue changes) in the assessment of countries' compliance with their MTOs, which is based on changes in their structural deficits. According to the Commission's proposals, the growth rate of government expenditure should normally not exceed a prudent medium-term growth rate of GDP, unless matched by discretionary increases in government revenues.

Another new element is the option to issue policy recommendations if a Member State's adjustment path under the preventive arm is considered insufficient. According to the Commission's proposals, a recommendation would be issued if a significant deviation from the adjustment path towards a country's MTO persists or is particularly serious. A significant deviation would be defined as a divergence from the prudent rate of expenditure growth of at least 0.5% of GDP in one year or 0.25% on average over a period of two successive years.

To increase the focus on government debt and fiscal sustainability, in both the preventive and corrective arms, the VRTF has proposed that the debt criterion specified in the TFEU be better reflected in budgetary surveillance. Under the preventive arm of the SGP, Member States faced with a debt level exceeding 60% of GDP, or pronounced risks in terms of overall debt sustainability, would be required to make faster progress on their adjustment path towards their MTOs. Under the corrective arm, Member States with debt ratios in excess of the reference value of 60% of GDP would be subject to an EDP unless their debt was deemed to have declined at a satisfactory pace over a given period.

The Commission has proposed that a numerical benchmark be used to assess whether a country's government debt ratio is declining at a satisfactory pace – namely, in the three years

prior to the assessment the debt ratio should have declined by one-twentieth of the amount by which it differs from the 60% of GDP reference value per year on average (i.e. the government debt of a Member State with a 80% debt ratio would have to decline by 1% of GDP per year on average over three years for the pace of the decline to be considered satisfactory). When assessing the development of the debt ratio, it is proposed that an extensive list of relevant factors be taken into account, including developments in the country's medium-term debt position, as well as risk factors such as the maturity structure and currency denomination of the debt; stock-flow operations; accumulated reserves and other government assets; guarantees, notably linked to the financial sector; liabilities, both explicit and implicit, related to population ageing; and the level of private debt, to the extent that it may represent a contingent implicit liability for the government.

The VRTF has also recommended that compliance with the fiscal rules and recommendations be reinforced by introducing “new reputational and political measures”, including new reporting requirements for Member States; the option for a formal report to be issued by the Council and the Eurogroup to the European Council if a Member State does not implement a recommendation from the Council; and – for euro area countries and those participating in ERM II – on-site monitoring by a mission of the European Commission, in liaison with the ECB. These measures would complement new financial sanctions for euro area countries, such as interest-bearing and non-interest-bearing deposits, in addition to the existing fines. To the extent possible, the financial sanctions would be adopted by the Council via reverse qualified majority voting (see Table 1), thus increasing de facto automaticity in the decision-making process and acting as a “commitment device” for the Council.¹³ The new financial sanctions and non-financial measures would be applied earlier and more gradually than the sanctions under the existing framework, which can be adopted by majority voting only at the end of the EDP.

Finally, the VRTF has recommended that national budgetary frameworks must meet a set of minimum requirements regarding: i) public accounting systems and statistics; ii) numerical rules; iii) forecasting systems; iv) effective medium-term budgetary objectives; and v) adequate coverage of general government finances. The Commission has included these elements in a draft directive on requirements for budgetary frameworks. Over and above these minimum requirements, a set of non-binding additional standards should be agreed upon, covering notably the use of top-down budgetary processes and fiscal rules, as well as the role of public bodies, such as fiscal councils, in providing independent analysis, assessments and forecasts related to domestic fiscal policy matters.

ASSESSMENT OF THE PROPOSED REFORMS

The ECB considers that the recommendations of the VRTF and the proposals of the Commission would broaden and strengthen the EU budgetary surveillance framework. However, they fall short of the effort needed to ensure appropriate fiscal policies in the euro area. The Commission and the Council would still have significant leeway in issuing recommendations and determining the level of sanctions. Excessive discretion could jeopardise the credibility of the proposed enhanced surveillance framework if rules and enforcement measures were not consistently applied. Therefore, more automaticity and less room for discretion are required in order to guarantee predictability, lend credibility to procedures and set the right incentives for governments. To strengthen the framework, the following elements would be necessary.

First, with regard to strengthening the preventive arm of the SGP, sufficient progress towards the medium-term objective should be evaluated on

¹³ The new financial enforcement measures will be introduced on the basis of Article 136 of the TFEU for the euro area countries only, and it is envisaged that they will be complemented by conditionality rules based on compliance with the SGP requirements stipulated in the regulations on EU expenditure which apply to all Member States (except the United Kingdom).

Table I Summary of the proposed revised fiscal surveillance framework

	Key procedural steps	Financial sanctions
Preventive arm	<ol style="list-style-type: none"> 1 Member States submit stability and convergence programmes by April 2 The Council issues opinions on stability and convergence programmes before the end of July and may invite a Member State to adjust its programme 3 In the event of a significant deviation the Commission may issue a warning to a Member State 4 The Council issues a recommendation to the Member State to take effective action 5 The Member State reports to the Council on the action taken 6 If the action is considered insufficient, the Council issues a recommendation to the Member State 	Interest-bearing deposit (0.2% of GDP) imposed by reverse qualified majority vote (proposed new sanction)
Corrective arm	<ol style="list-style-type: none"> 1 The Commission prepares a report on any Member State exceeding the reference value for debt and/or deficit, taking account of relevant factors 2 The Council declares the existence of an excessive deficit and issues recommendations to the Member State 3 Report on the effective action taken by the Member State concerned 4 The Council assesses the effective action taken 5 If the action is considered sufficient, the EDP is held in abeyance or the deadline is extended in the case of unexpected adverse economic events 6 If the action is considered insufficient, the Council issues a decision on the lack of effective action 7 The Council gives notice to the Member State to take measures to correct the excessive deficit 8 The Member State may be subject to additional reporting and surveillance 9 Report on the effective action taken by the Member State concerned 10 If the action is considered sufficient, the EDP is held in abeyance or the deadline is extended in the case of unexpected adverse economic events 11 If the action is considered insufficient, the Council can apply or intensify measures as long as the Member State fails to comply with the recommendation. Such measures include a requirement to publish additional information, an invitation to the European Investment Bank to reconsider its lending policy towards the Member State concerned or the imposition of a fine 	<p>Non-interest-bearing deposit (0.2% of GDP) imposed by reverse qualified majority vote (proposed new sanction)</p> <p>Fine (0.2% of GDP) imposed by reverse qualified majority vote (proposed new sanction)</p> <p>Fine (maximum of 0.5% of GDP) imposed by majority vote. This sanction is already an option under the existing framework</p>

the basis of an overall assessment using the structural balance as a reference, including an analysis of expenditure net of discretionary revenue measures.¹⁴ This analysis should take into account the impact of the structure of economic growth on revenue growth in order to include revenue windfalls in the analysis. Member States with a debt ratio above 60% of

GDP should make more significant progress towards their MTO than the minimum requirement.

¹⁴ The growth rate of government expenditure should normally not exceed a projected reference medium-term growth rate of potential GDP, which should be calculated according to the common methodology used by the Commission.

Second, with regard to the proposed benchmark for assessing the pace of debt reduction, the Commission proposal must be seen as the absolute minimum, as it may not constitute a sufficient incentive for fast debt reduction for countries with high debt and relatively robust nominal GDP growth. The recent crisis has shown that high levels of debt can become untenable within a short time span. Moreover, while some discretion in the assessment of a country's debt ratio is inevitable, since the evolution of debt is dependent on numerous factors over and above the budgetary policy pursued by the government, taking too lenient a view of such relevant factors, in particular mitigating ones, would undermine the agreement to adhere to a strict interpretation of the Treaty obligation to respect the reference value for government debt. With regard to the assessment of compliance with the debt criterion, relevant factors should only be considered when the government debt ratio will decline over a three-year horizon according to the Commission's forecasts.

Third, irrespective of whether the debt ratio is above or below the 60% of GDP reference value, when assessing whether the deficit is excessive, the relevant factors should only be taken into consideration if the deficit ratio, before taking into account such factors, is close to the 3% of GDP reference value and the excess over the reference value is temporary, in line with the current rules.

Fourth, the proposals for the introduction of new and graduated incentives and sanctions are a step in the right direction towards a rule-based quasi-automatic enforcement regime. A gradual build-up of pressure, starting well before a Member State is at risk of facing an unsustainable fiscal position, should make their application more credible. However, the Commission's proposals allow a lot of discretion in the application of the new sanctions, and this could be used to undermine their envisaged quasi-automatic application. The VRTF proposal is even weaker in this regard.¹⁵ There should be no provisions enabling the Commission to propose to the Council that

financial sanctions be waived or reduced in exceptional economic circumstances or following a request by the Member State concerned.

Fifth, general exemption clauses, which are proposed under the preventive and corrective arms of the SGP, should not be implemented. The application of the SGP in past years lacked the discipline needed to achieve sustainable fiscal positions before the crisis. There was no lack of flexibility to respond to adverse economic circumstances. There is no need to include numerous provisions to allow procedures to be suspended or deadlines to be extended without limitation on broadly defined grounds.

Sixth, to give concrete meaning to the Treaty obligation to ensure that national budgetary procedures are in line with the objectives of the EU fiscal framework, Member States should enshrine these objectives in national law. Experience shows that independent forecasts help to prevent an optimistic bias in fiscal plans, and effective enforcement at the national level plays a key role in achieving sustainable fiscal policies. Member States should therefore provide a comparison between their forecasts and those of the Commission in their stability and convergence programmes. Such independent domestic fiscal surveillance could also strengthen the role of national parliaments in ensuring sound policies. For euro area countries, independent budget offices or fiscal monitoring institutions, such as fiscal councils, should be included in the minimum requirements for national budgetary frameworks.

Seventh, to underpin the reliability of a more rule-based framework, the independence and accountability of the underlying analysis has to be reinforced. It is important that the Commission services conducting macroeconomic and budgetary surveillance for the euro area have

15 The VRTF report further weakens the Commission's proposed sanctions regime by stipulating that Council decisions on the new enforcement measures should be based on Commission recommendations instead of proposals, which require only a qualified majority of the Council instead of unanimity to overturn them.

the same independence as the Commission's competition services. This is necessary because the Commission's proposals to reduce the discretion available to the Council, although not as ambitious as they could be, put greater pressure on the Commission to live up to its pivotal role in proposing policy recommendations and sanctions. The Commission's intention to clearly distinguish the analysis and assessment carried out under the authority of the Commissioner for Economic and Monetary Affairs from decision-making by the full College of Commissioners regarding policy proposals to be submitted to the Council is therefore welcome, but should go further.

In addition, in order to ensure that economic and fiscal surveillance is conducted in an objective and independent manner, an independent advisory body made up of "wise persons" of recognised competence in economic and fiscal

matters should be established at EU level. Its task would be to publish an independent annual report on the compliance of the Commission and the Council with their obligations under Articles 121 and 126 of the TFEU and under the procedures presented in the Commission proposals. This body should also provide analysis on specific economic or budgetary issues on its own initiative or following a request by one of the European institutions to which it reports.

Eighth, to ensure the accuracy and timeliness of the data underlying the analysis, the European Statistics Code of Practice should be enshrined in a regulation, and weaknesses in data collection and reporting should be addressed immediately. To allow the Commission more time to assess reported fiscal statistics, the reporting deadlines for both annual and quarterly statistics should be brought forward (see Box 2).

Box 2

STATISTICAL GOVERNANCE FRAMEWORK

As highlighted recently in the conclusions of the November 2010 ECOFIN Council,¹ it is essential that the statistical indicators and underlying data used for the economic governance framework be firmly based on sound statistical methodologies and compiled in accordance with the principles laid out in the European Statistics Code of Practice (hereinafter referred to as the Code of Practice) and that the European Statistical System (ESS)² be involved in discussions concerning statistical aspects of the indicators.

Several steps have been taken to strengthen the overall governance of European statistics compiled by the ESS as a follow-up to the misreporting of Greek government deficit and debt data in 2004 and the subsequent call by the ECOFIN Council in November 2005 for the establishment of minimum standards to safeguard the independence, integrity and accountability of national statistical authorities.³ Listed in the chronological order of their creation, the following three important elements have been introduced: i) the Code of Practice; ii) the European Statistical Governance Advisory Board (ESGAB); and iii) amendments to the legislation governing the collection, production and dissemination of European statistics by the ESS.

1 See the ECOFIN Council Conclusions on EU Statistics of 17 November 2010, available at http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ecofin/117762.pdf.

2 The ESS comprises the national statistical institutes of the EU Member States and Eurostat as laid down in Regulation (EC) No 23/2009 of the European Parliament and of the Council on European statistics. A number of measures have been taken that directly address methodological flaws in the compilation of excessive deficit procedure statistics.

3 See the ECOFIN Council Conclusions on EU Statistics of 8 November 2005, available at http://www.consilium.europa.eu/uedocs/cms_data/docs/pressdata/en/ecofin/86877.pdf.



The Code of Practice was adopted in February 2005 by the Statistical Programme Committee⁴ and presented by the Commission to the Member States in May 2005.⁵ The Code has a dual purpose: i) to improve trust and confidence in statistical authorities by proposing certain institutional and organisational arrangements, and ii) to reinforce the quality of the statistics they produce. The Code of Practice contains 15 principles relating to the institutional environment of the ESS, its statistical processes and its statistical output, and aims to provide a general framework for enhancing the quality of European statistics. The principles go further than the statistical principles enshrined in the TFEU and are based on international and European quality standards, guidelines and good practice.⁶

The second initiative was the establishment of the ESGAB by the European Parliament and the Council in March 2008.⁷ As early as November 2005 the Council had concluded that a new high-level advisory body would have enhanced the independence, integrity and accountability of the Commission (Eurostat) and of the ESS in the context of the peer review assessment that was conducted when the Code of Practice was implemented. The ESGAB is composed of independent statistical experts appointed on the basis of their competence for a limited period of time. Its mandate is to provide an independent overview of the ESS as regards the implementation of the Code of Practice. It can also advise the Commission (Eurostat) on i) appropriate measures to facilitate the implementation of the Code of Practice in the ESS as a whole; ii) on how to communicate the Code of Practice to users and data providers; iii) on the updating of the Code of Practice; and iv) on questions related to user confidence in European statistics. It reports once a year to the European Parliament and to the Council and is assisted by an independent secretariat provided by the Commission.

The third step, which was taken in 2009, was the updating of the legal basis for the collection, production and dissemination of European statistics compiled by the ESS. This was achieved through the adoption of a revised Regulation on European statistics.⁸ This new legal framework represents a major step forward as it designates Eurostat as the “Community statistical authority [...] to develop, produce and disseminate European statistics”. It also enshrines the statistical principles of the Code of Practice.

Looking ahead, several other steps can be envisaged to further strengthen the foundations of the ESS. Ultimately, the ESS may be transformed into a European system of statistical institutes including a European statistical institution. This would be an independent body similar to the ESCB. However, such a comprehensive solution (in particular the creation of an independent European statistical institution) would require a Treaty change. Nevertheless, it may serve as a benchmark against which other measures to enhance the effectiveness of the ESS can be assessed.

4 The Statistical Programme Committee was the predecessor of the current ESS Committee.

5 See Recommendation of the Commission on the independence, integrity and accountability of the national and Community statistical authorities, COM(2005) 217 final, European Commission, available at <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=CELEX:52005PC0217:EN:NOT>. Under Article 288 of the TFEU, recommendations and opinions have no binding force, so Member States are not bound to adhere to the Code of Practice.

6 Article 338(2) of the TFEU states that “The production of Union statistics shall conform to impartiality, reliability, objectivity, scientific independence, cost-effectiveness and statistical confidentiality: it shall not entail excessive burdens on economic operators.”

7 See Decision No 235/2008/EC, available at <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2008:073:0017:0019:EN:PDF>.

8 See Regulation (EC) No 223/2009 on European statistics, available at <http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2009:087:0164:0173:en:PDF>.

Without amending the Treaty, there is limited scope for reforming the statistical governance framework under the principles of subsidiarity and proportionality. First, the professional independence of the ESS could be further strengthened. The provisions safeguarding the rules governing the nomination, the term of office and the dismissal of the Director General of Eurostat and the heads of the national statistical institutes could be reinforced in the Regulation on European statistics and in the Code of Practice. The latter could be made legally binding on the Commission and the Member States by incorporating it in a regulation. Second, full implementation of the Code of Practice could be accelerated to further enhance the quality of European statistics, in particular by reinforcing mandates for data collection and involving statisticians at an early stage in the design of requirements relating to administrative data. For this purpose, the competencies of the ESGAB could be extended to actively monitoring compliance of the ESS with the Code of Practice. It could be assisted in its task by courts of auditors, which would be in charge of reviewing the compliance of national statistical institutes with the Code of Practice. Finally, sanctions could be considered for repeated severe statistical misreporting in the absence of effective corrective action.

4 MACROECONOMIC SURVEILLANCE

The new macroeconomic surveillance framework envisaged in the Commission proposals and the VRTF report aims to identify and address macroeconomic imbalances. It complements the macro-structural surveillance process foreseen under the Europe 2020 strategy, which focuses on fostering sustainable and socially inclusive growth and employment. As proposed, the new framework will apply to all Member States and will have preventive and corrective arms. The latter would include enforcement rules for euro area countries.

THE PROPOSED NEW MACROECONOMIC SURVEILLANCE FRAMEWORK

The first element of the preventive arm as proposed by the Commission is an alert mechanism which would provide an initial indication of the existence or potential risk of macroeconomic imbalances and vulnerabilities in Member States. The alert mechanism would comprise a scoreboard with a limited set of macroeconomic indicators to be supplemented by economic judgement. External imbalances would be covered by indicators of the external position (e.g. current account as a share of GDP, net foreign financial assets as a share of GDP), competitiveness (e.g. real effective exchange rates, unit labour costs, HICP inflation), and

internal imbalances by indicators on housing (e.g. construction value added, house prices) and indebtedness (e.g. public sector debt as a share of GDP, private sector debt as a share of GDP).

According to the Commission proposals, alert thresholds would be set and announced for each indicator to increase transparency and accountability. For competitiveness and current account indicators, thresholds would be symmetric: they would detect both excessively high levels and excessively low levels of the variable, implying that action would be required in both cases in Member States. The VRTF report adopted a more nuanced view on this issue by making a distinction between Member States with large current account surpluses and those showing persistently large current account deficits and large competitiveness losses, given that the need for policy action is particularly pressing for the latter.

Based on the results of the scoreboard, if significant macroeconomic imbalances or risks were identified, the Commission would carry out a broad-based, in-depth review of economic, financial and public finance developments in the Member States concerned. On the basis of its in-depth reviews, the Commission could recommend that the Council address a recommendation to the Member State concerned, setting out specific economic policy

measures aimed at reducing these imbalances and risks. These recommendations would be issued by the Council in parallel with other policy recommendations in the context of the Europe 2020 strategy and the SGP.

If the Commission were to identify severe macroeconomic imbalances, or imbalances that potentially endanger the proper functioning of EMU, it could recommend the triggering of the excessive imbalance procedure (EIP) under the corrective arm of the proposed macroeconomic surveillance framework, and the Member State concerned would be placed under stricter economic policy surveillance. Policy recommendations devised under the corrective arm would be more detailed and stricter than recommendations issued under the preventive arm and would specify the expected policy responses and set deadlines for taking corrective action. Member States under the EIP would be obliged to submit a corrective action plan (CAP) setting out their national policy response to the Council recommendations and deadlines, subject to Council endorsement. Member States subject to the EIP would be obliged to regularly report to the Council and to the Commission on the progress made towards the implementation of the Council recommendations. The Commission would assess their progress on the basis of these reports and possible country surveillance missions. The Member States would continue to be subject to stricter surveillance and reporting obligations until the Council, on the basis of a Commission recommendation, finds that the situation of an excessive imbalance has come to an end and closes the EIP.

The sanction mechanism of the EIP proposed by the Commission is foreseen to be broadly similar to the mechanism defined in the EDP for fiscal surveillance. For euro area countries, the Commission has put forward the possibility of applying financial sanctions in two situations. First, if the Council considers the measures or the timetable envisaged in the CAP to be insufficient to comply with its recommendations, it could ask the Member State concerned to revise the CAP. Sanctions could be applied to a euro area

country which repeatedly fails to provide a CAP which the Council deems appropriate. Second, if, on the basis of the Commission's assessment of a Member State's compliance with Council recommendations, the Council concludes that the Member State has repeatedly failed to deliver "appropriate action" under the EIP, it could implement financial sanctions, i.e. fines.

ASSESSMENT OF THE PROPOSED MACROECONOMIC SURVEILLANCE FRAMEWORK

The introduction of a macroeconomic surveillance framework is a potentially important step towards closer economic union. To ensure the smooth functioning of monetary union, the framework should be improved in several ways. First, the specific nature of membership of a monetary union should be reflected more explicitly. This requires a clear distinction between the policy needs of euro area countries, on the one hand, and those of the other Member States, on the other, in view of the fact that spillovers inside the euro area are larger and exchange rate adjustments are no longer possible for euro area countries. This should therefore be clearly reflected in differentiated indicators and thresholds in the scoreboard. Tighter thresholds for competitiveness indicators should be imposed for the euro area countries.

Second, the particular focus of the surveillance framework should be on those macroeconomic imbalances that threaten the smooth functioning of the monetary union, which are significant losses in competitiveness, persistent current account deficits, unsustainable increases in asset prices, including real estate prices, and high levels of external and internal indebtedness.¹⁶ The framework proposed by the European Commission is symmetric with respect to detecting, preventing and correcting both

¹⁶ The set of indicators should be limited and focus on the detection of macroeconomic imbalances, and should therefore comprise indicators of private and public internal indebtedness, external indebtedness and price competitiveness. Such variables have proved to be important indicators of internal and external macroeconomic imbalances and competitiveness developments. This differs from the much wider set of variables used to assess progress on reforms in the context of the Europe 2020 strategy.

Table 2 Summary of the proposed macroeconomic surveillance framework

	Key procedural steps	Financial Sanctions
Detection of imbalances (preventive arm)	<ol style="list-style-type: none"> 1 The Commission report assesses all 27 Member States vis-à-vis the thresholds defined in the scoreboard; the scoreboard is updated at least annually 2 The Council discussion of the Commission report 3 If Member States are considered to be affected by or at risk of imbalances, the Commission conducts an in-depth review 4 The Commission formulates recommendations and informs the Council of Member States experiencing imbalances 5 The Council issues recommendations to the Member States concerned 6 The Council reviews compliance with recommendations annually and may amend recommendations as appropriate 	
Excessive imbalance procedure (corrective arm)	<ol style="list-style-type: none"> 1 The Commission formulates recommendations and informs the Council of Member States experiencing “excessive” imbalances based on the in-depth review 2 The Council declares the existence of an excessive imbalance and issues recommendations to the Member State concerned, based on the Commission recommendations 3 The submission of a corrective action plan by the Member State concerned 4 Within two months after the submission of a corrective action plan, and on the basis of a Commission report, the Council shall assess the corrective action plan 5 If the plan is considered sufficient, the Council shall adopt an opinion endorsing it If the plan is considered insufficient, the Council shall invite the Member State to amend its corrective action plan within a new deadline, taking into account the scale and urgency of imbalances and the capacity of policies to address the situation 6 The Council will decide whether or not the Member State concerned has taken the recommended corrective action 7 The Member State will be subject to regular reporting and surveillance 8 Report on the action taken by the Member State concerned 9 The EIP will be closed once the Council concludes, on the basis of a recommendation by the Commission, that the Member State is no longer experiencing excessive imbalances 	<p>Fine (0.1% of GDP) imposed by reverse qualified majority vote (proposed new sanction)</p>
	<p>If a Member State repeatedly fails to act on Council recommendations to address excessive imbalances, it will have to pay a yearly fine until the Council establishes that corrective action has been taken</p>	

excessive losses and excessive gains in competitiveness. This entails a risk that surveillance efforts would lack focus and could be distracted from the most serious challenges to monetary union. As noted above, the VRTF report addresses this issue and calls for differentiation in the treatment of over and underperforming countries within the proposed macroeconomic surveillance framework. In order not to make the procedure overly complex or introduce a misguided short-term focus on demand management in the surveillance process, cases in which Member States experience strong gains in competitiveness and large current account surpluses should only be dealt with in the context of the Europe 2020 strategy.

Third, a greater degree of automaticity should be introduced in the proposed macroeconomic surveillance framework. While macroeconomic developments may be affected by factors outside the control of governments, and the impact of policy measures on macroeconomic developments may be indirect and therefore difficult to identify, it has to be ensured that the macroeconomic surveillance procedure is effective and provides the right incentives. However, the Commission’s proposals give the Council substantial discretionary power over the issuance of policy recommendations and the size of sanctions. Too much scope for discretion could put the credibility of the macroeconomic surveillance framework at risk, since the rules

and enforcement measures may not be applied consistently. The possibility of reducing or waiving financial sanctions on the grounds of exceptional economic circumstances or at the request of a Member State should therefore be avoided. In addition, the reverse majority voting rule, whereby the Commission proposals and recommendations would be deemed adopted by the Council unless rejected by a qualified majority vote, should be used more widely throughout the procedure.

Fourth, as with the reforms introduced in the SGP, financial sanctions in the proposed macroeconomic surveillance framework need to be applied gradually and at an early stage in order to provide Member States with the right incentives to comply with policy recommendations. This implies that financial sanctions – such as the obligation to set up an interest-bearing deposit – should be imposed immediately after the first instance of non-compliance or non-cooperation by a Member State. Political and reputational measures – such as reports to the European Council in case of non-compliance as well as the possibility for the Commission to conduct missions to Member States, in liaison with the ECB for euro area and ERM II countries – should also be made available, under both the preventive and the corrective arm as envisaged in the VRTF report.

5 A PERMANENT CRISIS MANAGEMENT FRAMEWORK

Broader and stronger preventive and corrective arms of the economic governance framework should go a long way towards minimising the risk of a fiscal crisis recurring in the euro area. Nonetheless, as the possibility of a future sovereign debt crisis cannot be completely ruled out, a permanent crisis management framework is required to deal with a sovereign liquidity or solvency crisis.

On 16 and 17 December 2010 the European Council agreed on a Treaty amendment to allow a permanent crisis management framework –

named the European Stability Mechanism (ESM) – to be established by the euro area countries. As proposed, Article 136(3) of the TFEU will stipulate that the crisis management mechanism will be activated if the financial stability in the euro area as a whole is endangered and that any financial assistance in the form of loans will be made subject to strict conditionality.¹⁷ The EFSF and the EFSM, which were set up in May 2010, will remain in place until June 2013 and will then be replaced by the ESM. The European Council endorsed the general features of the mechanism as set out in the Eurogroup statement of 28 November 2010 and requested the Eurogroup and the Commission to finalise work on the intergovernmental arrangement for setting up the future mechanism by March 2011 in cooperation with the European Parliament.

According to the Eurogroup statement, the ESM will complement the new framework of reinforced economic governance from June 2013. It will be based broadly on the EFSF. More specifically, assistance provided to a euro area country will be based on a stringent programme of economic and fiscal adjustment and on a rigorous debt sustainability analysis conducted by the Commission and the IMF, in liaison with the ECB. For countries considered solvent, private sector creditors will be encouraged to maintain their exposure. Insolvent Member States will have to negotiate a way to regain debt sustainability with creditors as a precondition for any financial assistance. To facilitate the negotiations with private sector creditors, standardised and identical collective action clauses (CACs) will be included in all newly issued government bonds from June 2013. Any decision to grant financial assistance will require the unanimous agreement of the euro area countries.

¹⁷ The Member States have agreed to amend Article 136 of the TFEU. Paragraph 3 of the Article will read as follows: “The Member States whose currency is the euro may establish a stability mechanism to be activated if indispensable to safeguard the stability of the euro area as a whole. The granting of any required financial assistance under the mechanism will be made subject to strict conditionality.”

The ECB has welcomed the creation of a permanent crisis management framework to safeguard the financial stability of the euro area as a whole as a complement to the enhanced fiscal rules and macroeconomic surveillance. Due to the close integration of financial markets, the ESM must ensure that a sovereign debt crisis in the euro area is resolved in a timely and orderly manner. Any risk of contagion across countries (spreading the fiscal crisis across the euro area) or from a sovereign to private agents (creating or exacerbating a financial crisis) should be addressed by quick and decisive intervention.

Most importantly, the assistance mechanism of the ESM should minimise moral hazard. It needs to be governed by rigorous and binding rules to impose discipline on fiscal policies and must not be an attractive option for Member States. Any financial assistance to a Member State should be subject to strict conditionality to ensure that the sustainability of public finances is restored in a timely and ambitious manner. At the same time the financial support should be granted on non-concessional terms and the permanent crisis management framework must allow for financial market discipline. The possibility for private sector involvement in the event of the insolvency of a euro area country will ensure that interest rates sufficiently reflect the risks associated with differences in fiscal positions across Member States.

6 CONCLUSIONS

The current economic governance framework was never fully implemented and has even been weakened since the start of EMU. It thus failed to prevent the crisis in the euro area. The economic surveillance framework in place for fiscal policies was not applied sufficiently rigorously and available sanctions were not implemented. At the same time it lacked suitable mechanisms for the surveillance of macroeconomic policies. The economic governance proposals of the VRTF endorsed by the European Council in October 2010 and the Commission proposals

still under discussion go some way towards remedying these problems. However, they are not the quantum leap required to ensure sound economic and budgetary policies in the euro area, guaranteeing long-run stability and prosperity.

This article has indicated more precisely the areas where the envisaged reforms to the economic governance framework need to be reinforced, as follows:

- i) **Greater automaticity is required in all surveillance procedures, including the new macroeconomic surveillance framework.** When Member States fail to comply with recommendations to adjust their policies, this should lead to the consequences provided for in the preventive and corrective procedures, and the Council should have less room for halting or suspending procedures against the Member States. A simple way of achieving this would be a formal declaration by the Council, or at least the Eurogroup, committing itself to voting, as a rule, in favour of the continuation of procedures where recommended or proposed by the Commission. Thus, the Council would voluntarily limit its discretion and would need to justify instances in which it did not follow its own rule. Also, broader use of reverse majority voting should be considered.
- ii) **Surveillance procedures require strict deadlines, to avoid lengthy procedures, and the elimination of “escape clauses”.** The Council or the Commission should not be allowed to extend the deadline for correcting an excessive deficit or accept any significant deviation from the adjustment path towards the MTO during a severe economic downturn of a general nature, or to reduce or cancel financial sanctions either on grounds of exceptional economic circumstances or following a request by the Member State concerned. This would enhance automaticity.

- iii) **The macroeconomic surveillance framework should have a clear focus.** In particular, it should focus on euro area countries with large current account deficits, significant competitiveness losses or high levels of public and private debt, as well as any other vulnerability threatening EMU.
- iv) **Political and reputational measures should foster early compliance with the surveillance framework.** This includes increased reporting obligations for Member States and the submission of reports by the Council to the European Council in the event of non-compliance with Council recommendations, as well as the possibility of the Commission conducting missions to Member States, in liaison with the ECB for euro area and ERM II countries if the ECB deems this appropriate.
- v) **Financial sanctions should be applied at an early stage and gradually within the macroeconomic surveillance framework to provide clear and credible incentives for countries to adopt appropriate macroeconomic policies.** The EIP should oblige Member States to lodge an interest-bearing deposit following the first instance of non-compliance and impose fines in cases of repeated non-compliance. The proceeds from any financial sanctions imposed on euro area countries as part of budgetary and macroeconomic surveillance should be assigned to the future ESM.
- vi) **Benchmarks for establishing the existence of an excessive deficit should be more ambitious.** The scope for taking into consideration any “relevant factors” when establishing the existence of an excessive deficit – whether on the basis of the deficit criterion or on the basis of the debt criterion – should be substantially reduced, particularly when these are factors that could be regarded as mitigating the Member State’s failure to comply with the criteria. As regards the deficit criterion, such factors should be taken into account only if the deficit ratio of the country concerned is close to the 3% of GDP reference value and exceeds this value only temporarily (irrespective of whether the country’s debt ratio is above or below the 60% reference value). As regards the debt criterion, such factors should be considered only if a government debt ratio in excess of 60% of GDP is projected to decline. Also, the backward-looking numerical benchmark used to assess whether a debt ratio above 60% of GDP is sufficiently diminishing should come into effect without delay.
- vii) **Requirements as regards the adjustment path towards a country’s MTO should be made more ambitious.** Under the revised budgetary surveillance procedure, the question of whether a country is making sufficient progress towards its MTO should be evaluated on the basis of an overall assessment using the structural balance as the point of reference, including analysis of expenditure net of discretionary revenue measures. In this context, the annual improvement in the structural balance should be significantly more than 0.5 percentage point of GDP where a country’s government debt exceeds the reference value of 60% of GDP or there are fiscal sustainability risks.
- viii) **The quality and independence of fiscal and economic analysis needs to be guaranteed.** This requires the establishment of an independent advisory body at EU level comprising persons of recognised competence. This body would provide an external ex post assessment of the conduct of budgetary and macroeconomic surveillance by the Council and the Commission.
- ix) **The commitment of the Member States to swiftly implement strong national budgetary frameworks in**

order to facilitate compliance with their obligations under the SGP needs to be strengthened.

This would require that the proposed budgetary frameworks directive be transposed into national law as faithfully as possible and no later than by the end of 2012. The Eurogroup could issue a formal statement to that effect. Also, the directive has to establish clear consequences in the event that national authorities do not comply with their budgetary obligations. For euro area countries, a new chapter is required in the directive in order to make independent national fiscal monitoring institutions mandatory. The measures in the directive should not prevent Member States from developing stronger frameworks. The EU should consider obliging Member States to adopt clear borrowing frameworks with precise definitions and limits.

- x) **The quality of annual and quarterly statistics needs to be improved, both in terms of timeliness and reliability.** The European Statistics Code of Practice should be enshrined in a regulation, and weaknesses in data collection and reporting should be addressed immediately.
- xi) The enhancement of the SGP and effective macroeconomic surveillance are imperative. However, even if the rules are strictly applied, future crises cannot be excluded. **The new economic governance framework should include a crisis management framework that safeguards the financial stability of the euro area as a whole if one or more countries experience a sovereign debt crisis.** While the mechanism should effectively and appropriately address cases of illiquidity and insolvency, the avoidance of moral hazard is essential.

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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ENLARGEMENT OF THE EURO AREA ON 1 JANUARY 2011 TO INCLUDE ESTONIA

In January 2011 Estonia joined the euro area, bringing the number of euro area countries to 17.

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.

Detailed information on the current and past compositions of the euro area can be found in the General Notes.

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
2009	9.5	4.8	3.3	-	1.6	23.4	1.22	3.76
2010	8.5	1.8	0.5	-	0.6	4.2	0.81	3.36
2010 Q1	11.3	1.7	-0.2	-	-0.4	8.2	0.66	3.46
Q2	10.3	1.4	-0.1	-	0.2	4.2	0.69	3.03
Q3	7.9	1.8	0.7	-	0.9	2.1	0.87	2.67
Q4	4.9	2.2	1.5	-	1.7	2.4	1.02	3.36
2010 Sep.	6.2	2.0	1.1	1.1	1.2	2.1	0.88	2.67
Oct.	4.8	2.1	1.1	1.4	1.4	1.8	1.00	2.86
Nov.	4.6	2.3	2.1	1.6	2.0	3.0	1.04	3.11
Dec.	4.4	2.2	1.7	1.7	1.9	2.8	1.02	3.36
2011 Jan.	3.2	2.3	1.5	.	2.4	.	1.02	3.49
Feb.	.	.	.	.	.	.	1.09	3.49

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
2009	0.3	-5.1	2.9	-4.1	-14.9	71.1	-1.9	9.5
2010	1.6	2.9	.	1.7	7.1	76.8	.	10.0
2010 Q2	1.6	3.0	1.6	2.0	9.0	76.5	-0.6	10.0
Q3	1.7	4.0	0.8	1.9	7.0	77.8	-0.2	10.0
Q4	2.0	4.7	.	2.0	7.7	79.0	.	10.0
2010 Sep.	1.9	4.3	-	-	5.6	-	-	10.0
Oct.	1.9	4.3	-	-	7.2	78.1	-	10.1
Nov.	1.9	4.5	-	-	7.9	-	-	10.0
Dec.	2.2	5.3	-	-	8.1	-	-	10.0
2011 Jan.	2.3	6.1	-	-	.	80.0	-	9.9
Feb.	2.4	.	-	-	.	-	-	.

3. External statistics

(EUR billions, unless otherwise indicated)

	Balance of payments (net transactions)			Reserve assets (end-of-period positions)	Net international investment position (as a % of GDP)	Gross external debt (as a % of GDP)	Effective exchange rate of the euro: EER-20 ⁶⁾ (index: 1999 Q1 = 100)		USD/EUR exchange rate
	Current and capital accounts	Goods	Combined direct and portfolio investment				Nominal	Real (CPI)	
2009	-43.7	39.4	15.9	462.4	-16.2	116.4	111.7	110.6	1.3948
2010	-49.1	24.2	9.3	591.2	.	.	104.6	103.0	1.3257
2010 Q1	-19.3	2.7	-7.9	498.7	-14.7	120.4	108.7	106.9	1.3829
Q2	-18.8	3.4	24.1	583.3	-11.5	123.4	103.1	101.8	1.2708
Q3	-6.8	8.3	-17.1	552.2	-13.0	120.5	102.3	100.8	1.2910
Q4	-4.2	9.8	38.0	591.2	.	.	104.4	102.4	1.3583
2010 Sep.	-5.8	4.9	1.9	552.2	.	.	102.5	100.8	1.3067
Oct.	-2.1	6.2	8.6	555.6	.	.	106.0	104.1	1.3898
Nov.	-4.5	0.8	48.9	597.5	.	.	104.7	102.7	1.3661
Dec.	2.4	2.8	56.5	591.2	.	.	102.6	100.5	1.3220
2011 Jan.	.	.	.	562.3	.	.	102.4	100.2	1.3360
Feb.	.	.	.	.	.	.	103.4	101.2	1.3649

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

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

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

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

3) M3 and its components exclude holdings by non-euro area residents of money market fund shares/units and debt securities with a maturity of up to two years.

4) Based on AAA-rated euro area central government bond yield curves. For further information, see Section 4.7.

5) 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

I.1 Consolidated financial statement of the Eurosystem

(EUR millions)

1. Assets

	4 February 2011	11 February 2011	18 February 2011	25 February 2011
Gold and gold receivables	367,431	367,432	367,432	367,433
Claims on non-euro area residents in foreign currency	229,382	229,761	227,453	226,514
Claims on euro area residents in foreign currency	26,067	26,048	26,443	26,481
Claims on non-euro area residents in euro	18,383	21,843	21,324	21,853
Lending to euro area credit institutions in euro	542,912	477,663	471,482	458,415
Main refinancing operations	213,725	156,709	137,015	119,454
Longer-term refinancing operations	329,170	320,291	320,291	321,835
Fine-tuning reverse operations	0	0	0	0
Structural reverse operations	0	0	0	0
Marginal lending facility	2	656	14,173	17,115
Credits related to margin calls	16	7	3	11
Other claims on euro area credit institutions in euro	48,758	49,294	51,466	48,499
Securities of euro area residents in euro	466,848	467,716	469,087	469,757
Securities held for monetary policy purposes	137,167	137,167	137,838	138,191
Other securities	329,681	330,548	331,249	331,566
General government debt in euro	34,904	34,904	34,904	34,904
Other assets	280,913	281,482	288,901	298,423
Total assets	2,015,599	1,956,143	1,958,491	1,952,278

2. Liabilities

	4 February 2011	11 February 2011	18 February 2011	25 February 2011
Banknotes in circulation	822,995	821,671	819,451	819,649
Liabilities to euro area credit institutions in euro	379,076	332,443	333,245	314,122
Current accounts (covering the minimum reserve system)	239,304	238,812	222,145	212,268
Deposit facility	71,446	17,029	34,482	24,718
Fixed-term deposits	68,220	76,500	76,500	77,000
Fine-tuning reverse operations	0	0	0	0
Deposits related to margin calls	105	102	118	136
Other liabilities to euro area credit institutions in euro	9,546	2,890	2,846	2,837
Debt certificates issued	0	0	0	0
Liabilities to other euro area residents in euro	95,804	90,178	91,235	105,749
Liabilities to non-euro area residents in euro	43,071	43,487	42,444	44,306
Liabilities to euro area residents in foreign currency	2,099	2,388	3,144	2,302
Liabilities to non-euro area residents in foreign currency	16,682	16,730	14,445	14,441
Counterpart of special drawing rights allocated by the IMF	54,552	54,552	54,552	54,552
Other liabilities	181,461	181,028	186,355	183,368
Revaluation accounts	331,532	331,533	331,533	331,533
Capital and reserves	78,781	79,243	79,243	79,419
Total liabilities	2,015,599	1,956,143	1,958,491	1,952,278

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

Source: ECB.

- 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.
- 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.
- 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.
- 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.
- 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									
2010 17 Nov.	186,033	177	186,033	1.00	-	-	-	-	7
24	177,103	165	177,103	1.00	-	-	-	-	7
1 Dec.	179,694	163	179,694	1.00	-	-	-	-	7
8	197,283	155	197,283	1.00	-	-	-	-	7
15	187,814	159	187,814	1.00	-	-	-	-	7
22	193,470	160	193,470	1.00	-	-	-	-	7
29	227,865	233	227,865	1.00	-	-	-	-	7
2011 5 Jan.	195,691	179	195,691	1.00	-	-	-	-	7
12	180,081	169	180,081	1.00	-	-	-	-	7
19	176,904	171	176,904	1.00	-	-	-	-	7
26	165,603	209	165,603	1.00	-	-	-	-	7
2 Feb.	213,725	371	213,725	1.00	-	-	-	-	7
9	156,710	220	156,710	1.00	-	-	-	-	7
16	137,015	253	137,015	1.00	-	-	-	-	7
23	119,455	189	119,455	1.00	-	-	-	-	7
2 Mar.	124,442	182	124,442	1.00	-	-	-	-	7
Longer-term refinancing operations									
2010 8 Sep.	37,903	27	37,903	1.00	-	-	-	-	35
30	104,009	182	104,009	1.00	-	-	-	-	84
13 Oct.	52,236	34	52,236	1.00	-	-	-	-	28
28 ⁵⁾	42,475	132	42,475	1.00	-	-	-	-	91
10 Nov.	63,618	44	63,618	1.00	-	-	-	-	28
25 ⁵⁾	38,211	189	38,211	1.00	-	-	-	-	91
8 Dec.	68,066	56	68,066	1.00	-	-	-	-	42
23 ⁵⁾	149,466	270	149,466	.	-	-	-	-	98
2011 19 Jan.	70,351	45	70,351	1.00	-	-	-	-	21
27 ⁵⁾	71,143	165	71,143	.	-	-	-	-	91
9 Feb.	61,472	42	61,472	1.00	-	-	-	-	28
24 ⁵⁾	39,755	192	39,755	.	-	-	-	-	91

2. Other tender operations

Date of settlement	Type of operation	Bids (amount)	Number of participants	Allotment (amount)	Fixed rate tender procedures		Variable rate tender procedures			Running for (...) days
					Fixed rate	Minimum bid rate	Maximum bid rate	Marginal rate ⁴⁾	Weighted average rate	
1	2	3	4	5	6	7	8	9	10	
2010 15 Dec.	Collection of fixed-term deposits	96,587	57	72,000	-	-	1.00	0.55	0.49	7
22	Collection of fixed-term deposits	81,024	44	72,500	-	-	1.00	0.60	0.42	7
23	Reverse transaction	20,623	32	20,623	1.00	-	-	-	-	13
29	Collection of fixed-term deposits	60,784	41	60,784	-	-	1.00	1.00	0.66	7
2011 5 Jan.	Collection of fixed-term deposits	92,078	68	73,500	-	-	1.00	0.45	0.38	7
12	Collection of fixed-term deposits	99,490	65	74,000	-	-	1.00	0.45	0.41	7
18	Collection of fixed-term deposits	135,048	142	135,046	-	-	1.00	0.80	0.79	1
19	Collection of fixed-term deposits	103,687	62	76,500	-	-	1.00	0.80	0.69	7
26	Collection of fixed-term deposits	88,824	58	76,500	-	-	1.00	0.99	0.89	7
2 Feb.	Collection of fixed-term deposits	68,220	53	68,220	-	-	1.00	1.00	0.85	7
8	Collection of fixed-term deposits	159,714	161	158,659	-	-	1.00	0.80	0.78	1
9	Collection of fixed-term deposits	93,341	66	76,500	-	-	1.00	0.95	0.87	7
16	Collection of fixed-term deposits	102,784	73	76,500	-	-	1.00	0.80	0.71	7
23	Collection of fixed-term deposits	95,494	74	77,000	-	-	1.00	0.70	0.58	7
2 Mar.	Collection of fixed-term deposits	91,911	71	77,500	-	-	1.00	0.65	0.56	7

Source: ECB.

- The amounts shown may differ slightly from those in Section 1.1 owing to operations that have been allotted but not settled.
- With effect from April 2002, split tender operations (i.e. operations with a one-week maturity conducted as standard tender procedures in parallel with a main refinancing operation) are classified as main refinancing operations. For split tender operations conducted before this month, see Table 2 in Section 1.3.
- 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.
- In liquidity-providing (absorbing) operations, the marginal rate refers to the lowest (highest) rate at which bids were accepted.
- In the final one-year longer-term refinancing operation, which was settled on 17 December 2009, in the six-month longer-term refinancing operations settled on 1 April and 13 May 2010, and in the three-month longer-term refinancing operations settled on 28 October, 25 November and 23 December 2010, and 27 January and 24 February 2011, the rate at which all bids were satisfied was indexed to the average minimum bid rate in the main refinancing operations over the life of the operation.

1.4 Minimum reserve and liquidity statistics

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

1. Reserve base of credit institutions subject to reserve requirements

Reserve base as at: ¹⁾	Total	Liabilities to which a 2% reserve coefficient is applied		Liabilities to which a 0% reserve coefficient is applied		
		Overnight deposits and deposits with an agreed maturity or notice period of up to 2 years	Debt securities issued with a maturity of up to 2 years	Deposits with an agreed maturity or notice period of over 2 years	Repos	Debt securities issued with a maturity of over 2 years
	1	2	3	4	5	6
2008	18,169.6	10,056.8	848.7	2,376.9	1,243.5	3,643.7
2009	18,318.2	9,808.5	760.4	2,475.7	1,170.1	4,103.5
2010	18,948.1	9,962.6	644.3	2,683.3	1,335.4	4,322.5
2010 Aug.	19,138.1	10,019.3	707.4	2,618.7	1,366.2	4,426.5
Sep.	18,836.5	9,944.2	670.0	2,566.5	1,307.2	4,348.6
Oct. ²⁾	18,986.4	9,901.3	658.2	2,632.7	1,399.4	4,394.9
Nov. ²⁾	19,190.9	9,970.1	669.9	2,715.6	1,465.9	4,369.5
Dec. ²⁾	18,948.1	9,962.6	644.3	2,683.3	1,335.4	4,322.5

2. Reserve maintenance

Maintenance period ending on:	Required reserves	Credit institutions' current accounts	Excess reserves	Deficiencies	Interest rate on minimum reserves
	1	2	3	4	5
2009	210.2	211.4	1.2	0.0	1.00
2010	211.8	212.5	0.7	-0.5	1.00
2010 7 Sep.	213.9	215.3	1.4	0.0	1.00
12 Oct.	211.9	213.1	1.2	0.0	1.00
9 Nov.	214.0	215.2	1.2	0.0	1.00
7 Dec.	211.8	212.5	0.7	-0.5	1.00
2011 18 Jan. ³⁾	210.5	212.4	1.9	0.0	1.00
8 Feb.	212.3	213.6	1.3	0.0	1.00

3. Liquidity

Maintenance period ending on:	Liquidity-providing factors					Liquidity-absorbing factors					Credit institutions' current accounts	Base money
	Monetary policy operations of the Eurosystem					Deposit facility	Other liquidity-absorbing operations ⁵⁾	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 ⁴⁾							
	1	2	3	4	5	6	7	8	9	10	11	12
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
2010 7 Sep.	543.2	153.1	435.0	0.6	121.8	83.7	66.9	816.0	86.8	-15.0	215.3	1,115.0
12 Oct.	531.3	164.5	392.6	0.7	128.3	68.8	64.8	814.1	96.4	-39.8	213.1	1,096.1
9 Nov.	511.3	183.0	340.0	0.8	124.5	41.9	68.8	813.5	92.1	-72.0	215.2	1,070.7
7 Dec.	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 18 Jan.	527.5	197.0	316.6	0.5	140.9	66.5	73.5	833.8	81.3	-84.9	212.4	1,112.7
8 Feb.	549.7	185.4	318.2	0.1	137.2	39.2	81.3	822.0	101.2	-66.7	213.6	1,074.8

Source: ECB.

1) End of period.

2) Includes the reserve bases of credit institutions in Estonia. On a transitional basis, credit institutions located in the euro area may have decided to deduct from their own reserve bases any liabilities owed to credit institutions located in Estonia. As of the reserve base as at end-January 2011, the standard treatment applies (see Decision ECB/2010/18 of the ECB of 26 October 2010 on transitional provisions for the application of minimum reserves by the ECB following the introduction of the euro in Estonia).

3) Owing to the adoption of the euro by Estonia on 1 January 2011, the reserve requirement is an average - weighted by the number of calendar days - of the reserve requirements for the then 16 countries of the euro area for the period 8-31 December 2010 and the reserve requirements for the 17 countries now in the euro area for the period 1-18 January 2011.

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

5) 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 INVESTMENT FUNDS

2.1 Aggregated balance sheet of euro area MFIs ¹⁾

(EUR billions; outstanding amounts at end of period)

1. Assets

	Total	Loans to euro area residents				Holdings of securities other than shares issued by euro area residents				Money market fund shares/ units ²⁾	Holdings of shares/ other equity issued by euro area residents	External assets	Fixed assets	Remaining assets 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
Eurosystem														
2009	2,829.9	1,475.6	19.5	0.7	1,455.4	451.7	368.3	7.5	75.9	-	16.5	556.7	8.5	321.0
2010	3,212.0	1,537.2	18.6	0.9	1,517.6	570.7	460.0	9.6	101.1	-	18.1	683.1	8.7	394.3
2010 Q3	3,024.2	1,459.0	18.5	0.9	1,439.6	554.1	443.3	9.6	101.2	-	16.7	645.9	8.7	339.8
Q4	3,212.0	1,537.2	18.6	0.9	1,517.6	570.7	460.0	9.6	101.1	-	18.1	683.1	8.7	394.3
2010 Oct.	3,028.1	1,449.8	18.5	0.9	1,430.4	559.3	448.8	9.7	100.8	-	17.0	643.6	8.7	349.7
Nov.	3,117.8	1,467.0	18.5	0.9	1,447.5	561.8	451.0	9.7	101.2	-	16.6	689.3	8.7	374.3
Dec.	3,212.0	1,537.2	18.6	0.9	1,517.6	570.7	460.0	9.6	101.1	-	18.1	683.1	8.7	394.3
2011 Jan. ^(p)	3,102.3	1,446.0	18.6	1.0	1,426.5	577.4	466.4	9.7	101.3	-	18.5	657.6	8.7	394.1
MFIs excluding the Eurosystem														
2009	31,144.9	17,702.4	1,001.7	10,783.3	5,917.5	5,060.6	1,483.2	1,497.2	2,080.2	85.1	1,235.1	4,251.7	220.7	2,589.2
2010	32,204.6	17,765.5	1,217.2	11,031.9	5,516.4	4,946.0	1,520.4	1,539.0	1,886.7	59.9	1,232.8	4,319.0	223.5	3,657.8
2010 Q3	32,086.2	17,897.2	1,073.9	10,982.1	5,841.2	5,083.5	1,566.2	1,548.1	1,969.2	62.6	1,244.1	4,387.7	220.0	3,191.0
Q4	32,204.6	17,765.5	1,217.2	11,031.9	5,516.4	4,946.0	1,520.4	1,539.0	1,886.7	59.9	1,232.8	4,319.0	223.5	3,657.8
2010 Oct.	31,862.1	17,818.4	1,153.5	10,958.7	5,706.2	5,110.5	1,665.7	1,521.9	1,922.9	61.4	1,251.6	4,331.3	220.6	3,068.2
Nov.	31,966.9	17,847.6	1,209.1	11,068.4	5,570.1	5,100.8	1,610.4	1,554.0	1,936.4	61.5	1,251.0	4,457.3	222.4	3,026.3
Dec.	32,204.6	17,765.5	1,217.2	11,031.9	5,516.4	4,946.0	1,520.4	1,539.0	1,886.7	59.9	1,232.8	4,319.0	223.5	3,657.8
2011 Jan. ^(p)	32,140.1	17,809.6	1,214.8	11,061.9	5,533.0	4,960.5	1,539.2	1,526.9	1,894.3	60.7	1,250.5	4,362.7	223.6	3,472.5

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
Eurosystem											
2009	2,829.9	829.3	1,192.3	102.6	22.1	1,067.6	-	0.1	320.9	140.0	347.4
2010	3,212.0	863.7	1,394.6	68.0	8.7	1,318.0	-	0.0	430.9	153.5	369.3
2010 Q3	3,024.2	837.0	1,293.8	89.2	10.6	1,194.0	-	0.0	403.6	131.1	358.7
Q4	3,212.0	863.7	1,394.6	68.0	8.7	1,318.0	-	0.0	430.9	153.5	369.3
2010 Oct.	3,028.1	838.7	1,294.5	100.6	12.6	1,181.3	-	0.0	406.2	130.7	357.9
Nov.	3,117.8	840.5	1,331.1	98.5	16.5	1,216.2	-	0.0	436.2	139.6	370.4
Dec.	3,212.0	863.7	1,394.6	68.0	8.7	1,318.0	-	0.0	430.9	153.5	369.3
2011 Jan. ^(p)	3,102.3	845.4	1,329.1	113.1	9.9	1,206.1	-	0.0	400.2	158.5	369.1
MFIs excluding the Eurosystem											
2009	31,144.9	-	16,470.9	144.1	10,044.8	6,282.0	732.6	4,908.5	1,921.2	4,097.7	3,013.9
2010	32,204.6	-	16,504.2	196.2	10,532.6	5,775.4	612.4	4,844.6	2,045.2	4,219.2	3,978.9
2010 Q3	32,086.2	-	16,617.5	176.2	10,344.6	6,096.7	652.1	4,900.4	2,016.4	4,308.9	3,590.9
Q4	32,204.6	-	16,504.2	196.2	10,532.6	5,775.4	612.4	4,844.6	2,045.2	4,219.2	3,978.9
2010 Oct.	31,862.1	-	16,570.3	243.1	10,343.1	5,984.1	635.7	4,853.5	2,027.0	4,325.1	3,450.4
Nov.	31,966.9	-	16,542.2	262.4	10,452.9	5,826.9	648.1	4,903.0	2,018.3	4,443.9	3,411.3
Dec.	32,204.6	-	16,504.2	196.2	10,532.6	5,775.4	612.4	4,844.6	2,045.2	4,219.2	3,978.9
2011 Jan. ^(p)	32,140.1	-	16,482.4	203.2	10,476.8	5,802.4	604.5	4,871.4	2,065.8	4,264.3	3,851.7

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⁾		
	1	Total	General government	Other euro area residents	Total	General government	Other euro area residents					5	6	7	8	9	10	11
Outstanding amounts													
2009	23,861.8	11,805.0	1,021.1	10,783.9	3,356.2	1,851.5	1,504.6	812.1	4,808.4	229.2	2,850.8		
2010	25,828.4	12,268.7	1,235.8	11,032.9	3,529.0	1,980.4	1,548.6	799.5	5,002.1	232.2	3,997.0		
2010 Q3	25,183.4	12,075.4	1,092.4	10,983.0	3,567.2	2,009.4	1,557.8	797.8	5,033.6	228.7	3,480.6		
2010 Q4	25,828.4	12,268.7	1,235.8	11,032.9	3,529.0	1,980.4	1,548.6	799.5	5,002.1	232.2	3,997.0		
2010 Oct.	25,154.8	12,131.6	1,172.0	10,959.6	3,646.1	2,114.4	1,531.6	804.7	4,974.9	229.4	3,368.2		
2010 Nov.	25,466.3	12,296.9	1,227.6	11,069.3	3,625.1	2,061.4	1,563.7	816.3	5,146.5	231.2	3,350.3		
2010 Dec.	25,828.4	12,268.7	1,235.8	11,032.9	3,529.0	1,980.4	1,548.6	799.5	5,002.1	232.2	3,997.0		
2011 Jan. ^(p)	25,723.0	12,296.2	1,233.4	11,062.8	3,542.3	2,005.7	1,536.6	814.5	5,020.3	232.3	3,817.4		
Transactions													
2009	-644.9	15.2	29.4	-14.2	365.1	269.8	95.3	12.6	-465.4	7.8	-581.0		
2010	605.0	409.3	205.6	203.7	134.6	132.5	2.2	6.9	-110.2	2.4	153.6		
2010 Q3	206.3	51.3	1.2	50.1	40.7	4.2	36.5	10.3	5.6	-1.3	99.6		
2010 Q4	-377.5	194.7	138.0	56.7	-11.5	-6.1	-5.4	11.7	-112.4	3.6	-463.6		
2010 Oct.	-2.6	62.5	79.5	-16.9	82.2	107.6	-25.3	5.5	-38.3	0.7	-115.2		
2010 Nov.	150.1	146.7	54.7	91.9	-3.2	-37.7	34.5	17.1	15.6	1.8	-27.9		
2010 Dec.	-525.1	-14.5	3.8	-18.3	-90.5	-75.9	-14.6	-10.8	-89.8	1.1	-320.5		
2011 Jan. ^(p)	-56.7	20.2	-2.5	22.8	11.8	23.4	-11.6	13.5	88.3	0.1	-190.5		

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										
2009	23,861.8	769.9	246.7	10,066.9	647.5	2,752.5	1,802.6	4,237.7	3,361.3	-23.3
2010	25,828.4	808.6	264.1	10,541.3	552.5	2,856.9	2,024.7	4,372.7	4,348.2	59.4
2010 Q3	25,183.4	786.8	265.5	10,355.2	589.5	2,830.1	1,957.0	4,440.0	3,949.6	9.8
2010 Q4	25,828.4	808.6	264.1	10,541.3	552.5	2,856.9	2,024.7	4,372.7	4,348.2	59.4
2010 Oct.	25,154.8	789.0	343.7	10,355.7	574.3	2,829.8	1,969.3	4,455.9	3,808.3	28.8
2010 Nov.	25,466.3	790.2	360.8	10,469.4	586.5	2,865.4	2,003.2	4,583.5	3,781.7	25.5
2010 Dec.	25,828.4	808.6	264.1	10,541.3	552.5	2,856.9	2,024.7	4,372.7	4,348.2	59.4
2011 Jan. ^(p)	25,723.0	796.3	316.3	10,486.7	543.8	2,875.8	2,011.5	4,422.8	4,220.8	49.0
Transactions										
2009	-644.9	45.8	-4.4	289.4	-12.5	-56.4	143.2	-591.1	-505.6	46.6
2010	605.0	38.6	16.7	326.4	-96.9	38.5	112.7	-27.7	138.1	58.6
2010 Q3	206.3	1.2	-39.5	68.4	-15.6	19.6	20.5	30.6	119.2	1.9
2010 Q4	-377.5	21.7	-1.9	151.9	-34.8	2.2	44.9	-88.0	-524.3	50.7
2010 Oct.	-2.6	2.2	78.1	-0.7	-14.9	6.6	6.8	44.2	-142.1	17.4
2010 Nov.	150.1	1.2	17.1	73.9	12.9	-1.6	21.3	7.2	21.2	-3.1
2010 Dec.	-525.1	18.4	-97.1	78.7	-32.8	-2.8	16.8	-139.3	-403.3	36.4
2011 Jan. ^(p)	-56.7	-12.6	51.7	-57.7	-8.6	29.6	-1.2	87.3	-132.3	-12.8

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

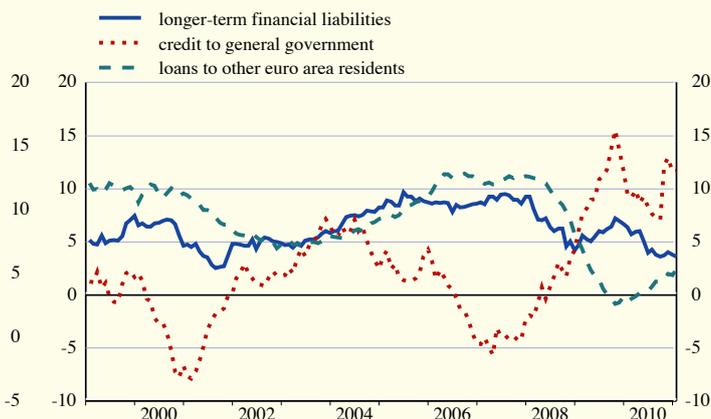
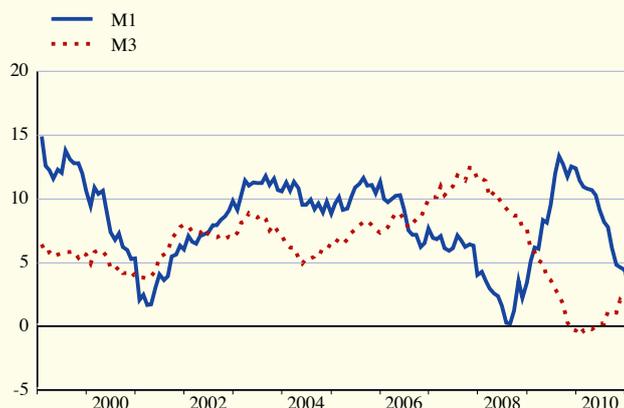
	M3				M3 3-month moving average (centred)	Longer-term financial liabilities	Credit to general government	Credit to other euro area residents			Net external assets ³⁾	
	M2		M3-M2	Loans				Memo item: Loans adjusted for sales and securitisation ⁴⁾				
	M1	M2-M1										
	1	2	3	4	5	6	7	8	9	10	11	12
Outstanding amounts												
2009	4,492.3	3,696.0	8,188.3	1,145.9	9,334.2	-	6,757.3	2,898.5	13,091.0	10,782.1	-	550.6
2010	4,701.4	3,684.4	8,385.8	1,138.1	9,523.9	-	7,313.5	3,242.8	13,366.9	11,028.1	-	609.0
2010 Q3	4,684.7	3,695.8	8,380.5	1,123.7	9,504.2	-	7,171.7	3,109.4	13,348.2	10,971.3	-	598.8
Q4	4,701.4	3,684.4	8,385.8	1,138.1	9,523.9	-	7,313.5	3,242.8	13,366.9	11,028.1	-	609.0
2010 Oct.	4,686.7	3,714.9	8,401.5	1,083.9	9,485.5	-	7,179.0	3,285.4	13,314.4	10,967.4	-	502.3
Nov.	4,683.5	3,718.0	8,401.5	1,143.3	9,544.8	-	7,313.5	3,289.5	13,437.3	11,062.4	-	538.7
Dec.	4,701.4	3,684.4	8,385.8	1,138.1	9,523.9	-	7,313.5	3,242.8	13,366.9	11,028.1	-	609.0
2011 Jan. ^(p)	4,693.5	3,719.6	8,413.0	1,067.8	9,480.9	-	7,332.9	3,242.2	13,430.7	11,066.5	-	580.3
Transactions												
2009	495.6	-368.3	127.3	-157.8	-30.5	-	421.5	303.3	84.3	-20.4	19.5	125.3
2010	198.2	-18.3	179.9	-22.4	157.5	-	262.3	339.0	208.5	200.8	247.1	-82.8
2010 Q3	35.3	66.7	102.0	-11.8	90.2	-	109.9	36.8	144.5	65.7	89.8	-25.7
Q4	16.4	-13.8	2.5	11.6	14.2	-	67.7	151.2	39.4	63.6	90.6	-49.9
2010 Oct.	3.6	19.9	23.5	-43.4	-20.0	-	8.8	178.5	-27.9	2.5	13.7	-104.3
Nov.	-8.4	-2.6	-11.0	59.5	48.4	-	56.3	18.6	113.2	77.3	89.7	0.8
Dec.	21.2	-31.1	-9.9	-4.4	-14.3	-	2.6	-45.9	-45.8	-16.2	-12.7	53.6
2011 Jan. ^(p)	-10.6	33.3	22.7	-70.6	-47.8	-	43.5	-2.6	55.5	31.2	20.9	4.1
Growth rates												
2009	12.4	-9.1	1.6	-11.6	-0.3	-0.2	6.7	11.7	0.6	-0.2	0.2	125.3
2010	4.4	-0.5	2.2	-2.0	1.7	1.7	3.8	11.6	1.6	1.9	2.3	-82.8
2010 Q3	6.2	-2.8	2.0	-5.0	1.1	1.1	3.6	7.1	1.1	1.2	1.4	-6.2
Q4	4.4	-0.5	2.2	-2.0	1.7	1.7	3.8	11.6	1.6	1.9	2.3	-82.8
2010 Oct.	4.8	-1.2	2.1	-6.0	1.1	1.4	3.7	12.2	1.2	1.4	1.7	-98.8
Nov.	4.6	-0.5	2.3	0.3	2.1	1.6	4.0	13.0	1.9	2.0	2.3	-84.3
Dec.	4.4	-0.5	2.2	-2.0	1.7	1.7	3.8	11.6	1.6	1.9	2.3	-82.8
2011 Jan. ^(p)	3.2	1.1	2.3	-4.2	1.5	.	3.6	11.6	2.0	2.4	2.7	-87.7

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⁾

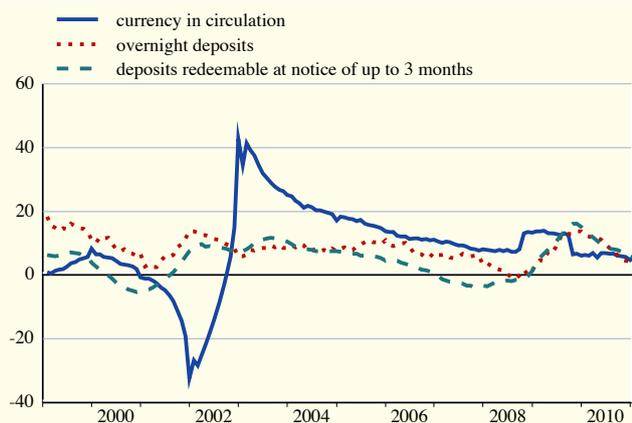
(EUR billions and annual growth rates; seasonally adjusted; outstanding amounts and growth rates at end of period; transactions during period)

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											
2009	755.1	3,737.2	1,890.6	1,805.4	340.2	673.8	131.9	2,633.0	131.9	2,203.0	1,789.4
2010	790.0	3,911.4	1,775.0	1,909.4	442.5	574.9	120.7	2,750.4	117.8	2,436.0	2,009.3
2010 Q3	791.2	3,893.5	1,804.5	1,891.3	401.3	594.6	127.8	2,701.0	122.5	2,396.2	1,952.0
2010 Q4	790.0	3,911.4	1,775.0	1,909.4	442.5	574.9	120.7	2,750.4	117.8	2,436.0	2,009.3
2010 Oct.	790.4	3,896.2	1,811.2	1,903.7	382.8	579.5	121.6	2,705.4	119.8	2,387.2	1,966.7
2010 Nov.	796.0	3,887.4	1,803.2	1,914.8	432.9	591.1	119.4	2,752.0	118.6	2,441.6	2,001.3
2010 Dec.	790.0	3,911.4	1,775.0	1,909.4	442.5	574.9	120.7	2,750.4	117.8	2,436.0	2,009.3
2011 Jan. ^(p)	802.6	3,890.9	1,806.1	1,913.5	393.1	549.3	125.4	2,766.4	118.3	2,443.5	2,004.9
Transactions											
2009	43.4	452.2	-605.6	237.4	-10.1	-13.3	-134.3	77.9	8.9	193.4	141.3
2010	34.8	163.4	-130.1	111.7	97.0	-101.0	-18.4	57.9	-7.4	101.7	110.1
2010 Q3	6.2	29.1	20.0	46.7	-0.2	-11.0	-0.6	33.1	-2.3	64.5	14.5
2010 Q4	-1.3	17.6	-32.1	18.3	36.9	-17.4	-7.9	25.5	-3.6	11.1	34.6
2010 Oct.	-0.9	4.5	7.5	12.4	-22.6	-14.8	-6.0	11.0	-1.6	-9.8	9.2
2010 Nov.	5.6	-14.1	-13.6	11.0	49.7	12.3	-2.6	9.7	-1.2	25.7	22.0
2010 Dec.	-6.1	27.2	-26.0	-5.1	9.7	-14.9	0.7	4.8	-0.8	-4.8	3.4
2011 Jan. ^(p)	12.4	-22.9	30.0	3.3	-49.3	-25.6	4.3	27.1	0.4	8.6	7.4
Growth rates											
2009	6.1	13.8	-24.3	15.1	-2.8	-1.9	-50.2	3.0	7.2	9.7	8.7
2010	4.6	4.4	-6.9	6.2	28.2	-14.9	-13.7	2.2	-5.8	4.5	6.0
2010 Q3	6.0	6.2	-12.1	7.9	22.0	-15.1	-16.4	1.4	-3.8	4.2	6.8
2010 Q4	4.6	4.4	-6.9	6.2	28.2	-14.9	-13.7	2.2	-5.8	4.5	6.0
2010 Oct.	5.8	4.7	-8.9	7.3	22.5	-16.8	-14.7	1.9	-5.9	3.8	7.0
2010 Nov.	5.6	4.4	-7.6	7.3	36.2	-13.1	-14.3	1.8	-6.2	4.6	7.2
2010 Dec.	4.6	4.4	-6.9	6.2	28.2	-14.9	-13.7	2.2	-5.8	4.5	6.0
2011 Jan. ^(p)	5.5	2.7	-3.2	5.6	25.6	-16.8	-10.8	1.9	-5.4	3.8	6.4

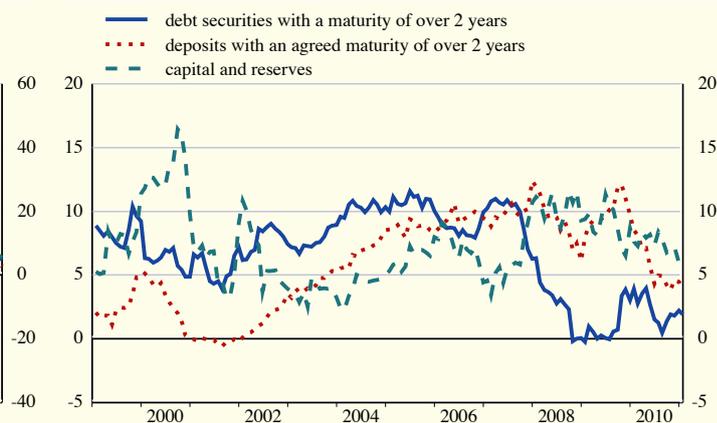
C3 Components of monetary aggregates ¹⁾

(annual growth rates; seasonally adjusted)



C4 Components of longer-term financial liabilities ¹⁾

(annual growth rates; seasonally adjusted)



Source: ECB.

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

2.4 MFI loans: breakdown ^{1), 2)}

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

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

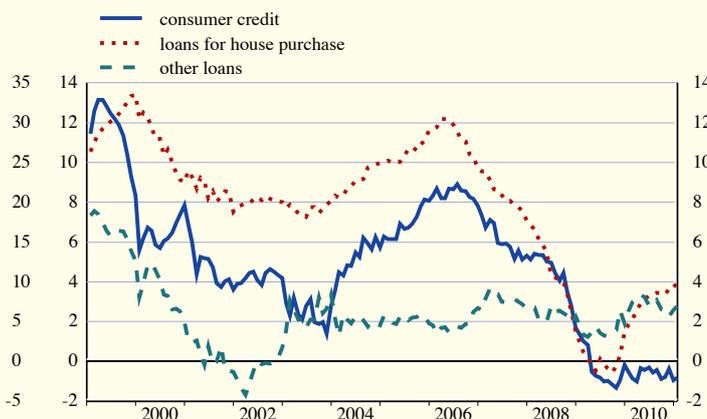
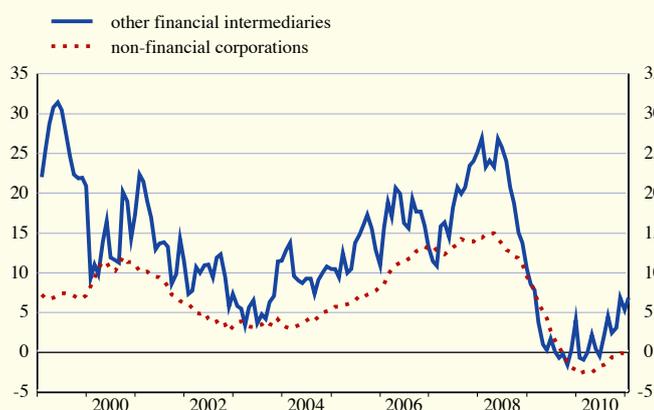
	Insurance corporations and pension funds	Other financial intermediaries ³⁾	Non-financial corporations				Households ⁴⁾			
	Total	Total	Total	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Total	Consumer credit	Loans for house purchase	Other loans
	1	2	3	4	5	6	7	8	9	10
Outstanding amounts										
2009	90.0	1,058.5	4,684.9	1,185.4	936.8	2,562.7	4,948.7	631.4	3,543.3	774.1
2010	96.4	1,111.8	4,664.2	1,125.6	900.9	2,637.7	5,155.6	639.8	3,697.9	817.9
2010 Q3	92.5	1,072.9	4,699.5	1,135.5	924.5	2,639.5	5,106.3	640.5	3,653.6	812.2
2010 Q4	96.4	1,111.8	4,664.2	1,125.6	900.9	2,637.7	5,155.6	639.8	3,697.9	817.9
2010 Oct.	93.1	1,066.4	4,685.0	1,130.6	916.8	2,637.6	5,122.9	639.1	3,670.8	813.0
2010 Nov.	97.7	1,125.9	4,698.2	1,136.1	910.5	2,651.6	5,140.7	642.8	3,678.7	819.2
2010 Dec.	96.4	1,111.8	4,664.2	1,125.6	900.9	2,637.7	5,155.6	639.8	3,697.9	817.9
2011 Jan. ^(p)	92.0	1,099.3	4,692.3	1,147.7	897.2	2,647.3	5,183.0	638.0	3,721.2	823.8
Transactions										
2009	-13.6	35.9	-107.5	-181.2	-19.0	92.8	64.7	-1.2	51.3	14.6
2010	7.5	55.1	-8.4	-42.6	-22.1	56.2	146.7	-6.1	132.5	20.3
2010 Q3	6.5	20.2	18.0	5.0	2.4	10.6	21.0	-2.5	21.6	1.9
2010 Q4	4.1	36.6	-26.6	-8.6	-18.5	0.5	49.5	-0.4	42.7	7.1
2010 Oct.	0.6	-3.3	-8.8	-3.1	-6.1	0.3	14.1	-0.9	13.9	1.1
2010 Nov.	4.5	53.0	7.6	3.9	-4.6	8.2	12.2	3.2	3.0	6.0
2010 Dec.	-1.0	-13.1	-25.4	-9.4	-7.9	-8.1	23.2	-2.6	25.9	0.0
2011 Jan. ^(p)	-4.4	-11.5	24.2	21.0	-4.7	7.9	23.0	-0.9	19.5	4.4
Growth rates										
2009	-13.0	3.6	-2.2	-13.1	-2.0	3.7	1.3	-0.2	1.5	1.9
2010	8.4	5.1	-0.2	-3.6	-2.4	2.2	2.9	-1.0	3.7	2.6
2010 Q3	0.0	2.6	-0.6	-6.5	-2.0	2.7	2.7	-0.9	3.4	2.6
2010 Q4	8.4	5.1	-0.2	-3.6	-2.4	2.2	2.9	-1.0	3.7	2.6
2010 Oct.	5.2	3.2	-0.5	-5.5	-2.1	2.4	2.8	-0.8	3.6	2.5
2010 Nov.	14.2	6.9	-0.2	-4.3	-1.9	2.4	2.8	-0.4	3.4	2.3
2010 Dec.	8.4	5.1	-0.2	-3.6	-2.4	2.2	2.9	-1.0	3.7	2.6
2011 Jan. ^(p)	6.5	7.0	0.4	-1.8	-2.2	2.4	3.1	-0.8	3.9	2.8

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

(annual growth rates; not seasonally adjusted)

C6 Loans to households ²⁾

(annual growth rates; not seasonally adjusted)



Source: ECB.

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

2.4 MFI loans: breakdown ^{1), 2)}

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

2. Loans to financial intermediaries and non-financial corporations

	Insurance corporations and pension funds				Other financial intermediaries ³⁾				Non-financial corporations			
	Total	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9	10	11	12
Outstanding amounts												
2010	86.0	66.6	5.2	14.3	1,107.3	589.0	206.2	312.0	4,671.0	1,121.5	901.4	2,648.1
2010 Q3	93.6	73.4	5.8	14.4	1,086.0	585.9	201.1	299.0	4,689.4	1,132.9	922.3	2,634.2
2010 Q4	86.0	66.6	5.2	14.3	1,107.3	589.0	206.2	312.0	4,671.0	1,121.5	901.4	2,648.1
2010 Nov. Dec.	96.9 86.0	76.4 66.6	5.9 5.2	14.5 14.3	1,126.4 1,107.3	616.0 589.0	202.1 206.2	308.3 312.0	4,696.9 4,671.0	1,137.3 1,121.5	909.2 901.4	2,650.4 2,648.1
2011 Jan. ^(p)	90.5	71.1	5.1	14.3	1,092.4	582.6	199.0	310.8	4,698.5	1,148.3	897.0	2,653.2
Transactions												
2010	6.8	10.1	-1.8	-1.5	57.4	18.9	8.3	30.1	-7.9	-42.6	-22.0	56.6
2010 Q3	3.4	4.6	0.2	-1.4	22.7	5.6	3.3	13.8	-0.4	-9.7	0.3	9.0
2010 Q4	-7.4	-6.9	-0.6	0.1	19.0	2.4	5.4	11.2	-9.7	-10.0	-15.9	16.2
2010 Nov. Dec.	2.4 -10.5	2.8 -9.9	0.1 -0.6	-0.5 0.0	59.0 -18.2	52.6 -26.2	1.7 4.3	4.7 3.7	16.3 -17.4	10.6 -14.7	-5.0 -6.2	10.7 3.5
2011 Jan. ^(p)	4.5	4.5	-0.1	0.0	-13.8	-5.3	-7.7	-0.8	23.7	25.6	-5.4	3.4
Growth rates												
2010	8.4	17.5	-25.2	-9.4	5.3	3.1	4.0	10.5	-0.2	-3.6	-2.4	2.2
2010 Q3	0.3	3.9	-25.2	-3.5	2.5	1.6	-1.7	6.9	-0.6	-6.4	-2.0	2.7
2010 Q4	8.4	17.5	-25.2	-9.4	5.3	3.1	4.0	10.5	-0.2	-3.6	-2.4	2.2
2010 Nov. Dec.	13.6 8.4	22.7 17.5	-24.5 -25.2	-4.5 -9.4	6.9 5.3	7.5 3.1	1.4 4.0	9.1 10.5	-0.1 -0.2	-4.4 -3.6	-1.9 -2.4	2.5 2.2
2011 Jan. ^(p)	6.5	15.5	-29.1	-11.6	6.9	6.9	2.1	9.5	0.5	-1.8	-2.2	2.4

3. Loans to households ⁴⁾

	Total	Consumer credit				Loans for house purchase				Other loans			
		Total	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9	10	11	12	13
Outstanding amounts													
2010	5,167.6	641.9	147.1	186.5	308.3	3,706.8	14.7	54.9	3,637.2	818.9	146.2	85.7	587.0
2010 Q3	5,113.1	642.5	144.3	188.3	309.9	3,657.7	14.7	58.8	3,584.3	812.9	145.0	87.0	580.9
2010 Q4	5,167.6	641.9	147.1	186.5	308.3	3,706.8	14.7	54.9	3,637.2	818.9	146.2	85.7	587.0
2010 Nov. Dec.	5,148.1 5,167.6	643.0 641.9	145.0 147.1	187.9 186.5	310.1 308.3	3,682.9 3,706.8	14.7 14.7	57.6 54.9	3,610.5 3,637.2	822.3 818.9	149.9 146.2	85.8 85.7	586.7 587.0
2011 Jan. ^(p)	5,180.4	634.7	143.5	184.8	306.5	3,722.7	14.4	54.8	3,653.6	823.0	147.0	85.2	590.7
Transactions													
2010	147.1	-6.2	-3.3	-8.8	5.9	133.1	-0.6	-3.7	137.4	20.2	-8.7	-4.4	33.3
2010 Q3	24.4	-3.9	-3.3	-3.4	2.8	30.8	0.2	2.4	28.1	-2.5	-5.0	-0.4	2.9
2010 Q4	54.8	-0.2	3.2	-2.5	-0.9	47.6	0.1	-2.1	49.6	7.4	1.0	-1.0	7.5
2010 Nov. Dec.	14.3 27.9	0.8 -0.7	1.1 2.1	-0.5 -1.6	0.3 -1.2	3.3 30.7	0.1 0.1	0.3 -2.6	2.9 33.2	10.1 -2.2	7.4 -3.7	0.0 -0.3	2.7 1.9
2011 Jan. ^(p)	8.4	-6.2	-3.0	-1.8	-1.4	12.1	-0.4	-0.2	12.6	2.5	-0.1	-0.6	3.2
Growth rates													
2010	2.9	-1.0	-2.4	-4.5	2.0	3.7	-4.2	-6.2	3.9	2.6	-5.8	-5.0	6.1
2010 Q3	2.7	-0.9	-2.4	-3.7	1.7	3.4	-7.1	-5.1	3.6	2.6	-7.7	-2.9	6.4
2010 Q4	2.9	-1.0	-2.4	-4.5	2.0	3.7	-4.2	-6.2	3.9	2.6	-5.8	-5.0	6.1
2010 Nov. Dec.	2.8 2.9	-0.4 -1.0	-0.8 -2.4	-4.0 -4.5	2.2 2.0	3.4 3.7	-6.1 -4.2	-4.0 -6.2	3.6 3.9	2.3 2.6	-6.3 -5.8	-3.6 -5.0	5.6 6.1
2011 Jan. ^(p)	3.1	-0.8	-3.3	-4.0	2.3	3.9	-6.2	-6.6	4.2	2.8	-5.9	-4.8	6.4

Source: ECB.

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

2.4 MFI loans: breakdown ^{1), 2)}

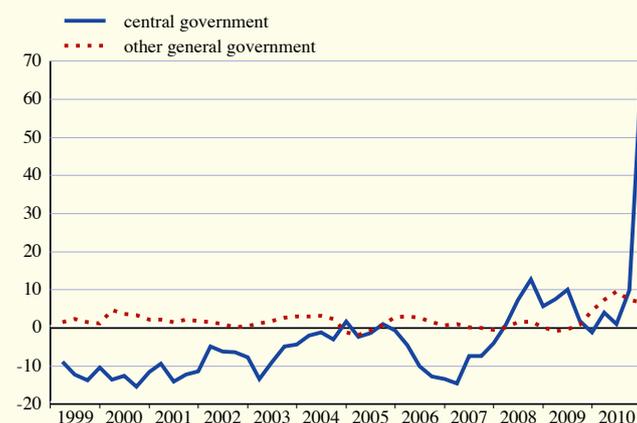
(EUR billions and annual growth rates; not seasonally adjusted; outstanding amounts and growth rates at end of period; transactions during period)

4. Loans to government and non-euro area residents

	General government					Non-euro area residents				
	Total	Central government	Other general government			Total	Banks ³⁾	Non-banks		
			State government	Local government	Social security funds			Total	General government	Other
	1	2	3	4	5	6	7	8	9	10
Outstanding amounts										
2008	973.3	232.0	209.8	509.3	22.2	3,242.4	2,278.8	963.6	57.5	906.1
2009	1,001.7	229.3	209.8	528.8	33.8	2,821.7	1,914.9	906.8	46.1	860.7
2010 Q1	1,032.5	242.3	209.0	538.9	42.2	2,949.9	1,985.1	964.8	46.8	918.0
Q2	1,073.0	255.2	225.0	547.9	44.8	3,076.0	2,074.4	1,001.6	50.9	950.7
Q3	1,073.9	262.1	223.2	544.1	44.5	2,951.7	1,995.7	956.0	51.8	904.2
Q4 ⁴⁾	1,217.2	393.2	225.2	552.9	45.8	2,961.5	2,009.3	952.2	49.5	902.7
Transactions										
2008	13.7	12.5	-8.1	16.5	-7.2	-59.8	-86.0	26.1	0.3	25.8
2009	30.5	-2.7	0.1	21.6	11.5	-384.7	-345.5	-38.9	-1.5	-37.5
2010 Q1	30.4	12.6	-0.8	10.1	8.5	53.9	24.1	29.6	-0.6	30.2
Q2	36.7	9.2	15.9	9.0	2.6	-20.5	1.3	-22.7	-0.7	-22.0
Q3	1.5	7.7	-1.9	-3.8	-0.3	-11.0	-13.1	2.1	3.8	-1.7
Q4 ⁴⁾	137.9	126.2	2.0	8.8	1.3	-19.2	-3.7	-15.5	-2.0	-13.5
Growth rates										
2008	1.4	5.7	-3.7	3.3	-24.4	-1.5	-3.6	2.8	0.5	3.0
2009	3.1	-1.2	0.1	4.2	51.9	-11.7	-15.1	-4.1	-3.0	-4.2
2010 Q1	6.6	4.0	1.8	5.8	101.2	-3.2	-5.4	1.7	-4.7	2.1
Q2	7.4	1.0	9.1	7.0	56.8	-1.3	-1.6	-1.4	-4.3	-1.2
Q3	8.0	9.9	6.5	5.4	45.1	0.9	1.3	-0.6	1.5	-0.8
Q4 ⁴⁾	20.6	67.1	7.3	4.6	35.7	0.5	0.5	-0.6	0.4	-0.7

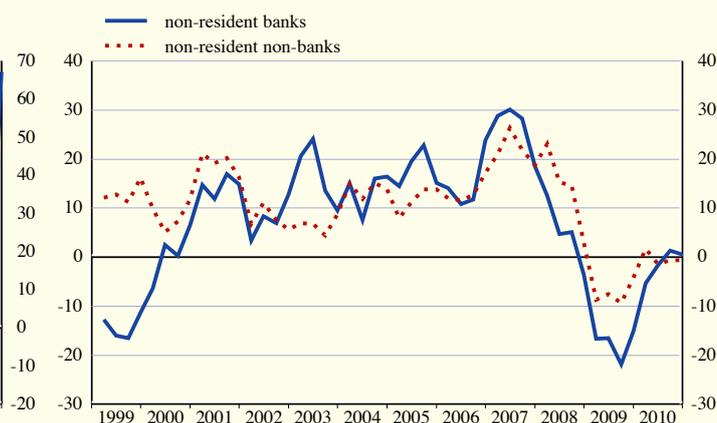
C7 Loans to government ²⁾

(annual growth rates; not seasonally adjusted)



C8 Loans to non-euro area residents ²⁾

(annual growth rates; not seasonally adjusted)



Source: ECB.

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

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

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

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

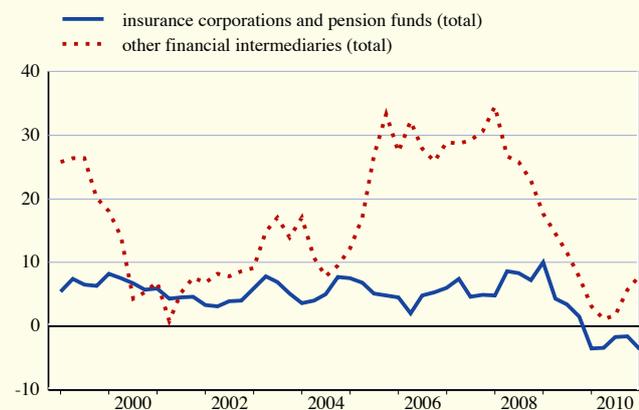
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period; transactions during period)

1. Deposits by financial intermediaries

	Insurance corporations and pension funds							Other financial intermediaries ³⁾						
	Total	Overnight	With an agreed maturity of:		Redeemable at notice of:		Repos	Total	Overnight	With an agreed maturity of:		Redeemable at notice of:		Repos
			Up to 2 years	Over 2 years	Up to 3 months	Over 3 months				Up to 2 years	Over 2 years	Up to 3 months	Over 3 months	
Outstanding amounts														
2009	738.5	84.1	86.9	543.7	2.2	1.4	20.2	1,872.5	313.1	335.1	957.5	15.9	0.0	250.9
2010	716.8	84.9	79.0	528.3	2.4	0.3	21.9	2,171.1	359.9	305.3	1,137.1	8.7	0.5	359.5
2010 Q3	734.4	89.5	89.3	532.7	2.6	0.3	20.1	2,111.6	379.6	300.7	1,077.9	9.1	0.7	343.6
2010 Q4	716.8	84.9	79.0	528.3	2.4	0.3	21.9	2,171.1	359.9	305.3	1,137.1	8.7	0.5	359.5
2010 Oct.	729.0	89.4	85.6	529.7	2.5	0.3	21.4	2,088.0	372.4	317.8	1,070.1	9.2	0.6	317.8
2010 Nov.	719.4	89.5	79.5	527.6	2.5	0.3	20.0	2,206.5	384.7	316.3	1,129.0	8.7	0.5	367.3
2010 Dec.	716.8	84.9	79.0	528.3	2.4	0.3	21.9	2,171.1	359.9	305.3	1,137.1	8.7	0.5	359.5
2011 Jan. ⁴⁾	730.8	97.6	80.0	527.9	2.6	0.2	22.5	2,136.1	381.8	293.3	1,125.8	8.9	0.5	325.8
Transactions														
2009	-26.8	-1.0	-30.4	6.3	1.1	-0.1	-2.7	56.8	6.8	-93.6	85.8	3.7	0.0	54.0
2010	-26.5	-3.2	-8.6	-23.2	0.2	6.6	1.6	153.0	43.3	-38.7	52.4	-7.8	0.4	103.4
2010 Q3	-5.6	-5.8	5.0	-6.7	0.3	3.3	-1.7	57.4	12.7	10.5	29.9	-0.4	0.5	4.3
2010 Q4	-18.0	-4.7	-10.3	-5.7	-0.2	1.1	1.8	24.2	-19.7	2.4	30.3	-0.3	-0.3	11.7
2010 Oct.	-5.4	0.0	-3.5	-4.3	-0.1	1.1	1.4	-25.7	-6.2	17.5	-7.2	0.2	-0.1	-29.9
2010 Nov.	-10.2	-0.2	-6.3	-2.2	0.0	0.0	-1.5	84.8	9.9	-3.2	29.6	-0.6	-0.1	49.3
2010 Dec.	-2.3	-4.5	-0.4	0.8	-0.1	0.0	1.9	-34.9	-23.4	-11.8	7.9	0.1	-0.1	-7.6
2011 Jan. ⁴⁾	13.7	12.7	0.6	-0.4	0.1	0.0	0.6	-30.7	22.7	-9.6	-10.2	0.1	0.0	-33.6
Growth rates														
2009	-3.5	-1.1	-26.4	1.2	96.8	-	-11.8	3.1	2.0	-22.0	10.0	30.0	-	27.4
2010	-3.6	-3.2	-9.8	-4.2	10.1	-	7.8	7.9	13.8	-11.4	4.8	-48.1	-	40.8
2010 Q3	-1.6	2.8	2.9	-4.4	36.0	-	6.1	5.7	19.3	-13.3	0.9	-40.9	-	35.1
2010 Q4	-3.6	-3.2	-9.8	-4.2	10.1	-	7.8	7.9	13.8	-11.4	4.8	-48.1	-	40.8
2010 Oct.	-2.7	-3.9	-1.2	-4.7	26.3	-	16.9	5.6	15.7	-8.9	1.3	-45.1	-	33.5
2010 Nov.	-3.0	0.6	-2.9	-4.7	23.7	-	-7.5	9.5	16.2	-8.6	4.1	-49.6	-	51.7
2010 Dec.	-3.6	-3.2	-9.8	-4.2	10.1	-	7.8	7.9	13.8	-11.4	4.8	-48.1	-	40.8
2011 Jan. ⁴⁾	-2.4	-0.2	-4.7	-3.8	7.1	-	0.7	6.4	11.1	-10.8	3.8	-51.0	-	37.1

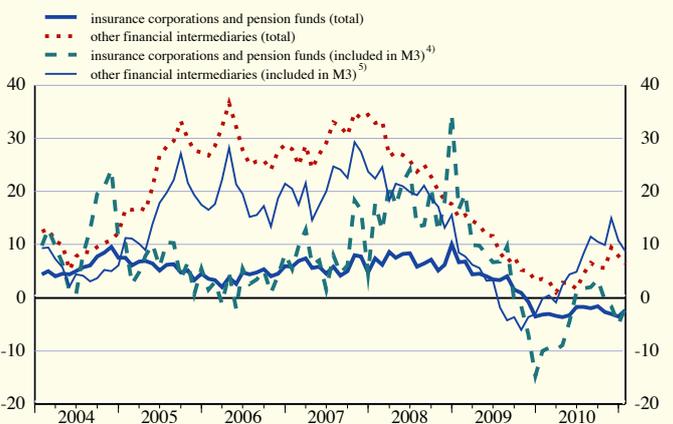
C9 Total deposits by sector ²⁾

(annual growth rates)



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

(annual growth rates)



Source: ECB.

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

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

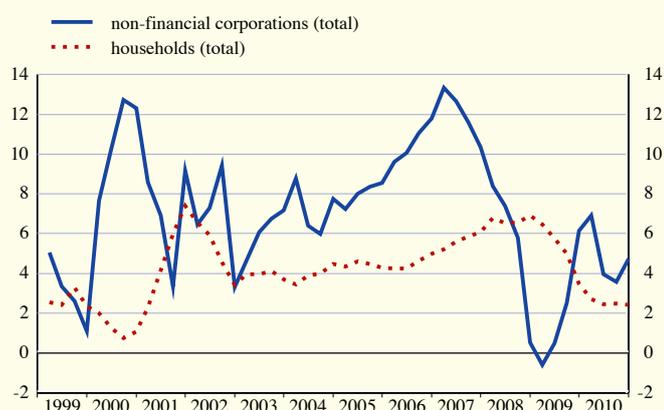
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period; transactions during period)

2. Deposits by non-financial corporations and households

	Non-financial corporations							Households ³⁾						
	Total	Overnight	With an agreed maturity of:		Redeemable at notice of:		Repos	Total	Overnight	With an agreed maturity of:		Redeemable at notice of:		Repos
			Up to 2 years	Over 2 years	Up to 3 months	Over 3 months				Up to 2 years	Over 2 years	Up to 3 months	Over 3 months	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Outstanding amounts														
2009	1,603.1	1,001.1	434.5	80.7	68.7	1.7	16.3	5,601.8	2,157.0	996.5	607.1	1,680.2	123.7	37.3
2010	1,671.9	1,038.2	457.4	87.2	73.3	1.5	14.2	5,741.2	2,244.3	903.4	666.5	1,786.9	110.3	29.8
2010 Q3	1,602.6	992.5	434.8	86.9	74.6	2.1	11.8	5,650.8	2,202.3	897.7	652.3	1,756.3	110.8	31.4
2010 Q4	1,671.9	1,038.2	457.4	87.2	73.3	1.5	14.2	5,741.2	2,244.3	903.4	666.5	1,786.9	110.3	29.8
2010 Oct.	1,614.7	990.5	449.8	86.9	74.1	2.0	11.3	5,672.5	2,218.0	898.5	655.3	1,760.4	109.5	30.9
2010 Nov.	1,627.2	998.6	449.2	86.9	76.6	2.0	14.0	5,659.1	2,201.9	898.3	656.2	1,762.8	110.1	29.9
2010 Dec.	1,671.9	1,038.2	457.4	87.2	73.3	1.5	14.2	5,741.2	2,244.3	903.4	666.5	1,786.9	110.3	29.8
2011 Jan. ⁴⁾	1,616.5	989.1	449.0	89.4	76.5	1.5	11.0	5,756.4	2,234.1	905.6	672.7	1,803.9	110.0	30.1
Transactions														
2009	93.0	114.3	-70.1	15.1	40.8	0.4	-7.4	187.8	320.6	-371.5	85.9	190.5	8.6	-46.3
2010	75.5	38.9	22.1	8.9	7.9	-0.2	-2.1	135.0	82.1	-97.1	60.2	111.9	-14.6	-7.5
2010 Q3	29.9	-4.5	27.2	5.0	2.9	0.0	-0.7	-3.3	-23.2	-6.9	8.3	23.6	-6.0	0.9
2010 Q4	71.8	46.0	22.8	2.4	-1.2	-0.6	2.4	89.6	41.8	5.2	13.9	30.8	-0.5	-1.6
2010 Oct.	12.7	-1.5	15.1	0.0	-0.5	0.0	-0.5	22.1	15.9	0.9	3.0	4.2	-1.3	-0.6
2010 Nov.	9.1	6.4	-3.2	0.8	2.5	-0.1	2.7	-15.4	-17.0	-1.1	0.8	2.2	0.6	-0.9
2010 Dec.	50.0	41.0	10.9	1.5	-3.2	-0.5	0.2	82.9	42.9	5.4	10.1	24.5	0.2	-0.1
2011 Jan. ⁴⁾	-57.6	-50.7	-8.9	2.2	3.0	0.0	-3.2	12.1	-11.8	1.2	6.1	16.5	-0.3	0.3
Growth rates														
2009	6.2	12.9	-13.9	23.1	146.6	28.3	-31.2	3.5	17.5	-27.1	16.5	12.8	7.5	-55.4
2010	4.7	3.9	5.0	11.1	11.6	-10.5	-12.8	2.4	3.8	-9.7	9.9	6.7	-11.7	-20.2
2010 Q3	3.6	4.5	-2.4	11.9	33.6	38.8	-32.3	2.5	7.0	-18.2	16.3	7.6	-9.6	-27.2
2010 Q4	4.7	3.9	5.0	11.1	11.6	-10.5	-12.8	2.4	3.8	-9.7	9.9	6.7	-11.7	-20.2
2010 Oct.	3.7	3.0	1.4	11.1	28.9	35.2	-25.3	2.7	6.1	-14.6	14.2	7.1	-12.5	-22.6
2010 Nov.	4.0	2.8	2.2	10.6	30.9	27.5	-5.8	2.4	4.5	-12.3	12.2	7.1	-12.6	-22.2
2010 Dec.	4.7	3.9	5.0	11.1	11.6	-10.5	-12.8	2.4	3.8	-9.7	9.9	6.7	-11.7	-20.2
2011 Jan. ⁴⁾	4.9	2.7	7.2	12.6	16.1	-13.8	-16.2	2.3	2.4	-6.3	9.2	5.9	-10.9	-18.7

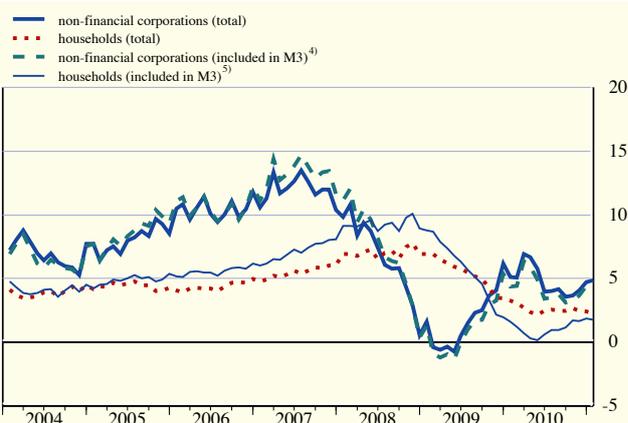
C11 Total deposits by sector ²⁾

(annual growth rates)



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

(annual growth rates)



Source: ECB.

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

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

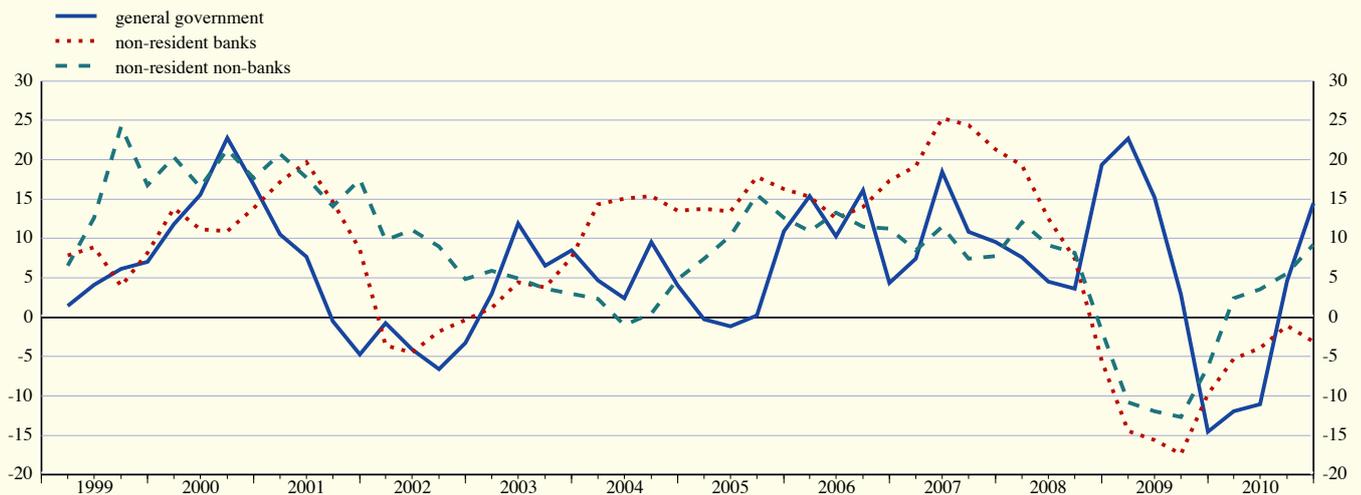
(EUR billions and annual growth rates; outstanding amounts and growth rates at end of period; transactions during period)

3. Deposits by government and non-euro area residents

	General government					Non-euro area residents				
	Total	Central government	Other general government			Total	Banks ³⁾	Non-banks		
			State government	Local government	Social security funds			Total	General government	Other
	1	2	3	4	5	6	7	8	9	10
Outstanding amounts										
2008	444.7	190.8	52.1	116.1	85.8	3,713.3	2,816.2	897.1	65.6	831.5
2009	373.0	144.1	43.4	114.3	71.2	3,368.7	2,532.7	836.0	56.7	779.3
2010 Q1	397.6	166.2	50.4	108.4	72.6	3,543.7	2,639.0	904.7	66.8	837.9
Q2	412.6	167.6	54.5	113.7	76.8	3,700.4	2,693.4	1,007.0	46.7	960.4
Q3	421.4	176.2	58.7	111.9	74.5	3,580.5	2,597.1	983.4	47.8	935.5
Q4 ^(p)	427.7	196.2	47.7	109.8	74.1	3,487.6	2,490.7	996.9	45.9	951.0
Transactions										
2008	72.7	63.4	-6.5	8.7	7.1	-183.3	-165.8	-17.5	-36.8	19.3
2009	-64.7	-38.1	-8.7	-2.5	-15.0	-331.2	-275.4	-55.8	-4.5	-51.3
2010 ^(p)	54.0	51.3	4.3	-4.8	2.9	-0.2	-80.3	79.3	7.4	71.8
2010 Q1	24.6	22.1	7.0	-5.9	1.0	95.3	49.6	45.7	9.1	36.6
Q2	14.6	1.3	4.1	5.1	4.2	-9.5	-26.3	16.8	-2.3	19.1
Q3	9.3	8.5	4.3	-1.7	-1.8	17.3	5.5	11.5	3.2	8.3
Q4 ^(p)	5.5	19.3	-11.0	-2.2	-0.5	-103.3	-109.2	5.3	-2.5	7.8
Growth rates										
2008	19.4	49.9	-11.0	8.1	8.8	-4.4	-5.6	-1.7	-25.6	2.7
2009	-14.6	-19.9	-16.7	-2.1	-17.4	-8.8	-9.8	-6.2	-7.0	-6.2
2010 Q1	-12.0	-17.2	-0.1	-5.4	-13.2	-3.5	-5.3	2.4	12.0	1.7
Q2	-11.0	-20.6	11.6	-4.7	-6.0	-2.0	-4.0	3.6	6.9	3.3
Q3	4.6	12.3	15.0	-9.2	4.2	0.7	-1.1	5.6	14.5	5.1
Q4 ^(p)	14.5	35.6	9.8	-4.2	4.1	0.3	-3.1	9.2	13.4	8.9

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												
2009	6,207.7	1,971.1	109.1	1,467.2	16.0	1,457.8	39.4	1,147.1	1,515.3	434.6	800.5	280.2
2010	5,997.7	1,779.3	107.4	1,503.9	16.4	1,511.2	27.8	1,051.6	1,535.5	445.4	787.5	302.7
2010 Q3	6,225.3	1,863.7	105.5	1,548.5	17.7	1,517.9	30.2	1,141.8	1,535.0	458.1	786.0	290.9
2010 Q4	5,997.7	1,779.3	107.4	1,503.9	16.4	1,511.2	27.8	1,051.6	1,535.5	445.4	787.5	302.7
2010 Oct.	6,202.1	1,814.6	108.2	1,650.9	14.7	1,494.8	27.1	1,091.7	1,547.6	459.1	792.6	295.9
2010 Nov.	6,190.1	1,820.7	115.7	1,593.3	17.1	1,526.5	27.5	1,089.2	1,554.4	446.4	804.6	303.4
2010 Dec.	5,997.7	1,779.3	107.4	1,503.9	16.4	1,511.2	27.8	1,051.6	1,535.5	445.4	787.5	302.7
2011 Jan. ^(p)	6,029.7	1,787.5	106.8	1,521.6	17.6	1,500.5	26.4	1,069.2	1,552.0	448.3	802.1	301.6
Transactions												
2009	354.4	83.5	16.6	230.6	-3.2	103.3	-12.0	-64.5	43.2	29.1	11.8	2.3
2010	-261.7	-163.7	-7.3	42.3	-2.1	14.5	-14.6	-130.9	57.0	29.8	6.4	20.8
2010 Q3	-19.1	-46.2	-0.5	-12.8	0.1	31.3	5.2	3.8	10.1	2.2	9.9	-2.0
2010 Q4	-200.8	-69.7	0.5	-28.5	-1.4	-2.6	-2.9	-96.1	21.2	3.9	11.7	5.6
2010 Oct.	-10.6	-48.8	3.9	104.2	-2.8	-22.6	-2.8	-41.7	7.0	1.0	5.5	0.5
2010 Nov.	-22.4	18.4	2.3	-47.4	1.7	35.5	-1.0	-31.9	27.8	4.2	17.0	6.6
2010 Dec.	-167.8	-39.4	-5.7	-85.3	-0.3	-15.4	0.8	-22.5	-13.6	-1.3	-10.8	-1.5
2011 Jan. ^(p)	44.3	8.9	1.5	16.4	1.6	-10.9	-0.8	27.8	14.4	2.9	13.5	-2.0
Growth rates												
2009	6.0	4.4	17.6	18.7	-15.8	7.6	-23.2	-5.3	2.9	7.0	1.5	0.8
2010	-4.2	-8.4	-5.8	2.8	-11.2	0.9	-35.0	-11.1	3.8	6.8	0.8	7.5
2010 Q3	-2.5	-6.9	-2.4	3.5	-15.4	2.0	-39.4	-6.5	3.4	6.3	0.5	7.1
2010 Q4	-4.2	-8.4	-5.8	2.8	-11.2	0.9	-35.0	-11.1	3.8	6.8	0.8	7.5
2010 Oct.	-2.3	-8.3	1.1	9.5	-25.9	0.6	-40.5	-9.1	3.4	6.1	0.8	6.7
2010 Nov.	-2.5	-7.3	2.0	6.2	-9.4	2.9	-42.3	-10.9	4.3	6.5	1.4	9.4
2010 Dec.	-4.2	-8.4	-5.8	2.8	-11.2	0.9	-35.0	-11.1	3.8	6.8	0.8	7.5
2011 Jan. ^(p)	-3.7	-8.1	-3.4	3.3	-15.5	0.7	-37.7	-9.1	3.5	4.5	1.9	6.3

C14 MFI holdings of securities ²⁾

(annual growth rates)



Source: ECB.

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

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

2.7 Revaluation of selected MFI balance sheet items ^{1), 2)}
(EUR billions)

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

	Consumer credit				Lending for house purchase				Other lending			
	Total	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 and up to 5 years	Over 5 years
	1	2	3	4	5	6	7	8	9	10	11	12
2008	-4.6	-1.1	-1.5	-1.9	-2.7	0.0	-0.2	-2.5	-6.7	-1.2	-2.3	-3.2
2009	-7.5	-1.8	-2.3	-3.4	-4.0	-0.1	-0.2	-3.7	-7.4	-1.6	-1.3	-4.5
2010	-7.3	-2.7	-1.9	-2.6	-4.7	-0.2	-0.2	-4.3	-8.6	-1.1	-1.6	-6.0
2010 Q2	-1.6	-0.4	-0.4	-0.8	-1.1	0.0	0.0	-1.0	-1.9	-0.3	-0.4	-1.3
Q3	-1.9	-0.5	-0.5	-0.9	-0.7	0.0	0.0	-0.7	-1.2	-0.1	-0.2	-0.8
Q4	-1.8	-0.7	-0.4	-0.7	-1.8	-0.1	-0.1	-1.6	-3.2	-0.1	-0.6	-2.5
2010 Oct.	-0.4	-0.2	-0.1	-0.1	-0.7	0.0	0.0	-0.7	-0.7	-0.1	-0.1	-0.5
Nov.	-0.3	-0.1	0.0	-0.1	-0.4	0.0	0.0	-0.3	-0.7	0.1	-0.2	-0.6
Dec.	-1.2	-0.4	-0.3	-0.5	-0.8	-0.1	-0.1	-0.6	-1.7	-0.1	-0.3	-1.3
2011 Jan. ^(p)	-0.4	-0.3	0.0	-0.1	-0.3	0.0	0.0	-0.3	-0.7	-0.1	-0.1	-0.5

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

	Non-financial corporations				Non-euro area residents		
	Total	Up to 1 year	Over 1 and up to 5 years	Over 5 years	Total	Up to 1 year	Over 1 year
	1	2	3	4	5	6	7
2008	-17.8	-4.1	-9.1	-4.6	-6.6	-3.4	-3.2
2009	-35.4	-12.7	-12.5	-10.2	-6.9	-2.6	-4.2
2010	-60.2	-24.6	-20.4	-15.2	-3.7	-1.1	-2.6
2010 Q2	-17.8	-5.5	-6.4	-6.0	-1.0	-0.5	-0.5
Q3	-10.3	-4.0	-2.8	-3.6	-0.4	-0.3	-0.2
Q4	-20.6	-8.0	-7.3	-5.3	-1.2	0.1	-1.3
2010 Oct.	-1.8	-0.4	-0.8	-0.6	-0.2	0.0	-0.2
Nov.	-6.3	-2.0	-2.6	-1.7	-0.6	0.1	-0.7
Dec.	-12.5	-5.6	-3.9	-3.0	-0.4	0.0	-0.5
2011 Jan. ^(p)	-1.6	-0.7	-0.4	-0.5	-0.1	0.0	-0.1

3. Revaluation of securities held by MFIs

	Securities other than shares							Shares and other equity				
	Total	MFIs		General government		Other euro area residents		Non-euro area residents	Total	MFIs	Non-MFIs	Non-euro area residents
		Euro	Non-euro	Euro	Non-euro	Euro	Non-euro					
	1	2	3	4	5	6	7	8	9	10	11	12
2008	-60.4	-12.0	0.0	4.5	0.0	-19.0	-2.2	-31.7	-63.6	-9.2	-46.2	-8.2
2009	4.4	8.2	0.2	-0.8	-0.1	-0.8	0.8	-3.0	1.0	-5.9	3.4	3.5
2010	-9.2	-1.8	0.0	-13.1	0.8	-0.8	-1.2	6.9	-19.8	-6.8	-9.4	-3.6
2010 Q2	-12.7	-2.6	0.4	-8.7	0.5	-4.4	0.0	2.1	-14.6	-3.3	-7.3	-4.0
Q3	17.9	3.7	-0.2	6.0	0.3	5.5	-1.4	3.9	1.7	0.1	4.1	-2.5
Q4	-28.7	-6.1	-0.5	-14.9	-0.1	-4.4	0.0	-2.8	-7.4	-2.6	-6.0	1.2
2010 Oct.	-2.0	-0.2	0.1	-1.7	0.0	-0.5	0.1	0.2	1.1	-0.5	1.9	-0.3
Nov.	-20.0	-4.2	-0.5	-10.1	-0.1	-3.9	0.0	-1.2	-6.6	-2.5	-5.0	0.9
Dec.	-6.7	-1.8	-0.1	-3.0	-0.1	0.0	-0.1	-1.7	-1.9	0.3	-2.9	0.7
2011 Jan. ^(p)	-0.7	-0.8	-0.3	0.7	0.0	0.2	0.0	-0.5	1.1	0.3	1.1	-0.3

Source: ECB.

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

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

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

1. Deposits

	MFIs ³⁾							Non-MFIs						
	All currencies (outstanding amount)	Euro ⁴⁾	Non-euro currencies				All currencies (outstanding amount)	Euro ⁴⁾	Non-euro currencies					
			Total						Total					
			USD	JPY	CHF	GBP			USD	JPY	CHF	GBP		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
	By euro area residents													
2008	6,852.0	89.7	10.3	7.3	0.4	1.3	0.8	9,890.2	96.9	3.1	1.9	0.5	0.1	0.4
2009	6,282.0	92.9	7.1	4.4	0.3	1.2	0.7	10,188.9	97.0	3.0	1.9	0.2	0.1	0.4
2010 Q1	6,222.1	93.0	7.0	4.1	0.3	1.2	0.8	10,201.5	97.0	3.0	2.0	0.2	0.1	0.4
Q2	6,544.4	92.4	7.6	4.5	0.3	1.3	0.9	10,468.0	97.0	3.0	2.0	0.2	0.1	0.4
Q3	6,096.7	92.5	7.5	4.5	0.3	1.2	0.8	10,520.8	97.1	2.9	1.9	0.2	0.1	0.4
Q4 ⁴⁾	5,775.4	92.9	7.1	4.1	0.3	1.3	0.8	10,728.8	97.1	2.9	1.9	0.2	0.1	0.4
	By non-euro area residents													
2008	2,816.2	48.3	51.7	33.4	2.8	2.6	10.2	897.1	54.9	45.1	28.7	1.4	1.9	9.4
2009	2,532.7	49.2	50.8	34.2	1.8	2.2	9.6	836.0	53.5	46.5	31.4	1.1	1.7	7.5
2010 Q1	2,639.0	50.1	49.9	32.9	2.2	2.2	9.4	904.7	54.9	45.1	31.9	1.1	1.3	6.1
Q2	2,693.4	52.9	47.1	30.8	2.1	1.6	9.5	1,007.0	55.1	44.9	31.8	1.1	1.4	6.5
Q3	2,597.1	51.4	48.6	32.4	2.2	1.6	9.2	983.4	57.1	42.9	30.4	1.2	1.3	5.8
Q4 ⁴⁾	2,490.7	52.1	47.9	31.8	2.2	1.8	8.6	996.9	58.6	41.4	29.5	1.2	1.4	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
2008	5,101.8	83.3	16.7	8.4	2.0	1.9	2.5
2009	5,168.3	83.3	16.7	8.8	1.6	1.9	2.5
2010 Q1	5,284.2	82.5	17.5	9.5	1.6	1.8	2.5
Q2	5,244.3	81.6	18.4	10.0	1.8	2.0	2.5
Q3	5,143.2	82.3	17.7	9.4	1.7	2.0	2.4
Q4 ⁴⁾	5,082.1	81.6	18.4	9.7	1.8	2.1	2.5

Source: ECB.

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

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

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

3. Loans

	MFIs ³⁾							Non-MFIs						
	All currencies (outstanding amount)	Euro ⁴⁾	Non-euro currencies				All currencies (outstanding amount)	Euro ⁴⁾	Non-euro currencies					
			Total						Total					
			USD	JPY	CHF	GBP			USD	JPY	CHF	GBP		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
To euro area residents														
2008	6,307.7	-	-	-	-	-	11,748.1	95.9	4.1	2.1	0.3	1.1	0.4	
2009	5,917.5	-	-	-	-	-	11,784.9	96.2	3.8	1.9	0.2	1.0	0.4	
2010 Q1	5,916.7	-	-	-	-	-	11,832.5	96.1	3.9	2.0	0.2	1.0	0.4	
Q2	6,208.2	-	-	-	-	-	12,060.0	95.8	4.2	2.2	0.3	1.1	0.4	
Q3	5,841.2	-	-	-	-	-	12,056.0	96.0	4.0	2.0	0.2	1.1	0.4	
Q4 ^(p)	5,516.4	-	-	-	-	-	12,249.1	96.0	4.0	2.1	0.2	1.1	0.4	
To non-euro area residents														
2008	2,278.8	45.8	54.2	31.8	3.0	2.6	11.3	963.6	40.4	59.6	42.0	1.4	4.3	7.5
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 Q1	1,985.1	46.6	53.4	29.8	2.6	3.0	11.2	964.8	40.2	59.8	42.5	1.3	3.4	7.5
Q2	2,074.4	46.5	53.5	29.9	2.7	3.0	11.9	1,001.6	39.2	60.8	43.4	1.4	3.5	7.7
Q3	1,995.7	45.9	54.1	29.6	3.3	3.0	12.0	956.0	40.6	59.4	41.7	1.4	3.6	7.3
Q4 ^(p)	2,009.3	44.8	55.2	30.7	2.9	3.2	11.6	952.2	39.9	60.1	42.8	1.4	3.7	6.7

4. Holdings of securities other than shares

	Issued by MFIs ³⁾							Issued by non-MFIs						
	All currencies (outstanding amount)	Euro ⁴⁾	Non-euro currencies				All currencies (outstanding amount)	Euro ⁴⁾	Non-euro currencies					
			Total						Total					
			USD	JPY	CHF	GBP			USD	JPY	CHF	GBP		
1	2	3	4	5	6	7	8	9	10	11	12	13	14	
Issued by euro area residents														
2008	1,976.3	95.3	4.7	2.6	0.4	0.2	1.2	2,651.8	97.3	2.7	1.7	0.3	0.1	0.4
2009	2,080.2	94.8	5.2	3.1	0.2	0.3	1.4	2,980.4	98.1	1.9	1.2	0.2	0.1	0.3
2010 Q1	2,092.7	94.6	5.4	3.2	0.2	0.3	1.4	3,033.9	98.1	1.9	1.2	0.2	0.1	0.3
Q2	2,025.5	94.2	5.8	3.5	0.2	0.3	1.5	3,081.7	98.5	1.5	0.8	0.2	0.1	0.4
Q3	1,969.2	94.6	5.4	3.0	0.2	0.3	1.6	3,114.3	98.5	1.5	0.9	0.2	0.1	0.4
Q4 ^(p)	1,886.7	94.3	5.7	3.3	0.1	0.3	1.7	3,059.4	98.6	1.4	0.8	0.1	0.1	0.4
Issued by non-euro area residents														
2008	580.3	54.1	45.9	28.6	0.9	0.5	13.3	646.2	39.0	61.0	37.1	6.4	0.8	11.1
2009	546.6	55.8	44.2	26.3	0.4	0.5	14.8	600.5	34.9	65.1	38.5	4.2	0.9	15.2
2010 Q1	561.8	55.3	44.7	28.0	0.4	0.5	14.8	611.4	32.9	67.1	39.9	4.2	0.9	14.9
Q2	559.0	53.4	46.6	27.4	0.4	0.9	15.2	640.8	28.8	71.2	43.8	4.5	0.6	15.1
Q3	535.8	52.2	47.8	27.7	0.4	0.9	16.1	606.0	29.8	70.2	42.5	4.6	0.6	15.0
Q4 ^(p)	535.9	51.0	49.0	26.1	0.3	0.5	17.1	515.7	32.4	67.6	41.9	3.8	0.9	13.3

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) For non-euro area residents, the term "MFIs" refers to institutions similar to euro area MFIs.
- 4) Including items expressed in the national denominations of the euro.

2.9 Aggregated balance sheet of euro area investment funds ¹⁾

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

1. Assets

	Total	Deposits and loan claims	Securities other than shares	Shares and other equity (excl. investment fund/money market fund shares)	Investment fund/money market fund shares	Non-financial assets	Other assets (incl. financial derivatives)
	1	2	3	4	5	6	7
Outstanding amounts							
2010 June	5,845.6	384.7	2,271.0	1,718.7	791.7	243.4	435.9
July	5,936.9	382.2	2,289.7	1,754.5	798.4	247.7	464.3
Aug.	6,034.5	379.9	2,361.3	1,742.8	807.6	249.8	493.2
Sep.	6,098.2	375.1	2,342.0	1,794.7	825.2	245.4	515.8
Oct.	6,152.0	373.5	2,351.4	1,843.6	836.8	246.3	500.3
Nov.	6,171.7	368.6	2,361.7	1,885.4	845.0	248.0	463.0
Dec. ^(p)	6,243.6	363.4	2,359.7	1,982.5	862.0	238.3	437.6
Transactions							
2010 Q2	6.3	26.4	6.4	-30.7	8.8	1.1	-5.8
Q3	141.3	-13.3	63.7	13.6	18.9	0.0	58.5
Q4 ^(p)	12.1	-2.7	47.9	53.5	13.8	-3.7	-96.8

2. Liabilities

	Total	Loans and deposits received	Investment fund shares issued				Other liabilities (incl. financial derivatives)
			Total	Held by euro area residents		Held by non-euro area residents	
				Investment funds			
	1	2	3	4	5	6	7
Outstanding amounts							
2010 June	5,845.6	125.9	5,320.2	4,182.1	585.3	1,138.0	399.5
July	5,936.9	124.9	5,397.6	4,254.5	595.8	1,143.2	414.3
Aug.	6,034.5	126.0	5,466.7	4,296.4	602.6	1,170.3	441.7
Sep.	6,098.2	126.0	5,515.1	4,341.8	625.7	1,173.3	457.1
Oct.	6,152.0	124.4	5,582.8	4,387.5	638.7	1,195.4	444.7
Nov.	6,171.7	124.7	5,623.4	4,385.0	641.0	1,238.4	423.7
Dec. ^(p)	6,243.6	109.5	5,737.9	4,423.9	656.3	1,314.0	396.2
Transactions							
2010 Q2	6.3	10.2	26.0	3.1	1.0	22.9	-29.9
Q3	141.3	-5.7	79.0	56.1	22.4	22.9	68.0
Q4 ^(p)	12.1	-3.6	81.8	0.5	13.3	81.7	-66.2

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										
2010 May	5,332.0	1,741.3	1,510.3	1,289.3	256.8	107.5	426.7	5,248.9	83.1	1,190.4
June	5,320.2	1,750.3	1,486.8	1,291.4	253.3	107.4	431.0	5,236.3	83.9	1,167.0
July	5,397.6	1,767.4	1,521.2	1,308.9	258.6	104.9	436.7	5,313.7	84.0	1,143.6
Aug.	5,466.7	1,822.5	1,510.2	1,333.3	258.9	105.2	436.6	5,382.7	84.0	1,180.6
Sep.	5,515.1	1,813.8	1,554.6	1,345.4	259.8	101.7	439.9	5,430.7	84.4	1,137.7
Oct.	5,582.8	1,820.6	1,598.7	1,361.8	260.6	100.6	440.7	5,499.1	83.7	1,125.6
Nov.	5,623.4	1,820.8	1,638.2	1,363.6	258.1	104.2	438.4	5,539.3	84.0	1,152.5
Dec. ^(p)	5,737.9	1,811.8	1,715.5	1,394.2	262.8	108.2	445.4	5,651.4	86.5	1,106.6
Transactions										
2010 June	4.5	1.5	-4.4	4.4	1.0	0.3	1.8	3.9	0.6	-29.5
July	28.0	15.8	4.3	6.7	0.7	-0.4	1.0	27.6	0.4	-4.1
Aug.	30.5	17.8	2.8	10.5	0.0	-1.3	0.7	30.8	-0.3	28.1
Sep.	20.5	13.5	0.7	7.8	0.6	-1.2	-0.8	20.2	0.3	-17.8
Oct.	28.8	11.6	15.9	2.9	0.6	-1.1	-1.1	29.7	-1.0	-6.5
Nov.	16.2	5.0	8.1	8.1	-1.6	-1.0	-2.4	16.4	-0.2	6.0
Dec. ^(p)	36.8	-3.4	14.9	14.9	4.9	4.2	1.3	35.4	1.4	-33.9

Source: ECB.

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

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

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

1. Securities other than shares

	Total	Euro area						Rest of the world			
		Total	MFIs	General government	Other financial intermediaries	Insurance corporations and pension funds	Non-financial corporations	EU Member States outside the euro area	United States	Japan	
	1	2	3	4	5	6	7	8	9	10	11
Outstanding amounts											
2010 Q1	2,215.7	1,461.0	392.9	706.2	199.5	5.9	156.4	754.7	217.8	292.1	15.6
Q2	2,271.0	1,446.8	382.9	713.6	193.0	6.0	151.3	824.2	230.2	325.2	16.6
Q3	2,342.0	1,469.3	383.6	722.0	193.3	6.4	164.0	872.7	242.2	331.0	16.4
Q4 ^(p)	2,359.7	1,434.6	377.1	695.1	191.7	6.0	164.7	925.1	247.4	358.6	16.2
Transactions											
2010 Q2	6.4	-25.1	-11.7	-5.1	-3.8	0.6	-5.1	31.5	6.6	13.0	-1.4
Q3	63.7	18.0	4.3	3.2	1.9	0.0	8.6	45.8	8.7	20.5	0.3
Q4 ^(p)	47.9	-8.7	-3.0	-10.1	0.4	-0.2	4.2	56.6	7.8	30.8	-1.5

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											
2010 Q1	1,818.5	750.8	95.1	-	36.4	28.3	590.9	1,067.7	148.6	329.9	75.8
Q2	1,718.7	672.2	74.3	-	34.0	24.0	539.8	1,046.5	141.6	315.1	79.0
Q3	1,794.7	713.3	79.9	-	37.4	24.3	571.6	1,081.4	154.1	314.3	67.3
Q4 ^(p)	1,982.5	747.6	76.2	-	39.8	25.2	606.3	1,234.9	171.5	353.3	83.3
Transactions											
2010 Q2	-30.7	-23.9	-7.9	-	-1.0	-1.2	-13.8	-6.8	-1.8	-5.4	3.9
Q3	13.6	8.7	-0.8	-	1.2	0.2	8.0	4.9	1.9	-0.4	-8.6
Q4 ^(p)	53.5	4.0	4.4	-	1.9	-0.6	-1.7	49.2	5.2	6.3	7.5

3. Investment fund/money market fund shares

	Total	Euro area						Rest of the world			
		Total	MFIs ²⁾	General government	Other financial intermediaries ²⁾	Insurance corporations and pension funds	Non-financial corporations	EU Member States outside the euro area	United States	Japan	
	1	2	3	4	5	6	7	8	9	10	11
Outstanding amounts											
2010 Q1	779.2	660.9	70.8	-	590.1	-	-	118.3	18.4	34.8	0.6
Q2	791.7	662.7	77.4	-	585.3	-	-	129.0	19.0	36.4	0.4
Q3	825.2	702.6	76.9	-	625.7	-	-	122.6	20.8	34.1	0.4
Q4 ^(p)	862.0	731.9	75.6	-	656.3	-	-	130.1	23.7	37.7	0.5
Transactions											
2010 Q2	8.8	6.5	5.5	-	1.0	-	-	2.3	0.9	-0.9	-0.2
Q3	18.9	23.4	1.0	-	22.4	-	-	-4.5	1.0	-0.8	0.0
Q4 ^(p)	13.8	10.8	-2.5	-	13.3	-	-	3.0	0.6	1.6	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.



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
2010 Q3						
External account						
Exports of goods and services						533
<i>Trade balance</i> ¹⁾						-14
Generation of income account						
Gross value added (basic prices)						
Taxes less subsidies on products						
Gross domestic product (market prices)						
Compensation of employees	1,083	112	686	54	231	
Other taxes less subsidies on production	30	6	16	4	4	
Consumption of fixed capital	355	96	199	12	47	
<i>Net operating surplus and mixed income</i> ¹⁾	586	287	264	36	-1	
Allocation of primary income account						
Net operating surplus and mixed income						5
Compensation of employees						
Taxes less subsidies on production						
Property income	614	36	223	291	65	93
Interest	360	33	59	203	65	49
Other property income	254	3	163	88	0	44
<i>Net national income</i> ¹⁾	1,928	1,547	125	38	217	
Secondary distribution of income account						
Net national income						
Current taxes on income, wealth, etc.	248	208	34	6	0	1
Social contributions	415	415				1
Social benefits other than social transfers in kind	454	2	17	33	403	1
Other current transfers	191	72	25	46	48	9
Net non-life insurance premiums	44	33	10	1	1	1
Non-life insurance claims	44			44		1
Other	102	39	16	1	47	7
<i>Net disposable income</i> ¹⁾	1,899	1,395	77	47	380	
Use of income account						
Net disposable income						
Final consumption expenditure	1,819	1,339			480	
Individual consumption expenditure	1,632	1,340			293	
Collective consumption expenditure	187				187	
Adjustment for the change in the net equity of households in pension fund reserves	15	0	1	14	0	0
<i>Net saving/current external account</i> ¹⁾	80	70	76	33	-100	21
Capital account						
Net saving/current external account						
Gross capital formation	456	142	244	11	58	
Gross fixed capital formation	445	138	238	11	58	
Changes in inventories and acquisitions less disposals of valuables	11	4	7	0	0	
Consumption of fixed capital						
Acquisitions less disposals of non-produced non-financial assets	0	-2	1	0	1	0
Capital transfers	44	9	1	3	32	4
Capital taxes	6	5	0	1		0
Other capital transfers	38	3	1	2	32	4
<i>Net lending (+)/net borrowing (-) (from capital account)</i> ¹⁾	-19	29	47	40	-136	19
Statistical discrepancy	0	2	-2	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	2010 Q3					
	Euro area	Households	Non-financial corporations	Financial corporations	General government	Rest of the world
External account						
Imports of goods and services						519
<i>Trade balance</i>						
Generation of income account						
Gross value added (basic prices)	2,053	502	1,166	105	280	
Taxes less subsidies on products	236					
Gross domestic product (market prices) ²⁾	2,288					
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	586	287	264	36	-1	
Compensation of employees	1,084	1,084				4
Taxes less subsidies on production	264				264	1
Property income	608	212	84	293	18	99
Interest	346	54	32	252	8	63
Other property income	262	158	53	41	10	36
<i>Net national income</i>						
Secondary distribution of income account						
Net national income	1,928	1,547	125	38	217	
Current taxes on income, wealth, etc.	248				248	1
Social contributions	415	1	17	48	348	1
Social benefits other than social transfers in kind	451	451				3
Other current transfers	164	91	10	45	17	36
Net non-life insurance premiums	44			44		1
Non-life insurance claims	43	35	7	1	0	1
Other	76	56	3	0	17	33
<i>Net disposable income</i>						
Use of income account						
Net disposable income	1,899	1,395	77	47	380	
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	80	70	76	33	-100	21
Gross capital formation						
Gross fixed capital formation						
Changes in inventories and acquisitions less disposals of valuables						
Consumption of fixed capital	355	96	199	12	47	
Acquisitions less disposals of non-produced non-financial assets						
Capital transfers	45	10	18	9	8	3
Capital taxes	6				6	0
Other capital transfers	39	10	18	9	2	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- mediaries	Insurance corporations and pension funds	General govern- ment	Rest of the world
2010 Q3								
Opening balance sheet, financial assets								
Total financial assets		18,332	16,725	33,811	14,164	6,725	3,515	16,251
Monetary gold and special drawing rights (SDRs)				408				
Currency and deposits		6,510	1,830	10,246	2,168	862	722	3,971
Short-term debt securities		40	173	628	321	400	26	809
Long-term debt securities		1,357	220	6,461	2,299	2,181	353	3,557
Loans		69	3,104	13,070	3,795	480	496	1,816
<i>of which: Long-term</i>		53	1,634	10,099	2,769	350	393	.
Shares and other equity		4,192	7,367	1,967	5,341	2,343	1,289	5,447
Quoted shares		687	1,321	443	1,828	411	250	.
Unquoted shares and other equity		2,077	5,677	1,196	2,740	466	884	.
Mutual fund shares		1,428	368	327	773	1,466	154	.
Insurance technical reserves		5,676	146	2	0	216	3	189
Other accounts receivable and financial derivatives		487	3,886	1,029	240	243	626	462
<i>Net financial worth</i>								
Financial account, transactions in financial assets								
Total transactions in financial assets		57	197	-641	186	68	-32	94
Monetary gold and SDRs				0				0
Currency and deposits		3	23	-695	54	0	-28	12
Short-term debt securities		9	6	-1	-22	15	5	-6
Long-term debt securities		-23	-17	13	87	38	1	2
Loans		1	71	57	12	5	-10	2
<i>of which: Long-term</i>		1	35	68	-39	4	3	.
Shares and other equity		-4	64	10	53	7	2	69
Quoted shares		1	8	2	17	1	0	.
Unquoted shares and other equity		4	54	5	9	2	-2	.
Mutual fund shares		-9	1	3	27	4	3	.
Insurance technical reserves		58	0	0	0	1	0	1
Other accounts receivable and financial derivatives		13	50	-24	3	1	-2	13
<i>Changes in net financial worth due to transactions</i>								
Other changes account, financial assets								
Total other changes in financial assets		173	167	-259	-7	82	29	-125
Monetary gold and SDRs				-23				
Currency and deposits		-3	-8	-113	-22	0	3	-146
Short-term debt securities		0	-8	-9	-8	2	0	-6
Long-term debt securities		14	-2	-75	-25	30	4	15
Loans		0	-17	-85	-11	-1	1	-23
<i>of which: Long-term</i>		0	-10	-39	-8	0	1	.
Shares and other equity		114	262	50	66	54	14	43
Quoted shares		43	63	28	65	23	11	.
Unquoted shares and other equity		44	198	19	-11	5	-2	.
Mutual fund shares		26	1	3	11	26	6	.
Insurance technical reserves		50	0	0	0	-2	0	1
Other accounts receivable and financial derivatives		-2	-59	-5	-8	-1	7	-9
<i>Other changes in net financial worth</i>								
Closing balance sheet, financial assets								
Total financial assets		18,562	17,089	32,912	14,343	6,875	3,511	16,221
Monetary gold and SDRs				386				
Currency and deposits		6,510	1,845	9,439	2,201	863	697	3,836
Short-term debt securities		49	171	618	291	417	31	797
Long-term debt securities		1,348	201	6,398	2,360	2,250	358	3,575
Loans		70	3,158	13,042	3,797	483	487	1,795
<i>of which: Long-term</i>		54	1,659	10,128	2,721	353	397	.
Shares and other equity		4,302	7,693	2,027	5,460	2,404	1,305	5,560
Quoted shares		731	1,392	473	1,910	435	261	.
Unquoted shares and other equity		2,125	5,930	1,220	2,739	473	880	.
Mutual fund shares		1,445	371	333	811	1,497	163	.
Insurance technical reserves		5,784	145	2	0	215	3	192
Other accounts receivable and financial derivatives		498	3,877	1,000	235	243	630	466
<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	MFI's	Other financial intermediaries	Insurance corporations and pension funds	General government	Rest of the world
2010 Q3								
Opening balance sheet, liabilities								
Total liabilities		6,662	25,228	32,893	13,976	6,795	8,659	14,900
Monetary gold and special drawing rights (SDRs)								
Currency and deposits			30	23,359	26	0	232	2,663
Short-term debt securities			324	715	73	12	994	280
Long-term debt securities			561	4,646	2,698	47	5,476	3,000
Loans		5,980	8,464		3,386	271	1,476	3,254
<i>of which: Long-term</i>		5,616	5,883		1,819	106	1,248	.
Shares and other equity		7	11,904	2,746	7,569	479	6	5,234
Quoted shares			3,316	445	178	150	0	.
Unquoted shares and other equity		7	8,588	1,134	2,266	328	6	.
Mutual fund shares				1,167	5,125			.
Insurance technical reserves		34	336	65	1	5,795	1	
Other accounts payable and financial derivatives		641	3,610	1,363	224	191	474	468
<i>Net financial worth ¹⁾</i>	-943	11,670	-8,503	917	188	-71	-5,144	
Financial account, transactions in liabilities								
Total transactions in liabilities		27	151	-655	155	73	103	75
Monetary gold and SDRs								
Currency and deposits			0	-649	-2	0	28	-7
Short-term debt securities			4	-7	6	0	-7	10
Long-term debt securities			8	-30	26	-1	74	23
Loans		29	62		18	13	3	14
<i>of which: Long-term</i>		37	24		-15	2	20	.
Shares and other equity		0	70	10	82	0	0	38
Quoted shares			4	1	0	0	0	.
Unquoted shares and other equity		0	66	3	1	0	0	.
Mutual fund shares				6	81			.
Insurance technical reserves		0	1	0	0	59	0	
Other accounts payable and financial derivatives		-3	6	20	25	2	6	-3
<i>Changes in net financial worth due to transactions ¹⁾</i>	-19	31	45	14	31	-5	-136	19
Other changes account, liabilities								
Total other changes in liabilities		2	549	-230	-77	35	43	-240
Monetary gold and SDRs								
Currency and deposits			0	-216	0	0	0	-73
Short-term debt securities			-5	-12	1	1	0	-12
Long-term debt securities			3	-5	-30	0	70	-77
Loans		-3	-36		-41	1	-1	-56
<i>of which: Long-term</i>		-3	-19		-31	1	-1	.
Shares and other equity		0	583	-4	29	6	0	-12
Quoted shares			222	41	3	2	0	.
Unquoted shares and other equity		0	361	-9	-57	4	0	.
Mutual fund shares				-35	83			.
Insurance technical reserves		0	0	0	0	49	0	
Other accounts payable and financial derivatives		5	4	8	-36	-21	-26	-10
<i>Other changes in net financial worth ¹⁾</i>	-137	170	-382	-29	70	47	-14	115
Closing balance sheet, liabilities								
Total liabilities		6,691	25,929	32,009	14,054	6,904	8,805	14,735
Monetary gold and SDRs								
Currency and deposits			29	22,494	25	0	260	2,583
Short-term debt securities			322	695	79	13	986	278
Long-term debt securities			572	4,610	2,694	46	5,620	2,947
Loans		6,006	8,490		3,363	284	1,478	3,212
<i>of which: Long-term</i>		5,650	5,888		1,772	109	1,268	.
Shares and other equity		7	12,558	2,752	7,680	486	6	5,260
Quoted shares			3,542	487	181	153	0	.
Unquoted shares and other equity		7	9,015	1,128	2,210	332	6	.
Mutual fund shares				1,138	5,289			.
Insurance technical reserves		34	337	65	1	5,903	1	
Other accounts payable and financial derivatives		644	3,621	1,391	213	172	453	455
<i>Net financial worth ¹⁾</i>	-1,100	11,871	-8,840	903	289	-29	-5,294	

Source: ECB.

3.2 Euro area non-financial accounts

(EUR billions; four-quarter cumulated flows)

Uses	2006	2007	2008	2008 Q4- 2009 Q3	2009 Q1- 2009 Q4	2009 Q2- 2010 Q1	2009 Q3- 2010 Q2	2009 Q4- 2010 Q3
Generation of income account								
Gross value added (basic prices)								
Taxes less subsidies on products								
Gross domestic product (market prices)								
Compensation of employees	4,075	4,261	4,439	4,434	4,427	4,430	4,445	4,461
Other taxes less subsidies on production	127	136	132	118	113	109	108	113
Consumption of fixed capital	1,253	1,319	1,382	1,396	1,398	1,397	1,399	1,405
<i>Net operating surplus and mixed income</i> ¹⁾	2,191	2,343	2,327	2,139	2,123	2,146	2,182	2,205
Allocation of primary income account								
Net operating surplus and mixed income								
Compensation of employees								
Taxes less subsidies on production								
Property income	3,034	3,635	3,889	3,208	2,964	2,834	2,764	2,763
Interest	1,657	2,086	2,322	1,821	1,621	1,507	1,447	1,430
Other property income	1,377	1,549	1,566	1,388	1,343	1,327	1,317	1,333
<i>Net national income</i> ¹⁾	7,329	7,727	7,795	7,536	7,512	7,547	7,621	7,684
Secondary distribution of income account								
Net national income								
Current taxes on income, wealth, etc.	1,028	1,113	1,122	1,038	1,013	1,012	1,020	1,025
Social contributions	1,542	1,599	1,668	1,676	1,677	1,682	1,688	1,695
Social benefits other than social transfers in kind	1,555	1,602	1,671	1,758	1,786	1,805	1,815	1,823
Other current transfers	723	754	788	784	784	792	794	799
Net non-life insurance premiums	180	184	188	184	183	183	182	183
Non-life insurance claims	180	184	189	185	183	183	183	183
Other	363	385	410	415	419	426	429	432
<i>Net disposable income</i> ¹⁾	7,237	7,633	7,690	7,427	7,403	7,433	7,507	7,566
Use of income account								
Net disposable income								
Final consumption expenditure	6,646	6,911	7,171	7,162	7,181	7,216	7,256	7,298
Individual consumption expenditure	5,957	6,198	6,421	6,386	6,397	6,430	6,469	6,511
Collective consumption expenditure	689	713	749	775	784	786	787	788
Adjustment for the change in the net equity of households in pension fund reserves	64	65	71	67	66	65	63	63
<i>Net saving</i> ¹⁾	591	722	520	265	223	217	251	267
Capital account								
Net saving								
Gross capital formation	1,879	2,030	2,039	1,787	1,710	1,688	1,724	1,754
Gross fixed capital formation	1,857	1,991	2,017	1,828	1,781	1,757	1,762	1,770
Changes in inventories and acquisitions less disposals of valuables	22	39	22	-41	-71	-70	-38	-15
Consumption of fixed capital								
Acquisitions less disposals of non-produced non-financial assets	0	-1	0	-1	1	2	1	1
Capital transfers	170	151	150	174	183	193	187	192
Capital taxes	23	24	24	29	34	34	30	29
Other capital transfers	148	126	126	145	149	158	157	163
<i>Net lending (+)/net borrowing (-) (from capital account)</i> ¹⁾	-19	28	-127	-115	-81	-64	-64	-73

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	2006	2007	2008	2008 Q4- 2009 Q3	2009 Q1- 2009 Q4	2009 Q2- 2010 Q1	2009 Q3- 2010 Q2	2009 Q4- 2010 Q3
Generation of income account								
Gross value added (basic prices)	7,647	8,060	8,280	8,087	8,060	8,082	8,135	8,184
Taxes less subsidies on products	915	960	946	900	892	894	907	924
Gross domestic product (market prices) ²⁾	8,562	9,020	9,227	8,986	8,952	8,975	9,042	9,109
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	2,191	2,343	2,327	2,139	2,123	2,146	2,182	2,205
Compensation of employees	4,083	4,269	4,446	4,441	4,433	4,436	4,452	4,468
Taxes less subsidies on production	1,055	1,104	1,085	1,027	1,022	1,021	1,031	1,052
Property income	3,035	3,645	3,825	3,137	2,898	2,779	2,720	2,721
Interest	1,628	2,048	2,265	1,754	1,552	1,441	1,388	1,371
Other property income	1,407	1,597	1,560	1,383	1,345	1,337	1,331	1,350
<i>Net national income</i>								
Secondary distribution of income account								
Net national income	7,329	7,727	7,795	7,536	7,512	7,547	7,621	7,684
Current taxes on income, wealth, etc.	1,033	1,120	1,130	1,043	1,019	1,017	1,024	1,030
Social contributions	1,541	1,599	1,668	1,675	1,676	1,681	1,687	1,694
Social benefits other than social transfers in kind	1,547	1,593	1,663	1,750	1,779	1,797	1,807	1,815
Other current transfers	635	663	684	678	678	680	683	684
Net non-life insurance premiums	180	184	189	185	183	183	183	183
Non-life insurance claims	177	182	186	181	179	180	179	180
Other	278	296	309	312	316	318	321	322
<i>Net disposable income</i>								
Use of income account								
Net disposable income	7,237	7,633	7,690	7,427	7,403	7,433	7,507	7,566
Final consumption expenditure								
Individual consumption expenditure								
Collective consumption expenditure								
Adjustment for the change in the net equity of households in pension fund reserves	64	65	71	67	66	65	63	63
<i>Net saving</i>								
Capital account								
Net saving	591	722	520	265	223	217	251	267
Gross capital formation								
Gross fixed capital formation								
Changes in inventories and acquisitions less disposals of valuables								
Consumption of fixed capital	1,253	1,319	1,382	1,396	1,398	1,397	1,399	1,405
Acquisitions less disposals of non-produced non-financial assets								
Capital transfers	185	166	160	183	193	203	197	202
Capital taxes	23	24	24	29	34	34	30	29
Other capital transfers	162	141	136	154	159	169	167	173
<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)

	2006	2007	2008	2008 Q4- 2009 Q3	2009 Q1- 2009 Q4	2009 Q2- 2010 Q1	2009 Q3- 2010 Q2	2009 Q4- 2010 Q3
Income, saving and changes in net worth								
Compensation of employees (+)	4,083	4,269	4,446	4,441	4,433	4,436	4,452	4,468
Gross operating surplus and mixed income (+)	1,420	1,491	1,537	1,495	1,485	1,485	1,490	1,498
Interest receivable (+)	264	313	347	274	245	227	219	215
Interest payable (-)	167	217	243	174	148	137	132	131
Other property income receivable (+)	749	807	819	753	739	731	725	730
Other property income payable (-)	10	10	10	10	10	10	10	11
Current taxes on income and wealth (-)	794	852	891	870	860	857	857	861
Net social contributions (-)	1,538	1,595	1,664	1,671	1,672	1,677	1,683	1,690
Net social benefits (+)	1,542	1,587	1,656	1,744	1,772	1,791	1,801	1,809
Net current transfers receivable (+)	67	72	72	79	81	82	81	80
= Gross disposable income	5,616	5,866	6,069	6,059	6,065	6,070	6,085	6,107
Final consumption expenditure (-)	4,902	5,099	5,268	5,193	5,194	5,221	5,252	5,288
Changes in net worth in pension funds (+)	64	64	71	67	65	65	63	62
= Gross saving	770	825	867	928	934	912	895	879
Consumption of fixed capital (-)	342	365	381	383	383	382	382	383
Net capital transfers receivable (+)	19	12	2	15	13	11	10	9
Other changes in net worth (+)	2,614	1,485	-2,356	-1,530	-258	819	811	831
= Changes in net worth	3,061	1,958	-1,868	-970	306	1,360	1,333	1,337
Investment, financing and changes in net worth								
Net acquisition of non-financial assets (+)	608	644	635	569	550	539	540	542
Consumption of fixed capital (-)	342	365	381	383	383	382	382	383
Main items of financial investment (+)								
Short-term assets	321	427	452	159	-19	-100	-91	-37
Currency and deposits	285	350	438	256	120	64	63	89
Money market fund shares	1	39	-10	-20	-48	-84	-85	-96
Debt securities ¹⁾	35	38	24	-77	-92	-80	-69	-31
Long-term assets	297	145	46	362	526	594	566	464
Deposits	2	-33	-28	56	90	117	112	89
Debt securities	31	34	45	26	22	-14	-7	-33
Shares and other equity	-25	-73	-109	87	172	220	198	144
Quoted and unquoted shares and other equity	-5	-2	21	95	99	110	102	64
Mutual fund shares	-20	-72	-130	-7	73	110	96	80
Life insurance and pension fund reserves	290	217	137	193	242	271	263	265
Main items of financing (-)								
Loans	406	373	213	102	111	130	135	136
<i>of which: From euro area MFIs</i>	350	283	82	-16	65	76	104	105
Other changes in assets (+)								
Non-financial assets	2,057	1,413	-913	-1,572	-745	-19	477	726
Financial assets	547	80	-1,481	9	459	846	370	144
Shares and other equity	458	81	-1,259	-132	236	493	140	23
Life insurance and pension fund reserves	60	9	-261	54	178	269	175	114
Remaining net flows (+)	-20	-12	-13	-12	29	12	-11	18
= Changes in net worth	3,061	1,958	-1,868	-970	306	1,360	1,333	1,337
Balance sheet								
Non-financial assets (+)	25,650	27,341	26,682	25,980	26,104	26,153	26,576	26,864
Financial assets (+)								
Short-term assets	4,813	5,269	5,804	5,811	5,773	5,729	5,768	5,756
Currency and deposits	4,462	4,852	5,322	5,407	5,475	5,447	5,507	5,499
Money market fund shares	255	293	324	313	244	233	215	201
Debt securities ¹⁾	96	124	158	92	55	50	46	55
Long-term assets	11,855	12,055	10,526	11,253	11,520	11,767	11,655	11,883
Deposits	1,018	953	894	919	963	990	1,003	1,011
Debt securities	1,226	1,257	1,319	1,366	1,383	1,379	1,352	1,342
Shares and other equity	4,983	4,992	3,583	3,918	4,024	4,113	3,977	4,101
Quoted and unquoted shares and other equity	3,529	3,592	2,578	2,804	2,833	2,881	2,764	2,857
Mutual fund shares	1,453	1,400	1,005	1,114	1,192	1,232	1,213	1,245
Life insurance and pension fund reserves	4,627	4,854	4,730	5,050	5,150	5,285	5,323	5,429
Remaining net assets (+)	247	222	216	221	235	211	227	238
Liabilities (-)								
Loans	5,236	5,600	5,810	5,867	5,908	5,919	5,980	6,006
<i>of which: From euro area MFIs</i>	4,560	4,831	4,906	4,921	4,961	4,947	5,101	5,122
= Net worth	37,329	39,287	37,419	37,398	37,725	37,942	38,245	38,735

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)

	2006	2007	2008	2008 Q4- 2009 Q3	2009 Q1- 2009 Q4	2009 Q2- 2010 Q1	2009 Q3- 2010 Q2	2009 Q4- 2010 Q3
Income and saving								
Gross value added (basic prices) (+)	4,374	4,646	4,763	4,557	4,522	4,536	4,578	4,615
Compensation of employees (-)	2,588	2,718	2,838	2,804	2,787	2,784	2,794	2,807
Other taxes less subsidies on production (-)	74	80	76	65	62	58	56	61
= Gross operating surplus (+)	1,712	1,849	1,849	1,689	1,673	1,694	1,727	1,748
Consumption of fixed capital (-)	707	741	777	786	787	786	786	789
= Net operating surplus (+)	1,007	1,108	1,068	898	883	903	936	955
Property income receivable (+)	505	597	595	501	474	468	467	470
Interest receivable	172	204	217	165	148	137	131	127
Other property income receivable	332	393	378	336	326	331	337	343
Interest and rents payable (-)	288	354	404	322	289	269	257	253
= Net entrepreneurial income (+)	1,223	1,351	1,259	1,077	1,067	1,102	1,146	1,172
Distributed income (-)	926	988	1,019	930	911	900	897	907
Taxes on income and wealth payable (-)	190	212	197	139	125	126	133	134
Social contributions receivable (+)	75	64	66	68	69	70	70	70
Social benefits payable (-)	61	62	65	66	67	67	67	67
Other net transfers (-)	65	57	60	61	62	64	65	65
= Net saving	55	95	-15	-50	-29	16	54	69
Investment, financing and saving								
Net acquisition of non-financial assets (+)	306	374	337	131	75	69	114	140
Gross fixed capital formation (+)	987	1,075	1,095	963	935	925	937	944
Consumption of fixed capital (-)	707	741	777	786	787	786	786	789
Net acquisition of other non-financial assets (+)	24	38	19	-45	-72	-69	-36	-14
Main items of financial investment (+)								
Short-term assets	158	168	65	82	109	104	46	29
Currency and deposits	146	154	15	38	90	98	58	49
Money market fund shares	2	-19	30	40	38	4	-20	-27
Debt securities ¹⁾	10	33	21	4	-19	1	9	7
Long-term assets	477	742	701	404	193	169	289	347
Deposits	33	6	39	40	19	-11	-5	-9
Debt securities	-1	-9	-60	-45	-29	-30	16	18
Shares and other equity	285	448	348	258	94	76	56	80
Other (mainly intercompany loans)	161	297	373	152	109	134	221	258
Remaining net assets (+)	97	148	-27	-63	-35	63	4	44
Main items of financing (-)								
Debt	679	890	708	234	112	139	162	234
of which: Loans from euro area MFIs	443	539	396	-19	-113	-102	-87	-27
of which: Debt securities	38	38	55	91	84	103	81	69
Shares and other equity	231	379	308	288	178	169	154	177
Quoted shares	33	55	7	71	66	66	47	37
Unquoted shares and other equity	199	324	301	217	112	103	107	139
Net capital transfers receivable (-)	72	68	72	78	79	78	81	81
= Net saving	55	95	-15	-50	-29	16	54	69
Financial balance sheet								
Financial assets								
Short-term assets	1,674	1,826	1,904	1,972	2,011	1,989	1,984	1,997
Currency and deposits	1,367	1,507	1,537	1,580	1,634	1,604	1,610	1,626
Money market fund shares	183	159	185	222	206	198	181	181
Debt securities ¹⁾	124	161	182	170	171	187	193	191
Long-term assets	10,072	11,041	9,429	10,261	10,488	10,793	10,709	11,069
Deposits	143	181	215	228	220	217	220	219
Debt securities	280	268	215	150	186	194	200	181
Shares and other equity	7,505	8,153	6,179	6,982	7,161	7,384	7,186	7,511
Other (mainly intercompany loans)	2,144	2,439	2,819	2,901	2,921	2,998	3,104	3,158
Remaining net assets	333	385	413	396	395	432	451	431
Liabilities								
Debt	7,880	8,696	9,427	9,518	9,519	9,610	9,684	9,721
of which: Loans from euro area MFIs	3,957	4,482	4,875	4,771	4,715	4,717	4,737	4,718
of which: Debt securities	680	683	740	819	820	874	884	894
Shares and other equity	13,172	14,368	10,773	11,957	12,265	12,485	11,904	12,558
Quoted shares	4,543	5,041	2,920	3,373	3,508	3,590	3,316	3,542
Unquoted shares and other equity	8,629	9,328	7,853	8,584	8,757	8,895	8,588	9,015

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)

	2006	2007	2008	2008 Q4- 2009 Q3	2009 Q1- 2009 Q4	2009 Q2- 2010 Q1	2009 Q3- 2010 Q2	2009 Q4- 2010 Q3
Financial account, financial transactions								
Main items of financial investment (+)								
Short-term assets	63	66	113	47	31	17	33	56
Currency and deposits	11	6	57	-1	-33	-21	2	6
Money market fund shares	3	2	20	6	9	1	12	11
Debt securities ¹⁾	49	57	36	42	55	37	19	39
Long-term assets	309	165	72	140	208	274	268	265
Deposits	62	47	-3	29	19	2	-5	-4
Debt securities	117	48	6	-8	50	83	152	158
Loans	1	-15	38	28	15	13	13	18
Quoted shares	2	-1	2	-100	-88	-83	-82	-1
Unquoted shares and other equity	32	22	29	6	-3	2	5	6
Mutual fund shares	95	65	1	185	215	256	185	89
Remaining net assets (+)	14	-3	27	7	5	25	18	17
Main items of financing (-)								
Debt securities	6	3	12	10	1	0	6	4
Loans	50	-2	27	12	-25	-16	-11	12
Shares and other equity	11	3	9	5	3	3	3	5
Insurance technical reserves	318	241	139	199	272	319	300	294
Net equity of households in life insurance and pension fund reserves	301	226	117	193	257	304	291	286
Prepayments of insurance premiums and reserves for outstanding claims	17	15	22	7	14	15	10	8
= Changes in net financial worth due to transactions	1	-17	26	-33	-7	10	21	24
Other changes account								
Other changes in financial assets (+)								
Shares and other equity	171	-2	-600	-30	232	368	183	116
Other net assets	-54	-28	46	85	59	100	126	128
Other changes in liabilities (-)								
Shares and other equity	41	-32	-195	-48	20	96	33	-16
Insurance technical reserves	54	13	-260	56	175	258	175	120
Net equity of households in life insurance and pension fund reserves	53	14	-257	61	177	262	174	118
Prepayments of insurance premiums and reserves for outstanding claims	1	-1	-3	-5	-2	-4	2	1
= Other changes in net financial worth	22	-10	-99	47	96	113	101	140
Financial balance sheet								
Financial assets (+)								
Short-term assets	501	564	680	693	720	727	747	763
Currency and deposits	157	163	224	190	195	196	206	203
Money market fund shares	80	80	98	102	99	103	108	107
Debt securities ¹⁾	264	320	358	400	426	428	433	453
Long-term assets	5,191	5,333	4,817	5,186	5,320	5,532	5,519	5,654
Deposits	598	646	641	664	661	660	656	660
Debt securities	1,863	1,886	1,904	1,977	2,007	2,101	2,149	2,214
Loans	429	415	452	464	468	475	480	483
Quoted shares	742	718	416	411	420	435	411	435
Unquoted shares and other equity	475	514	436	461	469	476	466	473
Mutual fund shares	1,083	1,154	967	1,210	1,295	1,386	1,358	1,389
Remaining net assets (+)	185	167	233	236	228	252	267	285
Liabilities (-)								
Debt securities	36	29	47	49	53	56	59	58
Loans	256	252	281	272	254	266	271	284
Shares and other equity	688	658	471	497	495	515	479	486
Insurance technical reserves	5,015	5,269	5,147	5,490	5,594	5,748	5,795	5,903
Net equity of households in life insurance and pension fund reserves	4,309	4,548	4,409	4,738	4,843	4,990	5,033	5,142
Prepayments of insurance premiums and reserves for outstanding claims	706	720	739	752	751	759	762	761
= Net financial wealth	-117	-144	-217	-194	-128	-75	-71	-29

Source: ECB.

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



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								
	Outstanding amounts	Gross issues	Net issues	In euro			In all currencies					
				Outstanding amounts	Gross issues	Net issues	Outstanding amounts	Gross issues	Net issues	Annual growth rates	Seasonally adjusted ²⁾	
1	2	3	4	5	6	7	8	9	10	11	12	
Total												
2009 Dec.	15,896.8	938.3	-63.2	13,646.1	884.8	-61.4	15,276.1	969.4	-61.8	7.8	13.3	4.8
2010 Jan.	15,937.5	1,091.0	40.3	13,689.6	1,028.3	42.9	15,365.2	1,140.6	66.4	7.1	61.7	4.3
Feb.	15,975.4	860.1	38.1	13,729.2	811.1	39.8	15,414.5	900.4	37.1	5.9	-9.8	3.1
Mar.	16,119.8	1,027.9	143.4	13,831.7	923.6	101.5	15,529.4	1,031.3	109.7	5.5	94.7	2.7
Apr.	16,163.1	1,003.9	45.7	13,883.3	947.9	53.6	15,612.9	1,054.4	77.2	5.2	50.2	3.1
May	16,170.8	867.5	9.2	13,920.4	839.6	38.6	15,721.9	944.1	58.7	4.3	-6.1	2.5
June	16,155.6	1,049.7	7.9	13,895.9	984.2	-1.4	15,702.8	1,081.6	-12.9	3.7	7.4	2.6
July	16,176.5	1,005.9	21.9	13,942.8	967.2	47.9	15,676.6	1,068.6	15.0	3.3	47.6	2.4
Aug.	16,241.6	845.3	65.4	14,005.1	804.9	62.7	15,783.1	912.1	82.4	3.7	143.8	4.4
Sep.	16,260.8	983.8	19.5	14,023.2	907.3	18.4	15,737.2	1,011.9	4.9	3.1	48.1	3.8
Oct.	16,270.1	887.6	12.0	14,062.6	842.7	42.0	15,776.6	949.1	53.9	3.2	25.9	3.4
Nov.	16,447.0	996.2	178.2	14,258.6	957.3	197.1	16,057.9	1,069.1	236.3	4.3	209.0	6.3
Dec.	16,295.7	870.7	-151.6	14,124.5	838.0	-134.4	15,872.6	909.8	-170.4	3.7	-121.0	4.6
Long-term												
2009 Dec.	14,349.2	169.6	-35.4	12,213.9	154.0	-25.5	13,638.3	166.1	-34.3	8.9	-15.2	6.0
2010 Jan.	14,387.5	309.6	39.2	12,245.9	278.0	32.9	13,711.3	315.9	53.8	8.5	105.1	6.3
Feb.	14,443.8	212.2	56.8	12,308.9	193.7	63.4	13,785.0	211.7	62.1	7.5	13.3	4.8
Mar.	14,577.4	310.4	132.7	12,417.5	250.1	107.8	13,902.3	281.5	113.6	7.2	108.6	4.8
Apr.	14,623.7	246.8	47.4	12,464.7	223.5	47.8	13,978.0	255.3	68.4	7.1	54.6	4.6
May	14,635.1	154.4	11.8	12,498.0	148.4	33.7	14,085.0	181.7	59.6	6.0	-4.8	3.7
June	14,639.5	273.0	29.1	12,503.2	245.7	29.9	14,098.8	265.6	23.2	5.1	5.2	4.2
July	14,673.0	260.3	34.7	12,538.5	240.9	36.5	14,076.1	268.3	14.6	4.8	57.4	3.4
Aug.	14,704.4	140.8	32.1	12,569.7	127.4	32.0	14,141.9	152.8	43.7	4.7	104.6	4.8
Sep.	14,708.6	268.2	4.6	12,583.9	228.0	14.5	14,099.1	258.4	4.6	4.2	37.2	3.7
Oct.	14,747.6	222.2	39.2	12,634.8	195.5	51.1	14,156.2	232.7	67.0	4.1	60.2	3.8
Nov.	14,889.4	335.6	142.8	12,791.6	319.1	157.7	14,385.8	357.6	188.8	4.9	157.4	6.1
Dec.	14,865.2	183.9	-23.3	12,785.3	176.8	-5.4	14,342.8	190.8	-29.0	4.9	-27.1	5.7

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											
2009	15,276	5,376	3,213	805	5,508	374	1,126	734	62	86	221	22
2010	15,873	5,245	3,294	857	6,023	454	1,006	624	76	72	208	25
2010 Q1	15,529	5,468	3,174	843	5,654	389	1,024	642	61	74	227	20
Q2	15,703	5,454	3,212	848	5,770	418	1,027	661	62	80	198	26
Q3	15,737	5,427	3,204	848	5,821	437	998	631	75	67	197	27
Q4	15,873	5,245	3,294	857	6,023	454	976	564	107	65	212	29
2010 Sep.	15,737	5,427	3,204	848	5,821	437	1,012	627	61	71	222	30
Oct.	15,777	5,265	3,222	854	5,995	441	949	559	76	69	217	29
Nov.	16,058	5,299	3,307	863	6,142	447	1,069	548	150	66	279	25
Dec.	15,873	5,245	3,294	857	6,023	454	910	583	96	59	139	32
	Short-term											
2009	1,638	733	88	72	724	21	876	635	19	69	137	15
2010	1,530	572	114	67	732	45	758	533	31	60	118	17
2010 Q1	1,627	747	80	77	706	17	754	536	27	61	120	10
Q2	1,604	734	95	73	681	21	793	570	31	67	110	16
Q3	1,638	743	94	72	692	37	771	546	28	58	118	20
Q4	1,530	572	114	67	732	45	716	482	36	53	123	22
2010 Sep.	1,638	743	94	72	692	37	753	524	24	55	128	22
Oct.	1,620	591	101	73	817	38	716	473	36	53	132	22
Nov.	1,672	611	104	72	845	40	712	472	32	54	138	25
Dec.	1,530	572	114	67	732	45	719	502	40	52	98	17
	Long-term ²⁾											
2009	13,638	4,643	3,125	733	4,784	353	251	99	44	17	84	7
2010	14,343	4,673	3,179	791	5,291	409	248	91	46	12	91	9
2010 Q1	13,902	4,722	3,094	767	4,948	372	270	106	33	13	107	10
Q2	14,099	4,720	3,117	775	5,089	398	234	91	31	13	89	10
Q3	14,099	4,684	3,110	776	5,130	400	227	86	46	9	79	6
Q4	14,343	4,673	3,179	791	5,291	409	260	81	72	12	89	7
2010 Sep.	14,099	4,684	3,110	776	5,130	400	258	103	37	17	94	8
Oct.	14,156	4,674	3,121	781	5,178	403	233	86	40	15	84	7
Nov.	14,386	4,688	3,204	791	5,297	406	358	76	119	12	141	9
Dec.	14,343	4,673	3,179	791	5,291	409	191	81	56	8	41	5
	<i>of which: Long-term fixed rate</i>											
2009	8,829	2,587	1,034	599	4,338	271	173	60	18	16	74	4
2010	9,513	2,668	1,101	675	4,777	291	156	50	13	11	78	5
2010 Q1	9,097	2,658	1,053	626	4,482	278	186	61	10	12	95	7
Q2	9,312	2,663	1,083	654	4,625	286	156	47	12	11	81	5
Q3	9,335	2,650	1,070	658	4,670	286	141	48	12	8	70	4
Q4	9,513	2,668	1,101	675	4,777	291	141	42	19	11	65	5
2010 Sep.	9,335	2,650	1,070	658	4,670	286	179	63	13	13	84	5
Oct.	9,385	2,657	1,077	664	4,699	289	149	48	17	15	64	5
Nov.	9,524	2,679	1,108	673	4,773	290	182	49	20	11	96	6
Dec.	9,513	2,668	1,101	675	4,777	291	92	29	18	8	35	3
	<i>of which: Long-term variable rate</i>											
2009	4,371	1,769	2,024	123	374	81	62	28	25	1	6	2
2010	4,369	1,736	1,973	108	435	115	77	34	29	1	10	4
2010 Q1	4,340	1,775	1,961	130	382	93	70	38	20	1	7	3
Q2	4,320	1,768	1,949	110	383	110	65	37	17	1	5	6
Q3	4,322	1,754	1,962	109	386	112	73	29	33	1	6	3
Q4	4,369	1,736	1,973	108	435	115	102	33	44	0	22	2
2010 Sep.	4,322	1,754	1,962	109	386	112	66	31	23	3	6	3
Oct.	4,328	1,739	1,965	109	402	113	74	33	21	0	17	2
Nov.	4,407	1,730	2,009	109	445	115	159	21	92	1	43	3
Dec.	4,369	1,736	1,973	108	435	115	72	45	18	0	6	2

Source: ECB.

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

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

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

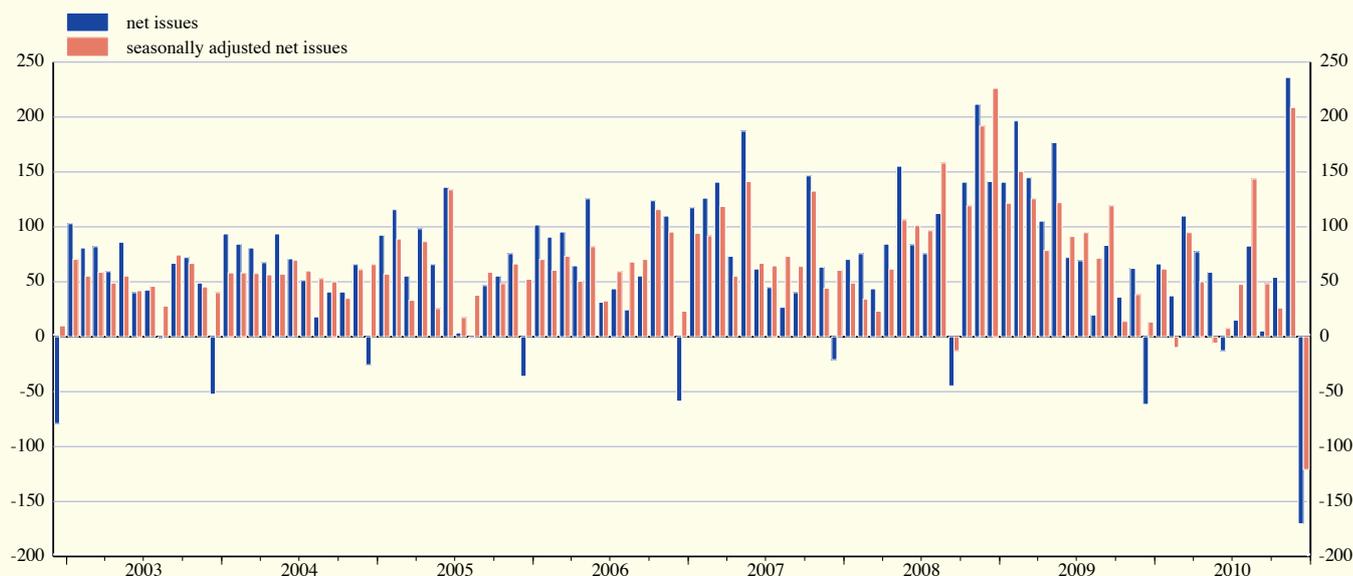
(EUR billions unless otherwise indicated; transactions during the period; nominal values)

2. Net issues

	Non-seasonally adjusted ¹⁾						Seasonally adjusted ¹⁾					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government
1	2	3	4	5	6	7	8	9	10	11	12	
	Total											
2009	87.0	10.3	19.2	8.5	46.2	2.8	86.7	10.2	18.8	8.2	46.7	2.9
2010	46.5	-1.2	5.8	5.3	31.5	5.1	46.0	-1.4	5.7	5.3	31.6	4.7
2010 Q1	71.0	25.7	-15.7	11.5	46.4	3.1	48.9	7.5	2.0	10.4	24.6	4.5
Q2	41.0	-12.6	8.1	5.0	34.9	5.6	17.1	-15.1	2.7	0.8	23.0	5.7
Q3	34.1	2.7	1.9	2.6	20.5	6.4	79.8	12.1	25.5	5.0	29.5	7.7
Q4	39.9	-20.5	28.7	2.3	24.1	5.4	38.0	-10.2	-7.6	5.2	49.5	1.1
2010 Sep.	4.9	-7.5	-24.7	6.1	22.3	8.8	48.1	18.2	4.0	7.4	8.3	10.2
Oct.	53.9	-26.6	19.5	7.6	48.7	4.6	25.9	-37.5	-7.8	7.6	61.7	1.9
Nov.	236.3	10.8	76.8	3.5	140.3	4.9	209.0	9.2	69.9	3.3	123.6	3.0
Dec.	-170.4	-45.6	-10.4	-4.4	-116.8	6.8	-121.0	-2.3	-84.7	4.7	-37.0	-1.7
	Long-term											
2009	87.7	15.1	22.3	12.6	34.5	3.2	87.6	15.2	22.0	12.7	34.6	3.1
2010	55.9	1.9	3.6	5.8	41.5	3.1	56.0	1.9	3.5	5.8	41.6	3.1
2010 Q1	76.5	22.4	-12.9	9.9	52.8	4.3	75.6	12.6	5.2	10.7	43.0	4.2
Q2	50.4	-7.6	3.4	6.1	43.9	4.6	18.3	-17.5	-1.6	2.2	30.8	4.4
Q3	21.0	-1.4	2.1	3.0	16.3	0.9	66.4	6.3	24.3	4.8	28.6	2.3
Q4	75.6	-5.9	21.9	4.1	52.8	2.8	63.5	6.2	-13.8	5.6	64.0	1.6
2010 Sep.	4.6	4.5	-22.7	9.9	10.5	2.4	37.2	23.5	2.3	9.2	-2.7	5.0
Oct.	67.0	-5.0	12.4	7.1	49.0	3.6	60.2	-3.8	-10.3	8.4	64.3	1.6
Nov.	188.8	-6.2	74.5	3.8	113.9	2.8	157.4	-5.4	66.0	3.3	92.2	1.2
Dec.	-29.0	-6.6	-21.3	1.3	-4.6	2.1	-27.1	27.6	-97.1	5.0	35.4	2.0

CI6 Net issues of securities other than shares: seasonally adjusted and non-seasonally adjusted

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



Source: ECB.

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

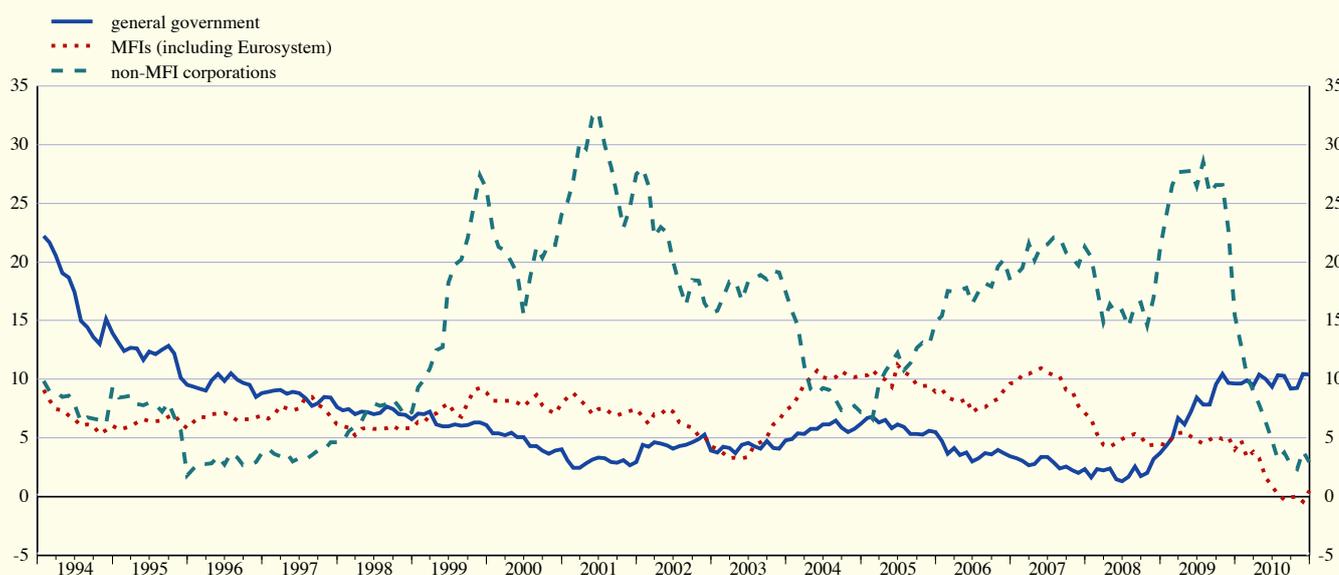
4.3 Growth rates of securities other than shares issued by euro area residents ¹⁾

(percentage changes)

	Annual growth rates (non-seasonally adjusted)						6-month seasonally adjusted growth rates					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government
	1	2	3	4	5	6	7	8	9	10	11	12
Total												
2009 Dec.	7.8	2.3	10.3	14.5	11.2	10.0	4.8	-0.1	2.8	16.5	9.3	10.9
2010 Jan.	7.1	2.4	9.2	13.9	10.1	9.4	4.3	0.6	0.5	12.2	8.8	8.6
Feb.	5.9	0.7	6.2	15.0	9.7	11.0	3.1	-1.3	-1.9	15.5	8.1	11.5
Mar.	5.5	1.5	4.6	16.1	8.5	11.8	2.7	-0.3	-3.2	13.1	6.9	12.3
Apr.	5.2	1.3	3.6	16.1	8.4	11.2	3.1	2.3	-3.0	13.2	5.3	12.9
May	4.3	-0.2	2.9	15.0	8.0	10.4	2.5	0.1	-2.0	12.6	5.4	11.3
June	3.7	-0.4	1.8	12.3	7.2	13.7	2.6	-0.8	0.9	8.3	5.2	16.7
July	3.3	-0.9	0.5	10.1	7.4	15.2	2.4	-2.4	0.7	8.0	6.0	22.4
Aug.	3.7	-0.3	1.7	10.2	7.2	15.4	4.4	0.6	5.4	5.4	6.4	19.9
Sep.	3.1	-0.3	1.0	8.6	6.2	16.6	3.8	-0.3	5.4	4.2	5.6	21.1
Oct.	3.2	0.1	0.7	8.4	6.2	16.0	3.4	-2.0	4.4	3.8	7.1	19.0
Nov.	4.3	0.1	2.8	8.3	7.9	16.4	6.3	0.1	8.0	4.2	10.4	21.7
Dec.	3.7	-0.3	2.1	8.0	6.8	15.9	4.6	0.2	3.4	7.5	8.3	13.0
Long-term												
2009 Dec.	8.9	4.0	12.5	26.1	9.5	12.0	6.0	2.4	3.4	21.4	8.9	11.2
2010 Jan.	8.5	4.8	10.1	23.1	9.5	11.6	6.3	3.6	0.8	16.6	10.4	11.1
Feb.	7.5	3.3	7.1	22.5	9.7	12.4	4.8	0.3	-1.6	19.3	10.7	11.8
Mar.	7.2	3.8	5.5	22.6	9.2	12.8	4.8	1.4	-3.0	17.0	10.6	13.8
Apr.	7.1	3.2	4.4	21.5	10.4	11.0	4.6	1.7	-2.6	15.7	9.7	12.7
May	6.0	1.6	3.3	18.5	10.1	8.9	3.7	-0.8	-2.0	12.7	9.9	9.9
June	5.1	0.9	2.0	16.0	9.1	12.9	4.2	-0.6	0.7	10.7	9.4	14.7
July	4.8	0.2	0.7	12.7	10.2	12.1	3.4	-3.1	0.8	9.0	10.1	13.1
Aug.	4.7	-0.3	1.4	12.9	10.2	11.8	4.8	-1.0	4.6	7.0	9.7	11.8
Sep.	4.2	0.0	0.7	11.2	8.9	12.3	3.7	-1.4	4.4	5.6	7.3	10.8
Oct.	4.1	0.0	0.4	10.5	9.1	11.4	3.8	-1.7	3.5	5.6	8.5	10.0
Nov.	4.9	-0.4	2.5	9.7	10.4	11.3	6.1	-0.1	7.3	6.7	10.8	12.9
Dec.	4.9	0.5	1.4	9.5	10.4	10.3	5.7	1.6	2.0	8.4	11.3	6.1

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

(annual percentage changes)



Source: ECB.

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

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

(percentage changes)

	Long-term fixed rate						Long-term variable rate					
	Total	MFIs (including Eurosystem)	Non-MFI corporations		General government		Total	MFIs (including Eurosystem)	Non-MFI corporations		General government	
			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government			Financial corporations other than MFIs	Non-financial corporations	Central government	Other general government
13	14	15	16	17	18	19	20	21	22	23	24	
In all currencies combined												
2009	9.5	7.1	18.0	25.0	8.1	4.3	12.0	1.8	35.7	-1.9	0.1	20.7
2010	8.8	5.6	6.7	19.6	9.9	7.4	-0.2	-3.7	1.1	-1.3	6.8	26.1
2010 Q1	11.1	9.8	13.5	28.8	9.6	8.3	1.2	-3.8	5.8	-2.1	4.6	26.9
Q2	9.7	7.3	7.3	23.1	10.2	7.5	-1.0	-4.2	0.3	-0.4	5.5	23.4
Q3	7.5	3.1	3.4	16.1	10.1	7.2	-1.2	-3.6	-1.2	-1.8	4.8	28.5
Q4	7.0	2.7	3.3	12.4	9.7	6.8	0.1	-3.1	-0.3	-0.8	12.3	25.7
2010 July	7.7	3.1	3.2	15.8	10.5	6.7	-1.4	-3.5	-1.8	-2.0	5.4	30.0
Aug.	7.5	2.6	3.6	16.2	10.3	7.1	-1.1	-3.9	-0.8	-2.1	6.6	27.0
Sep.	7.0	2.8	2.2	13.7	9.7	7.8	-1.0	-3.2	-0.7	-1.2	3.3	26.3
Oct.	6.9	2.9	3.1	12.7	9.4	7.0	-0.5	-3.2	-0.8	-1.1	8.7	25.4
Nov.	7.1	2.5	3.7	11.8	10.0	6.8	1.0	-3.8	0.9	-0.5	18.6	25.3
Dec.	7.0	2.5	4.0	11.6	9.9	5.3	0.6	-1.5	-1.4	-0.4	15.9	26.7
In euro												
2009	10.1	9.0	21.4	23.3	8.2	3.7	14.3	3.9	38.2	-2.4	-0.4	21.8
2010	9.0	5.5	7.8	20.0	10.0	7.3	0.0	-3.1	0.9	-1.7	6.0	26.4
2010 Q1	11.4	10.8	14.9	29.2	9.7	8.0	1.6	-3.4	6.3	-2.4	3.2	26.9
Q2	9.9	7.4	8.3	23.5	10.2	7.2	-1.1	-3.9	-0.2	-0.6	4.1	23.4
Q3	7.9	2.7	4.5	16.4	10.3	7.2	-1.0	-2.9	-1.4	-2.5	4.1	28.6
Q4	7.2	1.6	4.4	12.9	9.9	6.9	0.5	-2.3	-0.7	-1.2	12.4	26.5
2010 July	8.1	2.7	4.1	16.3	10.7	6.8	-1.1	-2.9	-1.8	-2.6	4.4	30.3
Aug.	7.9	2.2	4.7	16.5	10.5	7.3	-0.8	-3.1	-1.1	-2.7	6.2	27.1
Sep.	7.3	2.0	3.5	14.4	9.9	7.9	-0.6	-2.5	-0.6	-1.7	2.9	26.1
Oct.	7.1	1.9	4.3	13.2	9.5	7.2	-0.1	-2.5	-0.9	-1.5	8.6	26.2
Nov.	7.2	1.2	4.6	12.2	10.1	6.9	1.3	-2.9	0.2	-0.9	18.8	26.4
Dec.	7.2	1.2	5.0	12.3	10.1	5.5	1.1	-0.2	-2.1	-0.8	16.2	27.7

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

(annual percentage changes)



Source: ECB.

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

4.4 Quoted shares issued by euro area residents ¹⁾

(EUR billions, unless otherwise indicated; market values)

1. Outstanding amounts and annual growth rates

(outstanding amounts as at end of period)

	Total			MFIs		Financial corporations other than MFIs		Non-financial corporations	
	Total	Index: Dec. 2001 = 100	Annual growth rates (%)	Total	Annual growth rates (%)	Total	Annual growth rates (%)	Total	Annual growth rates (%)
	1	2	3	4	5	6	7	8	9
2008 Dec.	3,509.5	105.4	1.0	375.0	5.9	282.5	2.7	2,852.1	-0.1
2009 Jan.	3,312.9	105.6	1.1	340.9	7.5	259.0	2.8	2,712.9	-0.1
Feb.	2,941.5	105.6	1.1	273.8	7.4	206.3	2.8	2,461.3	-0.1
Mar.	3,024.7	106.1	1.5	312.8	8.0	223.9	2.9	2,488.0	0.4
Apr.	3,457.7	106.2	1.6	410.4	8.3	274.6	3.0	2,772.7	0.5
May	3,604.0	106.5	1.9	448.8	8.9	283.3	2.9	2,871.9	0.8
June	3,556.1	107.3	2.7	445.3	9.9	279.4	3.9	2,831.3	1.5
July	3,841.4	107.5	2.7	505.7	9.6	301.1	3.6	3,034.6	1.6
Aug.	4,039.5	107.5	2.7	568.4	9.5	321.7	4.0	3,149.3	1.6
Sep.	4,208.3	107.6	2.8	588.4	8.5	352.3	4.1	3,267.6	1.8
Oct.	4,063.0	107.8	2.7	563.3	9.0	326.8	1.3	3,173.0	1.9
Nov.	4,077.6	108.1	2.7	563.8	8.8	318.5	2.2	3,195.3	1.9
Dec.	4,409.3	108.5	3.0	566.0	9.2	349.4	5.3	3,493.8	1.8
2010 Jan.	4,241.8	108.7	2.9	516.7	8.3	339.3	5.3	3,385.9	1.9
Feb.	4,160.3	108.7	3.0	499.3	8.3	337.8	5.4	3,323.2	2.0
Mar.	4,473.4	109.0	2.8	543.6	7.5	363.8	5.4	3,566.0	1.8
Apr.	4,408.1	109.0	2.7	508.4	7.1	344.3	5.3	3,555.4	1.7
May	4,092.5	109.1	2.4	445.9	6.3	321.4	5.3	3,325.2	1.5
June	4,053.8	109.3	1.9	446.4	5.7	314.3	4.4	3,293.1	1.0
July	4,255.3	109.4	1.7	519.8	5.1	336.8	4.5	3,398.6	0.9
Aug.	4,120.3	109.4	1.7	479.3	5.1	313.2	4.1	3,327.9	1.0
Sep.	4,344.3	109.4	1.7	487.0	5.1	325.3	4.0	3,531.9	0.9
Oct.	4,529.9	109.8	1.8	514.4	7.3	332.4	4.0	3,683.1	0.8
Nov.	4,408.1	110.0	1.7	437.8	6.8	311.3	3.8	3,659.0	0.8
Dec.	4,591.6	110.0	1.3	458.4	6.5	329.4	0.6	3,803.8	0.7

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

(annual percentage changes)



Source: ECB.

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

4.4 Quoted shares issued by euro area residents

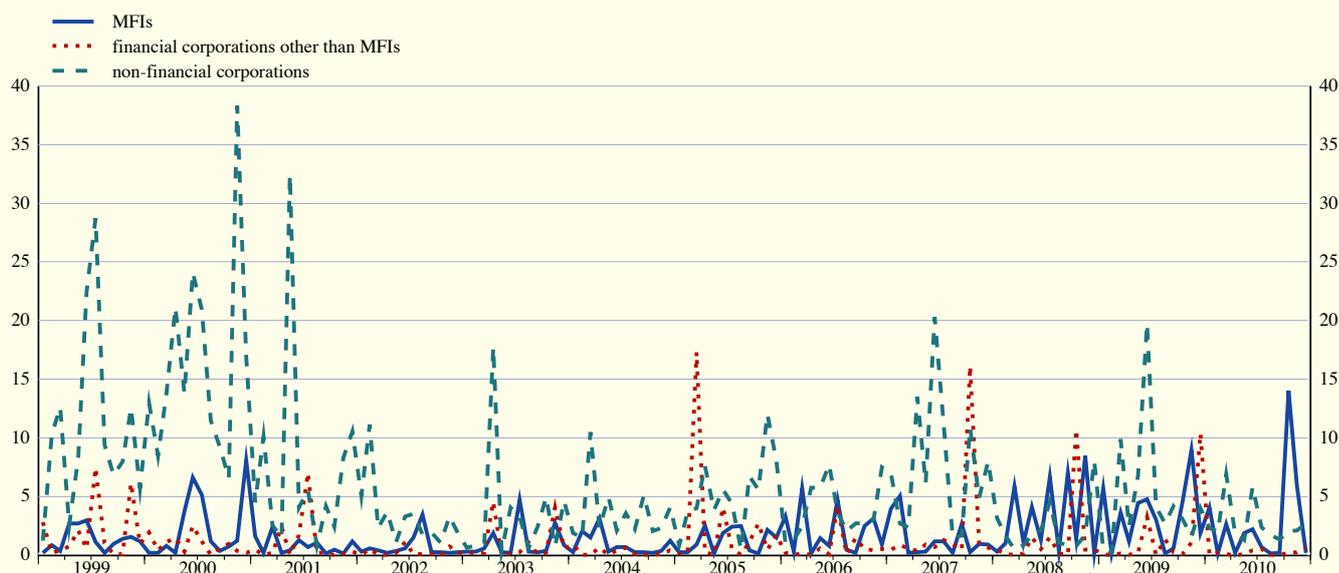
(EUR billions; market values)

2. Transactions during the month

	Total			MFIs			Financial corporations other than MFIs			Non-financial corporations		
	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues	Gross issues	Redemptions	Net issues
	1	2	3	4	5	6	7	8	9	10	11	12
2008 Dec.	8.5	2.6	6.0	0.0	0.0	0.0	0.5	0.0	0.4	8.0	2.5	5.5
2009 Jan.	6.3	0.5	5.8	5.7	0.0	5.7	0.1	0.0	0.0	0.5	0.4	0.1
Feb.	0.2	0.9	-0.7	0.0	0.0	0.0	0.0	0.1	-0.1	0.2	0.8	-0.6
Mar.	13.7	0.2	13.4	3.6	0.0	3.6	0.2	0.0	0.1	9.9	0.2	9.7
Apr.	3.7	0.3	3.4	1.2	0.0	1.2	0.1	0.0	0.0	2.4	0.3	2.1
May	11.4	0.3	11.1	4.4	0.0	4.4	0.2	0.0	0.1	6.8	0.3	6.5
June	27.8	2.0	25.8	4.8	0.0	4.8	3.3	0.3	3.0	19.7	1.8	18.0
July	7.2	0.2	7.0	3.0	0.0	3.0	0.0	0.0	0.0	4.1	0.1	4.0
Aug.	4.0	3.3	0.7	0.0	0.0	0.0	1.3	0.0	1.3	2.7	3.3	-0.6
Sep.	5.0	0.3	4.7	0.6	0.0	0.6	0.2	0.0	0.2	4.2	0.2	3.9
Oct.	7.7	0.3	7.4	4.5	0.0	4.5	0.1	0.0	0.1	3.1	0.2	2.8
Nov.	11.6	0.2	11.4	9.0	0.0	9.0	1.0	0.0	1.0	1.6	0.2	1.4
Dec.	16.2	0.2	16.1	1.9	0.0	1.9	10.4	0.1	10.3	4.0	0.1	3.9
2010 Jan.	6.4	0.0	6.4	4.1	0.0	4.1	0.1	0.0	0.1	2.3	0.0	2.3
Feb.	2.2	0.3	1.9	0.0	0.0	0.0	0.2	0.0	0.2	2.0	0.3	1.7
Mar.	9.6	0.2	9.4	2.6	0.0	2.6	0.1	0.0	0.1	6.9	0.2	6.7
Apr.	1.8	0.4	1.5	0.1	0.0	0.0	0.0	0.0	0.0	1.8	0.3	1.5
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.	1.8	1.2	0.6	0.0	0.0	0.0	0.0	0.0	0.0	1.7	1.2	0.6
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	1.1	15.2	14.0	0.0	14.0	0.2	0.0	0.2	2.0	1.1	1.0
Nov.	8.2	1.2	7.0	5.9	0.0	5.9	0.2	0.1	0.2	2.1	1.2	0.9
Dec.	3.5	3.4	0.1	0.2	0.0	0.2	0.6	0.3	0.3	2.7	3.1	-0.4

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 ²⁾	With an agreed maturity of:			Redeemable at notice of: ^{2), 3)}		Overnight ²⁾	With an agreed maturity of:			
		Up to 1 year	Over 1 and up to 2 years	Over 2 years	Up to 3 months	Over 3 months		Up to 1 year	Over 1 and up to 2 years	Over 2 years	
	1	2	3	4	5	6	7	8	9	10	11
2010 Feb.	0.42	1.75	2.24	2.36	1.45	2.11	0.44	0.73	2.11	2.39	0.53
Mar.	0.42	1.90	2.38	2.24	1.45	2.05	0.44	0.79	2.73	2.35	0.50
Apr.	0.41	2.02	2.64	2.14	1.42	2.01	0.43	0.78	2.78	2.30	0.58
May	0.40	2.04	2.73	2.24	1.40	1.98	0.43	0.77	2.78	2.26	0.52
June	0.43	2.16	2.26	2.47	1.41	1.96	0.43	0.89	1.85	2.29	0.66
July	0.43	2.31	2.59	2.36	1.40	1.93	0.45	1.06	2.11	2.22	0.74
Aug.	0.43	2.21	2.54	2.35	1.50	1.91	0.45	1.01	2.01	2.22	0.70
Sep.	0.43	2.25	2.76	2.28	1.55	1.85	0.46	1.11	2.18	2.81	0.71
Oct.	0.44	2.35	2.75	2.80	1.54	1.82	0.50	1.18	2.36	2.53	0.94
Nov.	0.44	2.33	2.65	2.66	1.54	1.83	0.50	1.16	2.45	2.41	0.90
Dec.	0.43	2.27	2.77	2.59	1.55	1.84	0.51	1.19	2.56	2.60	1.07
2011 Jan.	0.43	2.38	2.61	2.77	1.53	1.85	0.54	1.29	2.42	2.52	1.02

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

	Revolving loans and overdrafts, convenience and extended credit card debt ²⁾	Consumer credit				Lending for house purchase					Other lending by initial rate fixation		
		By initial rate fixation			Annual percentage rate of charge ⁴⁾	By initial rate fixation				Annual percentage rate of charge ⁴⁾	Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years
		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 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				
	1	2	3	4	5	6	7	8	9	10	11	12	13
2010 Feb.	9.01	6.72	6.25	7.98	7.78	2.68	3.83	4.32	4.18	3.74	3.16	4.48	4.74
Mar.	8.82	6.35	6.21	7.94	7.59	2.63	3.72	4.21	4.15	3.66	3.05	4.61	4.55
Apr.	8.77	6.78	6.12	7.92	7.67	2.62	3.71	4.18	4.12	3.68	3.06	4.32	4.53
May	8.77	6.69	6.14	7.84	7.62	2.58	3.64	4.14	4.01	3.58	3.09	4.45	4.50
June	8.79	5.18	6.13	7.74	7.11	2.56	3.59	4.06	3.90	3.54	3.01	4.22	4.27
July	8.73	5.48	6.22	7.77	7.32	2.66	3.60	3.94	3.84	3.64	3.15	4.29	4.27
Aug.	8.72	5.38	6.26	7.87	7.35	2.83	3.63	3.95	3.80	3.76	3.35	4.52	4.14
Sep.	8.74	5.52	6.18	7.87	7.31	2.75	3.57	3.84	3.74	3.62	3.33	4.35	4.07
Oct.	8.66	5.36	6.03	7.71	7.15	2.76	3.57	3.78	3.69	3.61	3.37	4.43	4.21
Nov.	8.61	5.39	6.08	7.64	7.15	2.80	3.55	3.76	3.70	3.65	3.55	4.37	4.17
Dec.	8.58	5.16	5.95	7.23	6.86	2.78	3.54	3.80	3.70	3.68	3.39	4.31	4.15
2011 Jan.	8.62	5.06	6.13	7.81	7.15	2.94	3.71	3.91	3.86	3.82	3.37	4.32	4.30

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

	Revolving loans and overdrafts, convenience and extended credit card debt ²⁾	Other loans of up to EUR 1 million by initial rate fixation			Other loans of over EUR 1 million by initial rate fixation		
		Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years	Floating rate and up to 1 year	Over 1 and up to 5 years	Over 5 years
		1	2	3	4	5	6	7
2010 Feb.	4.03	3.25	4.22	4.05	1.94	2.90	3.61
Mar.	3.98	3.24	4.21	4.00	1.99	2.54	3.44
Apr.	3.98	3.19	4.17	3.90	2.00	2.72	3.45
May	3.97	3.25	4.12	3.86	1.96	2.84	3.41
June	3.70	3.25	4.09	3.80	2.17	2.86	3.37
July	3.70	3.26	4.23	3.95	2.26	2.85	3.20
Aug.	3.75	3.38	4.14	3.84	2.28	2.92	3.65
Sep.	3.80	3.34	4.10	3.78	2.26	2.72	3.51
Oct.	3.83	3.42	4.16	3.82	2.33	2.94	3.46
Nov.	3.85	3.56	4.26	3.82	2.42	3.05	3.53
Dec.	3.86	3.50	4.18	3.86	2.59	2.82	3.50
2011 Jan.	4.02	3.45	4.15	3.86	2.45	2.94	3.93

Source: ECB.

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

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

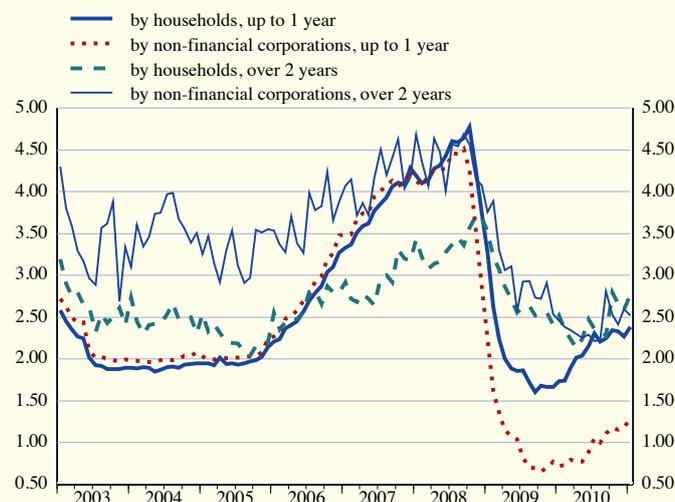
4. Interest rates on deposits (outstanding amounts)

	Deposits from households					Deposits from non-financial corporations			Repos
	Overnight ²⁾	With an agreed maturity of:		Redeemable at notice of: ^{2,3)}		Overnight ²⁾	With an agreed maturity of:		
		Up to 2 years	Over 2 years	Up to 3 months	Over 3 months		Up to 2 years	Over 2 years	
	1	2	3	4	5	6	7	8	9
2010 Feb.	0.42	2.14	2.84	1.45	2.11	0.44	1.42	3.31	1.20
Mar.	0.42	2.12	2.74	1.45	2.05	0.44	1.38	3.26	1.16
Apr.	0.41	2.12	2.74	1.42	2.01	0.43	1.37	3.24	1.16
May	0.40	2.12	2.71	1.40	1.98	0.43	1.42	3.22	1.14
June	0.43	2.13	2.72	1.41	1.96	0.43	1.46	3.11	1.24
July	0.43	2.15	2.73	1.40	1.93	0.45	1.54	3.14	1.24
Aug.	0.43	2.17	2.72	1.50	1.91	0.45	1.57	3.11	1.25
Sep.	0.43	2.20	2.74	1.55	1.85	0.46	1.62	3.07	1.26
Oct.	0.44	2.22	2.70	1.54	1.82	0.50	1.68	3.07	1.29
Nov.	0.44	2.25	2.72	1.54	1.83	0.50	1.70	3.11	1.33
Dec.	0.43	2.28	2.70	1.55	1.84	0.51	1.76	3.08	1.50
2011 Jan.	0.43	2.31	2.71	1.53	1.85	0.54	1.78	3.08	1.55

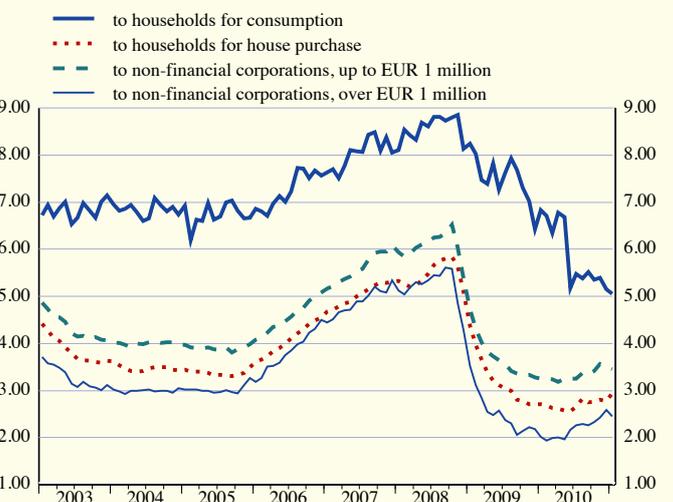
5. Interest rates on loans (outstanding amounts)

	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
2010 Feb.	4.03	4.11	4.03	7.49	6.61	5.43	3.45	3.33	3.43
Mar.	3.98	4.04	3.98	7.43	6.51	5.35	3.43	3.26	3.37
Apr.	3.89	4.01	3.92	7.38	6.50	5.29	3.42	3.21	3.33
May	3.87	3.97	3.89	7.40	6.45	5.29	3.40	3.20	3.31
June	3.79	3.96	3.84	7.61	6.48	5.21	3.29	3.21	3.30
July	3.73	3.93	3.82	7.70	6.50	5.19	3.34	3.25	3.33
Aug.	3.79	3.89	3.81	7.74	6.46	5.20	3.37	3.28	3.34
Sep.	3.83	3.88	3.83	7.83	6.46	5.22	3.42	3.29	3.38
Oct.	3.80	3.86	3.83	7.79	6.45	5.20	3.48	3.34	3.38
Nov.	3.77	3.86	3.85	7.66	6.47	5.22	3.50	3.39	3.42
Dec.	3.73	3.83	3.81	7.64	6.41	5.19	3.50	3.41	3.42
2011 Jan.	3.71	3.80	3.80	7.78	6.40	5.17	3.60	3.44	3.43

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



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



Source: ECB.

* 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)

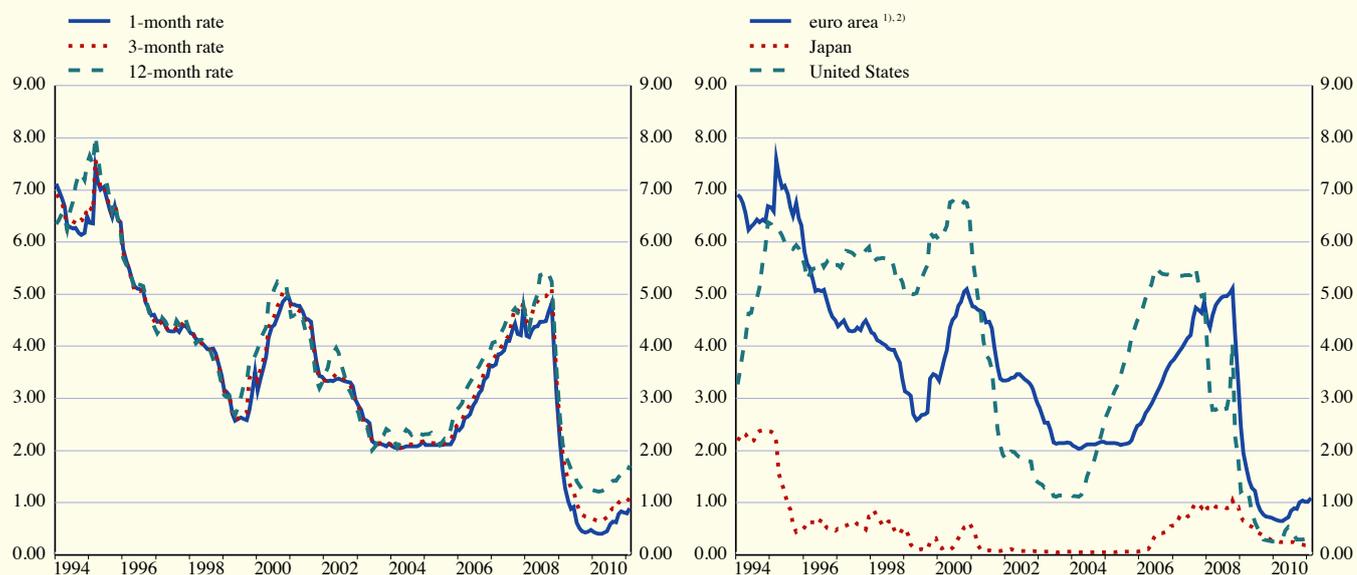
	Euro area ^{1,2)}					United States	Japan
	Overnight deposits (EONIA)	1-month deposits (EURIBOR)	3-month deposits (EURIBOR)	6-month deposits (EURIBOR)	12-month deposits (EURIBOR)	3-month deposits (LIBOR)	3-month deposits (LIBOR)
	1	2	3	4	5	6	7
2008	3.87	4.28	4.64	4.73	4.83	2.93	0.93
2009	0.71	0.89	1.22	1.43	1.61	0.69	0.47
2010	0.44	0.57	0.81	1.08	1.35	0.34	0.23
2009 Q4	0.36	0.45	0.72	1.00	1.24	0.27	0.31
2010 Q1	0.34	0.42	0.66	0.96	1.22	0.26	0.25
Q2	0.35	0.43	0.69	0.98	1.25	0.44	0.24
Q3	0.45	0.61	0.87	1.13	1.40	0.39	0.24
Q4	0.59	0.81	1.02	1.25	1.52	0.29	0.19
2010 Feb.	0.34	0.42	0.66	0.96	1.23	0.25	0.25
Mar.	0.35	0.41	0.64	0.95	1.22	0.27	0.25
Apr.	0.35	0.40	0.64	0.96	1.23	0.31	0.24
May	0.34	0.42	0.69	0.98	1.25	0.46	0.24
June	0.35	0.45	0.73	1.01	1.28	0.54	0.24
July	0.48	0.58	0.85	1.10	1.37	0.51	0.24
Aug.	0.43	0.64	0.90	1.15	1.42	0.36	0.24
Sep.	0.45	0.62	0.88	1.14	1.42	0.29	0.22
Oct.	0.70	0.78	1.00	1.22	1.50	0.29	0.20
Nov.	0.59	0.83	1.04	1.27	1.54	0.29	0.19
Dec.	0.50	0.81	1.02	1.25	1.53	0.30	0.18
2011 Jan.	0.66	0.79	1.02	1.25	1.55	0.30	0.19
Feb.	0.71	0.89	1.09	1.35	1.71	0.31	0.19

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.

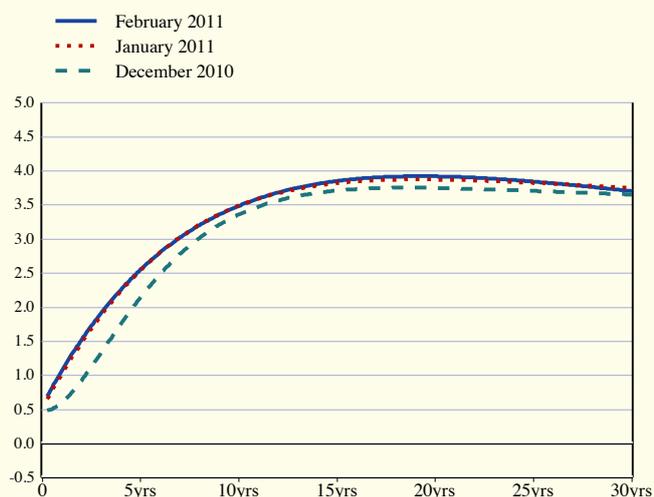
4.7 Euro area yield curves ¹⁾

(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
2008	1.75	1.85	2.14	2.95	3.32	3.69	1.94	1.55	2.09	2.76	4.04	4.60
2009	0.38	0.81	1.38	2.64	3.20	3.76	3.38	2.38	1.41	2.44	4.27	5.20
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
2009 Q4	0.38	0.81	1.38	2.64	3.20	3.76	3.38	2.38	1.41	2.44	4.27	5.20
2010 Q1	0.33	0.60	1.05	2.28	2.86	3.46	3.13	2.41	1.02	1.98	3.96	5.02
Q2	0.34	0.42	0.69	1.79	2.41	3.03	2.68	2.33	0.62	1.35	3.54	4.52
Q3	0.57	0.68	0.90	1.71	2.18	2.67	2.10	1.77	0.86	1.41	3.01	3.91
Q4	0.49	0.60	0.93	2.15	2.78	3.36	2.87	2.43	0.85	1.70	3.99	4.69
2010 Feb.	0.30	0.54	1.02	2.29	2.88	3.49	3.19	2.46	0.98	2.01	3.99	5.08
Mar.	0.33	0.60	1.05	2.28	2.86	3.46	3.13	2.41	1.02	1.98	3.96	5.02
Apr.	0.32	0.60	1.01	2.18	2.78	3.40	3.07	2.39	1.00	1.85	3.89	4.94
May	0.21	0.28	0.57	1.75	2.39	3.00	2.78	2.43	0.47	1.28	3.58	4.46
June	0.34	0.42	0.69	1.79	2.41	3.03	2.68	2.33	0.62	1.35	3.54	4.52
July	0.45	0.59	0.87	1.88	2.44	3.01	2.56	2.14	0.82	1.51	3.45	4.43
Aug.	0.43	0.45	0.62	1.47	1.97	2.48	2.05	1.85	0.55	1.09	2.87	3.70
Sep.	0.57	0.68	0.90	1.71	2.18	2.67	2.10	1.77	0.86	1.41	3.01	3.91
Oct.	0.75	0.84	1.06	1.89	2.36	2.86	2.11	1.80	1.02	1.57	3.21	4.09
Nov.	0.63	0.72	0.99	2.02	2.58	3.11	2.48	2.12	0.92	1.62	3.62	4.35
Dec.	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 Jan.	0.65	1.03	1.48	2.55	3.03	3.49	2.84	2.01	1.51	2.34	3.96	4.62
Feb.	0.69	1.08	1.53	2.55	3.02	3.49	2.80	1.96	1.56	2.37	3.91	4.67

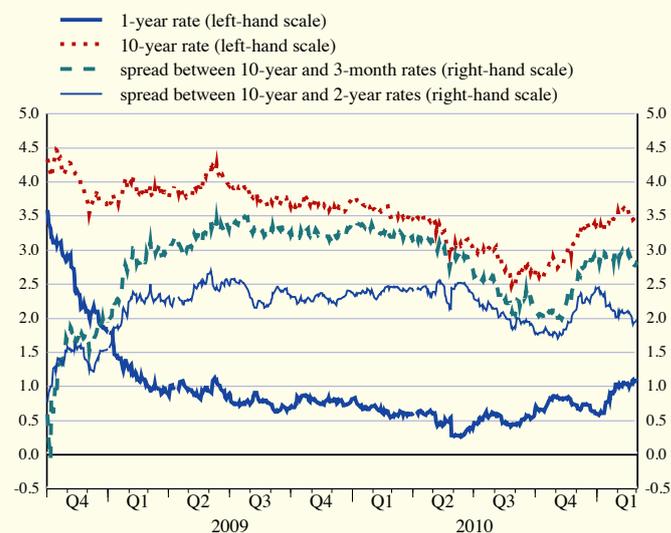
C25 Euro area spot yield curves ²⁾

(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	
2008	313.7	3,319.5	480.4	169.3	290.7	380.9	265.0	350.9	282.5	502.0	431.5	411.5	1,220.7	12,151.6
2009	234.2	2,521.0	353.2	140.5	244.5	293.5	172.1	269.7	200.7	353.7	380.4	363.5	946.2	9,321.6
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
2009 Q4	268.1	2,872.7	422.1	151.5	282.8	316.9	209.7	317.7	214.1	375.3	416.5	399.3	1,088.7	9,969.2
2010 Q1	268.0	2,849.0	445.0	159.3	294.9	320.0	195.5	326.7	229.9	372.4	398.8	426.3	1,123.6	10,511.2
Q2	261.1	2,735.7	446.3	163.7	312.9	305.0	178.8	334.3	229.1	349.6	372.2	412.0	1,134.6	10,345.9
Q3	259.5	2,715.9	445.8	165.2	323.0	294.5	181.6	327.0	210.7	325.9	387.6	391.4	1,096.2	9,356.0
Q4	273.4	2,817.8	513.8	176.1	361.3	309.9	175.7	361.9	227.0	333.0	399.2	405.0	1,204.6	9,842.4
2010 Feb.	257.0	2,727.5	427.9	154.3	285.3	309.8	183.9	312.3	222.7	360.9	386.8	415.0	1,089.2	10,175.1
Mar.	272.6	2,890.5	456.0	164.0	302.4	320.3	197.7	335.0	242.2	372.2	401.9	436.8	1,152.0	10,671.5
Apr.	278.6	2,937.3	470.9	171.7	313.8	328.6	199.7	349.0	248.8	378.9	396.7	430.0	1,197.3	11,139.8
May	252.7	2,642.1	431.4	159.6	305.2	295.4	170.8	324.8	221.9	341.7	360.0	401.0	1,125.1	10,104.0
June	253.2	2,641.7	438.1	160.4	319.5	292.7	167.5	330.0	218.3	330.5	361.6	406.1	1,083.4	9,786.1
July	255.1	2,669.5	435.0	160.8	320.8	289.3	178.0	324.2	212.3	320.3	369.7	389.2	1,079.8	9,456.8
Aug.	258.9	2,712.2	441.5	163.2	315.6	296.0	183.7	324.9	206.8	328.5	392.2	383.1	1,087.3	9,268.2
Sep.	264.6	2,766.1	460.9	171.6	332.4	298.4	183.0	331.9	212.9	329.0	400.9	401.8	1,122.1	9,346.7
Oct.	271.3	2,817.7	489.1	175.1	346.1	304.9	183.2	346.0	223.7	331.4	410.5	405.4	1,171.6	9,455.1
Nov.	272.2	2,809.6	509.9	176.3	359.9	307.4	174.4	358.5	222.9	335.0	403.0	405.0	1,198.9	9,797.2
Dec.	276.5	2,825.6	540.1	176.8	376.5	316.7	170.0	379.7	234.1	332.6	385.3	404.6	1,241.5	10,254.5
2011 Jan.	282.8	2,900.7	531.1	178.1	375.3	335.1	178.0	385.8	246.1	346.2	390.7	411.8	1,282.6	10,449.5
Feb.	292.3	3,015.7	540.5	179.0	369.7	348.0	193.5	393.1	257.6	359.0	402.9	418.7	1,321.1	10,622.3

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 2011	100.0	100.0	82.3	58.5	41.4	100.0	11.9	7.4	28.9	10.3	41.4	88.9	11.1
	1	2	3	4	5	6	7	8	9	10	11	12	13
2007	104.4	2.1	2.0	1.9	2.5	-	-	-	-	-	-	2.1	2.3
2008	107.8	3.3	2.4	3.8	2.6	-	-	-	-	-	-	3.4	2.7
2009	108.1	0.3	1.3	-0.9	2.0	-	-	-	-	-	-	0.1	1.7
2010	109.8	1.6	1.0	1.8	1.4	-	-	-	-	-	-	1.6	1.6
2009 Q4	108.6	0.4	1.0	-0.4	1.7	0.2	0.1	0.1	0.0	0.3	0.4	0.4	0.8
2010 Q1	108.6	1.1	0.9	0.9	1.5	0.5	0.0	1.0	0.0	3.0	0.2	1.2	0.4
Q2	110.1	1.6	0.9	1.9	1.2	0.7	0.3	0.8	0.4	3.9	0.3	1.6	1.4
Q3	109.9	1.7	1.0	2.0	1.4	0.3	0.5	0.4	0.2	0.0	0.5	1.7	2.1
Q4	110.8	2.0	1.1	2.5	1.3	0.5	0.6	0.5	0.2	2.0	0.3	2.0	2.4
2010 Sep.	110.2	1.9	1.2	2.2	1.4	0.2	0.1	-0.1	0.4	0.3	0.0	1.8	2.1
Oct.	110.5	1.9	1.1	2.4	1.4	0.1	0.2	0.1	-0.1	0.6	0.1	1.9	2.4
Nov.	110.6	1.9	1.2	2.3	1.3	0.2	0.2	0.4	0.0	0.8	0.1	1.9	2.4
Dec.	111.3	2.2	1.1	2.9	1.3	0.3	0.3	0.4	0.0	2.3	0.1	2.2	2.4
2011 Jan.	110.5	2.3	1.2	2.9	1.5	0.2	0.2	-0.5	-0.6	3.0	0.2	2.2	3.3
Feb. ³⁾		2.4											

	Goods						Services					
	Food (incl. alcoholic beverages and tobacco)			Industrial goods			Housing		Transport	Communication	Recreation and personal	Miscellaneous
	Total	Processed food	Unprocessed food	Total	Non-energy industrial goods	Energy	Rents					
% of total in 2011	19.3	11.9	7.4	39.2	28.9	10.3	10.1	6.0	6.5	3.2	14.6	7.0
	14	15	16	17	18	19	20	21	22	23	24	25
2007	2.8	2.8	3.0	1.4	1.0	2.6	2.7	2.0	2.6	-1.9	2.9	3.2
2008	5.1	6.1	3.5	3.1	0.8	10.3	2.3	1.9	3.9	-2.2	3.2	2.5
2009	0.7	1.1	0.2	-1.7	0.6	-8.1	2.0	1.8	2.9	-1.0	2.1	2.1
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
2009 Q4	-0.2	0.5	-1.5	-0.5	0.3	-3.2	1.9	1.7	2.5	-0.6	1.4	2.2
2010 Q1	0.1	0.6	-0.6	1.3	0.1	4.8	1.9	1.6	2.5	-0.5	1.1	1.6
Q2	0.9	0.8	1.0	2.4	0.5	8.1	1.8	1.5	2.3	-0.9	0.8	1.5
Q3	1.5	0.9	2.3	2.2	0.5	7.3	1.8	1.6	2.5	-0.8	1.0	1.5
Q4	1.9	1.3	2.7	2.9	0.8	9.2	1.6	1.3	1.9	-0.8	1.2	1.5
2010 Aug.	1.6	1.0	2.5	1.7	0.3	6.1	2.0	1.8	2.5	-0.5	1.0	1.6
Sep.	1.5	1.0	2.3	2.6	0.9	7.7	1.7	1.4	2.4	-0.9	1.1	1.5
Oct.	1.6	1.2	2.3	2.7	0.8	8.5	1.6	1.3	1.9	-1.0	1.3	1.5
Nov.	1.8	1.3	2.6	2.6	0.9	7.9	1.6	1.2	2.0	-0.8	1.2	1.5
Dec.	2.1	1.5	3.2	3.2	0.7	11.0	1.7	1.3	1.7	-0.7	1.2	1.4
2011 Jan.	1.9	1.8	2.1	3.4	0.5	12.0	1.7	1.3	1.5	-0.2	1.6	1.7

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
2007	107.9	2.7	3.0	3.2	4.6	2.2	2.2	2.4	2.2	1.2	4.2	4.6
2008	114.4	6.1	4.8	3.4	3.9	2.1	3.9	2.8	4.1	14.2	3.9	1.2
2009	108.6	-5.1	-5.4	-2.9	-5.3	0.4	-2.1	1.2	-2.5	-11.8	0.1	-2.8
2010	111.7	2.9	3.4	1.6	3.5	0.3	0.4	0.9	0.3	6.4	.	.
2009 Q4	108.4	-4.6	-3.0	-3.1	-5.0	-0.6	-2.5	0.4	-2.8	-9.5	-0.3	-1.6
2010 Q1	109.6	-0.1	1.7	-0.5	-0.4	-0.5	-0.6	0.3	-0.7	0.3	0.2	0.1
Q2	111.5	3.0	3.8	1.6	3.6	0.2	-0.1	0.6	-0.2	7.2	2.4	1.6
Q3	112.3	4.0	3.7	2.3	4.8	0.7	0.6	1.1	0.5	8.8	2.4	2.6
Q4	113.5	4.7	4.5	3.1	5.9	0.8	1.5	1.4	1.5	9.6	.	.
2010 Aug.	112.2	3.6	3.3	2.3	4.7	0.7	0.5	1.1	0.4	7.4	-	-
Sep.	112.5	4.3	4.0	2.6	5.1	0.7	0.8	1.2	0.7	9.4	-	-
Oct.	112.9	4.3	4.1	2.9	5.5	0.7	1.2	1.3	1.2	8.7	-	-
Nov.	113.3	4.5	4.3	3.1	5.8	0.9	1.5	1.5	1.4	8.8	-	-
Dec.	114.3	5.3	5.2	3.3	6.3	0.7	1.8	1.5	1.8	11.2	-	-
2011 Jan.	116.0	6.1	5.6	3.9	7.4	0.9	2.0	1.4	2.0	12.5	-	-

3. Commodity prices and gross domestic product deflators

	Oil prices ³⁾ (EUR per barrel)	Non-energy commodity prices						Total (s.a.; index: 2000 = 100)	Total	GDP deflators				Exports ⁶⁾	Imports ⁶⁾
		Import-weighted ⁴⁾			Use-weighted ⁵⁾					Domestic demand					
		Total	Food	Non-food	Total	Food	Non-food			Total	Private consump- tion	Government consump- tion	Gross fixed capital formation		
% of total	100.0	35.0	65.0	100.0	45.0	55.0									
	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15
2007	52.8	7.8	14.3	5.5	5.3	9.3	2.9	116.4	2.3	2.2	2.3	1.7	2.6	1.5	1.2
2008	65.9	2.0	18.4	-4.4	-1.7	9.7	-8.6	118.7	2.0	2.5	2.6	2.5	2.2	2.5	3.8
2009	44.6	-18.5	-8.9	-23.0	-18.0	-11.4	-22.8	119.8	0.9	0.0	-0.3	2.1	-0.8	-3.3	-5.8
2010	60.7	44.7	21.4	57.9	42.1	27.1	54.5	120.8	0.8	1.6	1.8	0.7	1.0	3.2	5.4
2009 Q4	51.2	3.1	5.7	1.8	2.4	-1.0	5.0	119.9	0.3	-0.1	0.1	1.3	-1.1	-2.3	-3.7
2010 Q1	56.0	29.0	7.4	42.6	27.4	7.5	46.5	120.2	0.5	1.0	1.1	1.1	-0.3	1.2	2.3
Q2	62.6	48.2	12.5	70.2	41.7	14.0	67.3	120.6	0.8	1.7	1.8	1.1	0.9	3.7	6.2
Q3	59.6	51.5	29.7	63.1	49.4	41.0	55.8	121.1	1.0	1.9	2.1	0.5	1.5	3.9	6.2
Q4	64.4	48.6	36.6	54.7	48.7	48.4	48.9	121.1	1.0	2.0	2.4	0.3	1.8	4.0	6.8
2010 Sep.	59.8	54.7	36.8	63.7	54.8	52.2	56.6	-	-	-	-	-	-	-	-
Oct.	60.2	47.5	34.8	53.9	50.3	52.4	48.9	-	-	-	-	-	-	-	-
Nov.	63.1	48.6	35.3	55.5	47.3	44.4	49.5	-	-	-	-	-	-	-	-
Dec.	69.6	49.6	39.5	54.9	48.5	48.9	48.2	-	-	-	-	-	-	-	-
2011 Jan.	72.6	45.9	42.7	47.5	43.8	46.4	42.0	-	-	-	-	-	-	-	-
Feb.	76.6	47.5	50.9	45.9	45.3	51.4	40.9	-	-	-	-	-	-	-	-

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

1) Input prices for residential buildings.

2) Experimental data based on non-harmonised national sources (see <http://www.ecb.europa.eu/stats/intro/html/experiment.en.html> for further details).

3) 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, unless otherwise indicated)

4. Unit labour costs, compensation per labour input and labour productivity¹⁾

(seasonally adjusted)

	Total (index: 2000 = 100)	Total	By economic activity					
			Agriculture, hunting, forestry and fishing	Mining, manufacturing and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business services	
	1	2	3	4	5	6	7	8
Unit labour costs ²⁾								
2008	115.6	3.5	1.0	5.3	4.1	2.6	3.2	2.7
2009	120.1	3.9	-1.8	9.6	1.5	5.2	0.9	2.8
2009 Q4	119.9	1.4	-0.9	1.0	2.0	2.7	0.7	2.0
2010 Q1	119.8	-0.5	0.2	-6.7	2.0	-0.2	1.0	1.3
Q2	119.5	-0.6	0.8	-6.7	2.2	-1.1	1.3	1.8
Q3	119.4	-0.5	2.1	-4.3	2.3	-0.5	1.8	0.3
Compensation per employee								
2008	121.6	3.2	3.8	3.0	5.1	2.6	2.7	3.4
2009	123.5	1.6	2.5	0.4	2.4	1.7	1.4	2.5
2009 Q4	124.3	1.5	2.3	0.6	2.1	1.5	1.8	2.1
2010 Q1	124.6	1.5	1.3	2.6	0.2	1.6	2.0	1.1
Q2	125.5	1.9	2.0	4.0	1.4	1.4	1.3	1.5
Q3	125.9	1.5	1.8	3.5	1.7	1.8	1.6	0.2
Labour productivity per person employed ³⁾								
2008	105.3	-0.3	2.8	-2.1	1.0	0.0	-0.5	0.7
2009	102.9	-2.3	4.4	-8.4	0.9	-3.3	0.5	-0.2
2009 Q4	103.7	0.1	3.1	-0.4	0.1	-1.1	1.1	0.1
2010 Q1	104.1	2.1	1.1	10.0	-1.7	1.8	1.0	-0.3
Q2	105.0	2.6	1.2	11.5	-0.8	2.5	0.0	-0.2
Q3	105.4	2.1	-0.3	8.2	-0.5	2.3	-0.2	-0.1
Compensation per hour worked								
2008	123.9	3.1	2.7	3.5	4.4	2.7	2.4	3.1
2009	128.0	3.3	3.9	4.7	4.6	2.8	2.6	2.9
2009 Q4	128.4	2.3	3.8	1.7	4.3	2.1	2.5	2.3
2010 Q1	128.6	0.9	4.1	0.3	0.3	1.0	1.7	0.7
Q2	129.2	1.1	3.0	0.1	1.7	1.1	0.9	1.2
Q3	129.3	0.8	1.4	0.2	2.6	1.4	1.1	-0.2
Hourly labour productivity ³⁾								
2008	108.0	-0.2	3.0	-1.6	0.6	0.4	-0.8	0.5
2009	107.2	-0.8	4.9	-4.7	2.6	-2.4	1.9	0.1
2009 Q4	107.7	0.7	4.1	0.6	1.3	-0.8	1.8	0.2
2010 Q1	108.0	1.5	3.4	7.4	-2.2	1.0	0.8	-0.8
Q2	108.7	1.8	2.8	7.6	-1.2	1.9	-0.3	-0.6
Q3	109.0	1.3	1.4	4.5	-0.6	1.6	-0.6	-0.5

5. Labour cost indices^{1),4)}

	Total (s.a.; index: 2008 = 100)	Total	By component		For selected economic activities			Memo item: Indicator of negotiated wages ⁵⁾
			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
2009	102.8	2.9	2.7	3.4	3.3	3.4	2.5	2.6
2010	.	.	.	.	.	.	.	1.7
2010 Q1	103.9	1.9	1.8	2.1	1.7	2.7	1.9	1.8
Q2	104.2	1.6	1.5	1.9	0.8	2.3	1.9	1.9
Q3	104.1	0.8	0.7	1.2	0.3	0.6	1.1	1.5
Q4	.	.	.	.	.	.	.	1.6

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) Data refer to the Euro 17.

2) Compensation (at current prices) per employee divided by labour productivity per person employed.

3) Total GDP and value added by economic activity (volumes) per labour input (persons employed and hours worked).

4) 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.

 5) Experimental data (see <http://www.ecb.europa.eu/stats/intro/html/experiment.en.html> for further details).

5.2 Output and demand

1. GDP and expenditure components ¹⁾

	GDP								
	Total	Domestic demand					External balance ²⁾		
		Total	Private consumption	Government consumption	Gross fixed capital formation	Changes in inventories ³⁾	Total	Exports ²⁾	Imports ²⁾
	1	2	3	4	5	6	7	8	9
	<i>Current prices (EUR billions; seasonally adjusted)</i>								
2007	9,045.7	8,912.6	5,086.3	1,809.5	1,976.7	40.1	133.0	3,751.5	3,618.5
2008	9,259.4	9,164.2	5,243.6	1,899.3	1,999.9	21.4	95.2	3,876.2	3,780.9
2009	8,968.1	8,851.3	5,174.1	1,986.7	1,760.0	-69.5	116.9	3,258.1	3,141.3
2010	9,192.9	9,070.3	5,307.7	2,016.2	1,762.9	-16.6	122.7	3,721.3	3,598.6
2009 Q4	2,251.2	2,208.9	1,299.9	498.6	430.5	-20.0	42.2	839.0	796.8
2010 Q1	2,265.9	2,237.5	1,310.2	502.3	431.4	-6.4	28.4	871.9	843.5
Q2	2,295.9	2,271.6	1,322.2	504.4	443.7	1.3	24.3	924.0	899.7
Q3	2,312.2	2,277.5	1,330.4	506.1	444.5	-3.5	34.6	950.3	915.7
Q4	2,319.0	2,283.6	1,345.0	503.4	443.3	-8.0	35.4	975.1	939.8
	<i>percentage of GDP</i>								
2010	100.0	98.7	57.7	21.9	19.2	-0.2	1.3	-	-
	<i>Chain-linked volumes (prices for the previous year; seasonally adjusted ⁴⁾)</i>								
	<i>quarter-on-quarter percentage changes</i>								
2009 Q4	0.2	-0.2	0.2	0.0	-1.0	-	-	2.0	1.0
2010 Q1	0.4	0.6	0.4	0.0	-0.1	-	-	2.8	3.5
Q2	1.0	0.8	0.2	0.2	2.1	-	-	4.4	4.2
Q3	0.3	0.0	0.1	0.4	-0.1	-	-	2.2	1.4
Q4	0.3	0.0	0.4	0.1	-0.6	-	-	1.8	1.1
	<i>annual percentage changes</i>								
2007	2.9	2.6	1.7	2.2	4.7	-	-	6.3	5.8
2008	0.4	0.4	0.4	2.4	-0.8	-	-	1.0	0.8
2009	-4.1	-3.5	-1.1	2.4	-11.4	-	-	-13.2	-12.0
2010	1.7	0.9	0.8	0.7	-0.7	-	-	10.9	8.9
2009 Q4	-2.1	-2.7	-0.5	1.8	-9.5	-	-	-5.5	-7.1
2010 Q1	0.8	-0.4	0.4	1.1	-4.6	-	-	6.5	3.3
Q2	2.0	1.3	0.6	0.6	-0.3	-	-	12.4	10.7
Q3	1.9	1.2	0.9	0.6	0.7	-	-	12.0	10.4
Q4	2.0	1.4	1.1	0.7	1.2	-	-	11.7	10.5
	<i>contributions to quarter-on-quarter percentage changes in GDP; percentage points</i>								
2009 Q4	0.2	-0.2	0.1	0.0	-0.2	-0.2	0.4	-	-
2010 Q1	0.4	0.6	0.2	0.0	0.0	0.4	-0.2	-	-
Q2	1.0	0.8	0.1	0.0	0.4	0.3	0.2	-	-
Q3	0.3	0.0	0.1	0.1	0.0	-0.1	0.3	-	-
Q4	0.3	0.0	0.2	0.0	-0.1	-0.2	0.3	-	-
	<i>contributions to annual percentage changes in GDP; percentage points</i>								
2007	2.9	2.6	1.0	0.5	1.0	0.2	0.3	-	-
2008	0.4	0.4	0.3	0.5	-0.2	-0.2	0.1	-	-
2009	-4.1	-3.4	-0.6	0.5	-2.5	-0.8	-0.7	-	-
2010	1.7	0.9	0.4	0.2	-0.1	0.4	0.8	-	-
2009 Q4	-2.0	-2.7	-0.3	0.4	-2.0	-0.8	0.6	-	-
2010 Q1	0.8	-0.4	0.2	0.2	-0.9	0.1	1.2	-	-
Q2	2.0	1.2	0.3	0.1	-0.1	0.8	0.7	-	-
Q3	1.9	1.2	0.5	0.1	0.1	0.4	0.7	-	-
Q4	2.0	1.3	0.6	0.2	0.2	0.3	0.7	-	-

Sources: Eurostat and ECB calculations.

- 1) Data refer to the Euro 17.
- 2) 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.
- 3) Including acquisitions less disposals of valuables.
- 4) Annual data are not working day-adjusted.

5.2 Output and demand

2. Value added by economic activity¹⁾

	Gross value added (basic prices)							Taxes less subsidies on products
	Total	Agriculture, hunting, forestry and fishing activities	Mining, manufacturing and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business activities	Public administration, education, health and other services	
	1	2	3	4	5	6	7	8
<i>Current prices (EUR billions; seasonally adjusted)</i>								
2007	8,084.3	152.9	1,655.7	513.4	1,679.4	2,278.2	1,804.7	961.4
2008	8,312.6	147.6	1,653.0	529.8	1,735.2	2,359.9	1,887.0	946.8
2009	8,074.5	132.5	1,439.3	508.2	1,670.1	2,363.0	1,961.6	893.6
2010	8,254.6	143.3	1,514.6	493.0	1,704.3	2,399.4	1,999.9	938.4
2009 Q4	2,025.5	32.8	363.9	124.4	417.6	593.4	493.4	225.7
2010 Q1	2,040.4	34.7	370.7	122.5	420.0	594.4	498.0	225.5
Q2	2,062.1	35.7	378.7	124.4	425.5	596.7	501.1	233.8
Q3	2,071.4	36.2	379.1	123.6	429.1	602.7	500.7	240.8
Q4	2,080.7	36.7	386.2	122.5	429.7	605.6	500.0	238.3
<i>percentage of value added</i>								
2010	100.0	1.7	18.3	6.0	20.6	29.1	24.2	-
<i>Chain-linked volumes (prices for the previous year; seasonally adjusted²⁾)</i>								
<i>quarter-on-quarter percentage changes</i>								
2009 Q4	0.1	-0.6	0.6	-1.7	0.0	0.1	0.3	1.0
2010 Q1	0.6	1.3	2.2	-1.6	0.5	0.5	0.2	-1.8
Q2	0.8	-0.6	2.0	0.8	0.9	0.6	0.3	2.5
Q3	0.3	-1.1	0.3	-1.0	0.3	0.6	0.3	0.8
Q4	0.3	1.3	1.4	-1.7	0.0	0.3	0.2	0.0
<i>annual percentage changes</i>								
2007	3.1	1.4	3.2	2.5	3.7	4.0	1.7	0.9
2008	0.7	0.9	-2.2	-1.2	1.3	1.7	1.9	-1.4
2009	-4.2	2.1	-13.3	-5.9	-5.0	-1.6	1.1	-3.0
2010	1.8	0.2	5.7	-4.3	1.4	1.5	1.1	1.6
2009 Q4	-2.3	1.6	-6.8	-5.8	-3.3	-0.8	1.2	-0.1
2010 Q1	0.9	0.5	3.8	-6.5	0.3	0.9	1.2	0.0
Q2	1.9	0.4	7.1	-4.2	1.4	1.3	1.0	2.3
Q3	1.8	-0.9	5.3	-3.5	1.6	1.8	1.1	2.5
Q4	2.1	1.0	6.1	-3.5	1.6	2.0	1.1	1.5
<i>contributions to quarter-on-quarter percentage changes in value added; percentage points</i>								
2009 Q4	0.1	0.0	0.1	-0.1	0.0	0.0	0.1	-
2010 Q1	0.6	0.0	0.4	-0.1	0.1	0.1	0.1	-
Q2	0.8	0.0	0.4	0.0	0.2	0.2	0.1	-
Q3	0.3	0.0	0.1	-0.1	0.1	0.2	0.1	-
Q4	0.3	0.0	0.3	-0.1	0.0	0.1	0.1	-
<i>contributions to annual percentage changes in value added; percentage points</i>								
2007	3.1	0.0	0.7	0.2	0.8	1.1	0.4	-
2008	0.7	0.0	-0.4	-0.1	0.3	0.5	0.4	-
2009	-4.2	0.0	-2.6	-0.4	-1.1	-0.5	0.3	-
2010	1.8	0.0	1.0	-0.3	0.3	0.4	0.3	-
2009 Q4	-2.3	0.0	-1.3	-0.4	-0.7	-0.2	0.3	-
2010 Q1	0.9	0.0	0.7	-0.4	0.1	0.3	0.3	-
Q2	1.9	0.0	1.2	-0.3	0.3	0.4	0.2	-
Q3	1.8	0.0	0.9	-0.2	0.3	0.5	0.3	-
Q4	2.1	0.0	1.1	-0.2	0.3	0.6	0.3	-

Sources: Eurostat and ECB calculations.

1) Data refer to the Euro 17.

2) Annual data are not working day-adjusted.

5.2 Output and demand

(annual percentage changes, unless otherwise indicated)

3. Industrial production ¹⁾

	Total		Industry excluding construction								Construction	
	% of total in 2005	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		
1	2	3	4	5	6	7	8	9	10	11	12	
% 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
2008	-2.6	106.3	-1.8	-1.9	-2.0	-3.5	-0.2	-2.1	-5.7	-1.5	0.3	-5.5
2009	-13.8	90.5	-14.9	-15.9	-16.0	-19.2	-20.7	-5.1	-17.4	-3.1	-5.3	-8.3
2010	4.0	96.9	7.1	7.5	7.6	9.8	8.7	3.2	2.6	3.3	3.7	-7.6
2010 Q1	1.8	94.3	4.7	4.9	4.9	8.0	2.5	3.1	0.1	3.6	3.3	-10.1
Q2	6.1	96.5	9.0	9.3	9.4	13.9	9.0	3.8	5.0	3.6	5.5	-4.0
Q3	3.8	97.6	7.0	7.6	7.7	9.4	9.8	3.2	3.8	3.1	1.6	-8.1
Q4	4.4	99.2	7.7	8.2	8.2	8.0	13.1	2.9	1.5	3.0	4.3	-8.6
2010 July	4.0	97.0	7.4	7.8	8.0	9.7	9.6	3.9	5.0	3.7	2.3	-7.9
Aug.	4.9	98.2	8.5	9.5	9.5	11.5	12.5	4.2	6.8	3.9	1.2	-8.7
Sep.	2.7	97.5	5.6	6.1	6.1	7.4	8.2	1.8	1.0	1.9	1.2	-7.7
Oct.	4.1	98.3	7.2	7.7	8.0	7.8	12.3	3.3	2.1	3.5	1.3	-6.7
Nov.	4.8	99.7	7.9	8.3	8.2	8.4	12.3	3.2	0.7	3.5	5.3	-7.1
Dec.	4.3	99.7	8.1	8.5	8.5	7.8	14.7	2.0	1.9	2.0	6.1	-12.4
<i>month-on-month percentage changes (s.a.)</i>												
2010 July	-1.3	-	0.2	-0.1	0.3	0.0	0.4	0.0	-0.6	0.1	0.1	-3.7
Aug.	0.8	-	1.2	1.2	1.1	1.5	3.1	-0.1	1.4	-0.2	-0.2	-0.3
Sep.	-0.5	-	-0.7	-0.9	-0.4	-0.9	-1.0	-0.6	-2.2	-0.3	-1.1	-1.7
Oct.	0.6	-	0.8	1.0	1.2	0.4	1.8	0.4	0.0	0.4	1.1	-0.2
Nov.	1.0	-	1.4	1.3	0.5	1.7	1.5	0.4	0.5	0.4	1.8	-1.0
Dec.	-0.8	-	-0.1	0.5	0.9	-1.3	0.6	-0.3	-0.9	-0.3	2.6	-1.8

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

	Industrial new orders		Industrial turnover		Retail sales (excluding automotive fuel)							New passenger car registrations	
	Manufacturing ²⁾ (current prices)		Manufacturing (current prices)		Current prices	Constant prices						Total (s.a.; thousands) ³⁾	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				
									Textiles, clothing, footwear	Household equipment			
1	2	3	4	5	6	7	8	9	10	11	12	13	
% of total in 2005	100.0	100.0	100.0	100.0	100.0	100.0	100.0	43.0	57.0	10.1	14.3		
2008	113.0	-5.4	116.7	1.8	1.7	103.4	-0.8	-1.8	-0.2	-1.8	-2.0	891	-7.8
2009	87.5	-22.8	95.4	-18.5	-2.9	101.4	-2.0	-1.7	-2.2	-1.8	-4.1	925	3.3
2010	103.0	17.6	105.1	10.2	1.4	102.5	1.1	0.5	1.7	2.6	1.1	843	-8.6
2010 Q1	95.1	13.9	100.7	6.3	0.8	102.3	0.9	1.4	0.8	3.6	0.7	889	7.1
Q2	102.5	22.7	104.3	12.2	1.3	102.4	1.0	0.2	1.6	-0.2	2.8	838	-13.1
Q3	105.9	16.0	106.1	10.1	2.2	102.8	1.7	0.4	3.0	5.5	1.5	796	-16.4
Q4	108.5	17.9	109.2	12.1	1.3	102.5	0.8	0.1	1.3	1.7	-0.3	847	-11.1
2010 Aug.	109.2	24.7	107.8	14.9	2.2	102.9	1.9	-1.1	4.6	7.7	2.9	773	-19.1
Sep.	104.6	13.5	105.4	9.1	2.1	102.7	1.6	0.1	2.9	4.4	1.0	819	-12.4
Oct.	106.1	14.7	107.8	8.5	1.9	102.8	1.5	0.4	2.2	2.3	0.9	824	-15.3
Nov.	108.4	20.0	108.8	14.2	1.8	102.6	1.2	0.7	1.7	3.5	-0.1	869	-10.0
Dec.	110.9	18.8	110.8	13.7	0.4	102.2	-0.1	-0.7	0.3	-0.2	-1.4	850	-6.9
2011 Jan.	-	-	-	-	-	-	-	-	-	-	-	847	-4.3
<i>month-on-month percentage changes (s.a.)</i>													
2010 Sep.	-	-4.2	-	-2.2	-0.2	-	-0.2	0.0	-0.5	-1.2	-0.9	-	5.9
Oct.	-	1.4	-	2.3	0.2	-	0.1	0.3	-0.1	0.2	0.0	-	0.6
Nov.	-	2.2	-	0.9	-0.3	-	-0.2	-0.1	-0.3	-0.6	-0.5	-	5.4
Dec.	-	2.3	-	1.8	-0.3	-	-0.4	-0.4	-0.3	-0.6	-0.3	-	-2.2
2011 Jan.	-	-	-	-	-	-	-	-	-	-	-	-	-0.3

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

1) Data refer to the Euro 17.

2) Includes manufacturing industries working mainly on the basis of orders, which represented 61.2% of total manufacturing in 2005.

3) Annual and quarterly figures are averages of monthly figures in the period concerned.

5.2 Output and demand

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

5. Business²⁾ and Consumer Surveys

	Economic sentiment indicator ³⁾ (long-term average = 100)	Manufacturing industry					Consumer confidence indicator				
		Industrial confidence indicator				Capacity utilisation ⁴⁾ (%)	Total ⁵⁾	Financial situation over next 12 months	Economic situation over next 12 months	Unemployment situation over next 12 months	Savings over next 12 months
		Total ⁵⁾	Order books	Stocks of finished products	Production expectations						
	1	2	3	4	5	6	7	8	9	10	11
2007	109.4	5.8	7.2	4.4	14.6	84.2	-4.9	-2.3	-4.3	5.0	-8.0
2008	93.7	-8.4	-13.3	10.8	-1.0	81.8	-18.1	-9.9	-25.3	23.5	-13.6
2009	80.7	-28.7	-56.8	14.6	-14.8	71.1	-24.8	-7.0	-26.3	55.5	-10.3
2010	100.8	-4.6	-24.4	0.6	11.3	76.8	-14.0	-5.2	-12.2	31.0	-7.6
2009 Q4	92.0	-18.5	-50.8	6.7	2.0	71.8	-17.0	-2.9	-10.6	47.9	-6.8
2010 Q1	96.4	-12.0	-41.5	2.4	8.1	74.0	-16.8	-3.7	-10.9	45.9	-6.8
Q2	99.1	-6.4	-28.6	0.5	10.1	76.5	-16.7	-6.2	-17.8	33.8	-8.9
Q3	102.2	-2.5	-18.0	0.3	10.9	77.8	-12.1	-5.5	-11.3	23.4	-8.2
Q4	105.6	2.5	-9.4	-0.8	16.2	79.0	-10.4	-5.4	-8.7	20.9	-6.6
2010 Sep.	103.4	-1.2	-15.5	0.3	12.2	-	-11.0	-4.8	-10.7	20.2	-8.3
Oct.	104.3	0.6	-12.3	0.4	14.6	78.1	-10.9	-5.5	-10.3	21.6	-6.1
Nov.	105.6	1.8	-10.6	-0.8	15.2	-	-9.4	-5.0	-6.7	19.8	-6.1
Dec.	106.9	5.1	-5.3	-2.0	18.7	-	-11.0	-5.8	-9.2	21.3	-7.7
2011 Jan.	106.8	6.1	-2.7	-1.9	18.9	80.0	-11.2	-6.6	-10.1	19.9	-8.2
Feb.	107.8	6.5	-1.4	-1.4	19.5	-	-10.0	-5.1	-8.5	20.5	-6.0

	Construction confidence indicator			Retail trade confidence indicator				Services confidence indicator			
	Total ⁵⁾	Order books	Employment expectations	Total ⁵⁾	Present business situation	Volume of stocks	Expected business situation	Total ⁵⁾	Business climate	Demand in recent months	Demand in the months ahead
	12	13	14	15	16	17	18	19	20	21	22
2007	0.1	-7.6	7.8	1.1	5.1	13.2	11.4	16.1	13.3	14.6	20.4
2008	-13.4	-20.7	-6.1	-10.0	-10.6	16.0	-3.5	0.6	-3.7	0.7	4.7
2009	-32.7	-42.2	-23.2	-15.5	-21.0	9.9	-15.7	-15.5	-20.4	-17.9	-8.3
2010	-28.4	-39.6	-17.2	-4.0	-6.1	7.4	1.5	4.9	2.4	4.1	8.2
2009 Q4	-30.2	-42.6	-17.8	-10.3	-17.6	8.7	-4.7	-4.8	-9.0	-8.8	3.4
2010 Q1	-30.2	-41.3	-19.2	-8.9	-13.4	7.8	-5.5	-0.1	-3.4	-3.0	6.1
Q2	-29.2	-41.3	-17.1	-5.1	-7.5	7.5	-0.5	3.9	1.6	2.8	7.3
Q3	-28.1	-39.8	-16.4	-2.8	-4.7	7.0	3.4	6.9	4.8	8.3	7.5
Q4	-26.2	-36.0	-16.3	0.8	1.3	7.4	8.5	9.0	6.8	8.4	11.9
2010 Sep.	-26.2	-38.8	-13.6	-0.8	-2.7	6.6	6.9	7.6	5.2	8.1	9.6
Oct.	-25.3	-35.2	-15.3	-0.8	-0.3	8.6	6.6	8.0	5.3	6.8	12.0
Nov.	-26.5	-36.2	-16.7	-1.1	-3.2	7.6	7.6	9.3	6.8	9.4	11.6
Dec.	-26.7	-36.7	-16.8	4.3	7.3	5.9	11.4	9.8	8.2	9.1	12.1
2011 Jan.	-26.0	-38.9	-13.1	-0.6	0.4	6.7	4.6	9.9	8.4	9.1	12.1
Feb.	-24.3	-34.0	-14.6	-0.2	0.8	7.5	6.1	11.1	8.8	12.1	12.4

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

- 1) Difference between the percentages of respondents giving positive and negative replies.
- 2) From May 2010 onwards, data refer to the new version of the classification of economic activities in the European Union ("NACE Revision 2").
- 3) The economic sentiment indicator is composed of the industrial, services, consumer, construction and retail trade confidence indicators; the industrial confidence indicator has a weight of 40%, the services confidence indicator a weight of 30%, the consumer confidence indicator a weight of 20% and the two other indicators a weight of 5% each. Values for the economic sentiment indicator of above (below) 100 indicate above-average (below-average) economic sentiment, calculated for the period 1990 to 2008.
- 4) Data are collected in January, April, July and October each year. The quarterly figures shown are averages of two successive surveys. Annual data are derived from quarterly averages.
- 5) The confidence indicators are calculated as simple averages of the components shown; the assessments of stocks (columns 4 and 17) and unemployment (column 10) are used with inverted signs for the calculation of confidence indicators.

5.3 Labour markets ¹⁾

(annual percentage changes, unless otherwise indicated; seasonally adjusted)

1. Employment in terms of persons employed ²⁾

	Whole economy		By employment status		By economic activity					
	Total (millions)	Total	Employees	Self-employed	Agriculture, hunting, forestry and fishing	Mining, manufacturing and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business services	Public administration, education, health and other services
% of total in 2009	100.0	100.0	85.4	14.6	3.8	17.1	7.5	25.5	16.1	30.0
	1	2	3	4	5	6	7	8	9	10
2007	147.472	1.8	2.0	0.7	-1.7	0.3	3.7	1.9	4.3	1.3
2008	148.606	0.8	1.0	-0.4	-1.8	0.0	-2.1	1.2	2.1	1.2
2009	145.805	-1.9	-1.8	-2.2	-2.2	-5.4	-6.7	-1.8	-2.1	1.4
2009 Q4	145.016	-2.1	-2.1	-1.9	-1.5	-6.4	-5.9	-2.2	-1.9	1.1
2010 Q1	145.039	-1.3	-1.4	-0.6	-0.7	-5.6	-4.9	-1.4	-0.2	1.5
Q2	145.144	-0.6	-0.5	-0.9	-0.8	-4.0	-3.4	-1.0	1.3	1.3
Q3	145.092	-0.2	0.0	-1.0	-0.6	-2.7	-2.9	-0.7	2.0	1.2
	<i>quarter-on-quarter percentage changes</i>									
2009 Q4	-0.295	-0.2	-0.2	-0.1	0.7	-1.2	-0.6	-0.5	0.2	0.3
2010 Q1	0.023	0.0	0.0	0.3	0.0	-0.8	-1.0	-0.1	0.5	0.5
Q2	0.105	0.1	0.2	-0.7	-1.1	-0.3	-0.3	-0.1	1.0	0.2
Q3	-0.052	0.0	0.0	-0.4	-0.2	-0.4	-1.1	0.0	0.3	0.2

2. Employment in terms of hours worked ²⁾

	Whole economy		By employment status		By economic activity					
	Total (millions)	Total	Employees	Self-employed	Agriculture, hunting, forestry and fishing	Mining, manufacturing and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business services	Public administration, education, health and other services
% of total in 2009	100.0	100.0	80.5	19.5	5.0	17.1	8.5	26.9	15.7	26.9
	1	2	3	4	5	6	7	8	9	10
2007	238,401.2	1.7	2.0	0.7	-2.5	0.6	3.7	1.9	4.4	1.0
2008	239,937.5	0.6	1.0	-0.8	-2.0	-0.5	-1.8	0.9	2.5	1.4
2009	231,896.0	-3.4	-3.5	-2.9	-2.6	-9.0	-8.2	-2.7	-3.4	1.0
2009 Q4	57,834.5	-2.7	-2.9	-2.0	-2.3	-7.3	-7.0	-2.5	-2.6	0.9
2010 Q1	57,897.8	-0.7	-0.8	-0.2	-2.8	-3.3	-4.5	-0.6	0.1	2.0
Q2	58,073.9	0.2	0.3	-0.3	-2.3	-0.4	-3.0	-0.4	1.6	1.6
Q3	58,151.4	0.6	0.8	0.0	-2.3	0.7	-2.9	0.1	2.3	1.6
	<i>quarter-on-quarter percentage changes</i>									
2009 Q4	35.5	0.1	0.1	0.1	-0.1	-0.3	-0.8	0.0	0.7	0.3
2010 Q1	63.3	0.1	0.1	0.2	-1.2	-0.1	-1.0	0.0	0.2	0.8
Q2	176.1	0.3	0.4	-0.2	-0.2	0.6	0.0	0.0	0.9	0.2
Q3	77.4	0.1	0.2	-0.2	-0.7	0.5	-1.2	0.1	0.5	0.3

3. Hours worked per person employed ²⁾

	Whole economy		By employment status		By economic activity					
	Total (thousands)	Total	Employees	Self-employed	Agriculture, hunting, forestry and fishing	Mining, manufacturing and energy	Construction	Trade, repairs, hotels and restaurants, transport and communication	Financial, real estate, renting and business services	Public administration, education, health and other services
	1	2	3	4	5	6	7	8	9	10
2007	1.617	-0.1	0.0	0.0	-0.8	0.3	0.0	0.0	0.1	-0.2
2008	1.615	-0.1	0.0	-0.4	-0.2	-0.5	0.3	-0.4	0.3	0.2
2009	1.590	-1.5	-1.7	-0.7	-0.4	-3.8	-1.6	-1.0	-1.3	-0.3
2009 Q4	0.399	-0.6	-0.8	0.0	-0.9	-0.9	-1.2	-0.3	-0.7	-0.1
2010 Q1	0.399	0.6	0.6	0.3	-2.1	2.4	0.5	0.8	0.2	0.5
Q2	0.400	0.8	0.8	0.6	-1.5	3.7	0.4	0.6	0.2	0.4
Q3	0.401	0.8	0.8	0.9	-1.7	3.5	0.0	0.7	0.4	0.4

Source: ECB calculations based on Eurostat data.

1) Data for employment are based on the ESA 95.

2) Data refer to the Euro 17.

5.3 Labour markets

(seasonally adjusted, unless otherwise indicated)

4. Unemployment and job vacancies ¹⁾

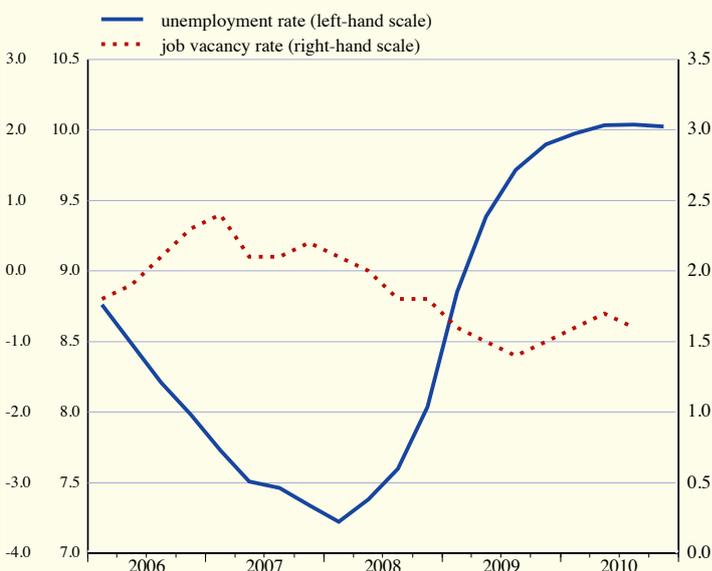
	Unemployment										Job vacancy rate ^{2),3)}
	Total		By age ⁴⁾				By gender ⁵⁾				
	Millions	% of labour force	Adult		Youth		Male		Female		
			Millions	% of labour force	Millions	% of labour force	Millions	% of labour force	Millions	% of labour force	
% of total in 2009	100.0		78.3		21.7		53.9		46.1		
	1	2	3	4	5	6	7	8	9	10	11
2007	11.738	7.5	9.168	6.6	2.570	15.0	5.771	6.7	5.967	8.5	2.2
2008	11.946	7.6	9.294	6.6	2.651	15.6	6.026	6.9	5.920	8.3	1.9
2009	14.996	9.5	11.745	8.3	3.251	19.5	8.082	9.3	6.914	9.6	1.5
2010	15.896	10.0	12.632	8.9	3.264	20.3	8.573	9.9	7.323	10.2	.
2009 Q4	15.670	9.9	12.376	8.7	3.294	20.1	8.538	9.9	7.132	9.9	1.5
2010 Q1	15.801	10.0	12.502	8.8	3.298	20.3	8.576	9.9	7.225	10.0	1.6
Q2	15.924	10.0	12.637	8.9	3.286	20.3	8.595	9.9	7.329	10.2	1.7
Q3	15.933	10.0	12.719	8.9	3.213	20.1	8.555	9.9	7.378	10.2	1.6
Q4	15.925	10.0	12.668	8.9	3.257	20.3	8.564	9.9	7.361	10.2	.
2010 Aug.	15.932	10.0	12.727	8.9	3.205	20.1	8.575	9.9	7.357	10.2	-
Sep.	15.935	10.0	12.713	8.9	3.222	20.1	8.543	9.9	7.392	10.2	-
Oct.	16.001	10.1	12.742	8.9	3.259	20.2	8.605	9.9	7.395	10.2	-
Nov.	15.928	10.0	12.654	8.9	3.274	20.4	8.550	9.9	7.378	10.2	-
Dec.	15.847	10.0	12.608	8.8	3.239	20.2	8.537	9.9	7.310	10.1	-
2011 Jan.	15.775	9.9	12.594	8.8	3.181	19.9	8.496	9.8	7.278	10.1	-

C28 Employment - persons employed and hours worked ²⁾

(annual percentage changes)



C29 Unemployment and job vacancy ^{2), 3)} rates



Source: Eurostat.

1) Data for unemployment refer to persons and follow ILO recommendations.

2) Data refer to the Euro 17.

3) Industry, construction and services (excluding households as employers and extra-territorial organisations and bodies); non-seasonally adjusted.

4) 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.

5) 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

	Current revenue											Capital revenue		Memo item: Fiscal burden ²⁾
	Total	Direct taxes				Indirect taxes	Received by EU institutions	Social contributions			Sales	Capital taxes		
		Households	Corporations	Employers	Employees									
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2001	45.7	45.4	12.2	9.4	2.8	13.5	0.5	15.6	8.1	4.7	2.1	0.2	0.3	41.6
2002	45.1	44.8	11.8	9.2	2.5	13.5	0.4	15.6	8.1	4.6	2.1	0.3	0.3	41.1
2003	45.0	44.3	11.4	9.0	2.3	13.5	0.4	15.7	8.2	4.6	2.1	0.6	0.5	41.1
2004	44.5	44.0	11.3	8.7	2.5	13.5	0.3	15.5	8.1	4.5	2.1	0.5	0.4	40.7
2005	44.8	44.3	11.5	8.7	2.7	13.7	0.3	15.4	8.1	4.5	2.2	0.5	0.3	40.9
2006	45.3	45.0	12.1	8.9	3.0	13.8	0.3	15.3	8.0	4.5	2.1	0.3	0.3	41.4
2007	45.4	45.1	12.4	9.1	3.2	13.8	0.3	15.1	8.0	4.4	2.1	0.3	0.3	41.5
2008	45.0	44.8	12.2	9.3	2.8	13.3	0.3	15.3	8.0	4.5	2.1	0.2	0.3	41.1
2009	44.6	44.2	11.4	9.3	1.9	13.1	0.3	15.7	8.2	4.5	2.3	0.3	0.4	40.5

2. Euro area – expenditure

	Current expenditure									Capital expenditure			Memo item: Primary expenditure ³⁾	
	Total	Compensation of employees	Intermediate consumption	Interest	Current transfers	Social payments		Subsidies	Paid by EU institutions	Investment	Capital transfers	Paid by EU institutions		
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2001	47.5	43.6	10.3	4.8	3.8	24.7	21.7	1.9	0.5	3.9	2.5	1.4	0.0	43.7
2002	47.7	43.9	10.4	4.9	3.5	25.1	22.2	1.9	0.5	3.8	2.4	1.4	0.1	44.2
2003	48.1	44.1	10.5	5.0	3.3	25.4	22.5	1.9	0.5	3.9	2.5	1.4	0.1	44.8
2004	47.5	43.5	10.4	5.0	3.1	25.1	22.3	1.7	0.5	3.9	2.5	1.5	0.1	44.4
2005	47.3	43.4	10.4	5.1	3.0	25.0	22.3	1.7	0.5	3.9	2.5	1.4	0.0	44.3
2006	46.7	42.9	10.2	5.0	2.9	24.8	22.0	1.7	0.5	3.8	2.5	1.4	0.0	43.8
2007	46.0	42.2	10.0	5.0	3.0	24.3	21.6	1.6	0.4	3.8	2.6	1.2	0.0	43.1
2008	47.0	43.2	10.1	5.1	3.0	24.9	22.0	1.6	0.4	3.8	2.6	1.3	0.0	44.0
2009	50.8	46.6	10.8	5.6	2.8	27.3	24.3	1.8	0.5	4.2	2.8	1.4	0.0	48.0

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

	Deficit (-)/surplus (+)					Primary deficit (-)/surplus (+)	Government consumption ⁴⁾							
	Total	Central gov.	State gov.	Local gov.	Social security funds		Total	Compensation of employees	Intermediate consumption	Transfers in kind via market producers	Consumption of fixed capital	Sales (minus)	Collective consumption	Individual consumption
2001	-1.9	-1.7	-0.4	-0.1	0.3	1.9	19.8	10.3	4.8	4.9	1.8	2.1	8.2	11.7
2002	-2.6	-2.1	-0.5	-0.2	0.2	0.9	20.2	10.4	4.9	5.1	1.8	2.1	8.3	12.0
2003	-3.1	-2.4	-0.5	-0.2	0.0	0.2	20.5	10.5	5.0	5.2	1.9	2.1	8.3	12.2
2004	-3.0	-2.5	-0.4	-0.3	0.1	0.1	20.4	10.4	5.0	5.1	1.9	2.1	8.3	12.1
2005	-2.6	-2.2	-0.3	-0.2	0.2	0.4	20.4	10.4	5.1	5.1	1.9	2.2	8.2	12.3
2006	-1.4	-1.5	-0.1	-0.2	0.4	1.5	20.3	10.2	5.0	5.2	1.9	2.1	8.1	12.2
2007	-0.7	-1.2	0.0	-0.1	0.5	2.3	20.0	10.0	5.0	5.2	1.9	2.1	7.9	12.1
2008	-2.0	-2.1	-0.2	-0.2	0.4	1.0	20.5	10.1	5.1	5.3	1.9	2.1	8.1	12.4
2009	-6.3	-5.1	-0.5	-0.3	-0.4	-3.4	22.2	10.8	5.6	5.8	2.0	2.3	8.8	13.4

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
2006	0.2	-1.6	2.4	2.9	-5.7	2.0	-2.3	-3.4	-1.2	1.4	-2.7	0.5	-1.5	-4.1	-1.3	-3.2	4.0
2007	-0.3	0.3	2.5	0.0	-6.4	1.9	-2.7	-1.5	3.4	3.7	-2.3	0.2	-0.4	-2.8	0.0	-1.8	5.2
2008	-1.3	0.1	-2.8	-7.3	-9.4	-4.2	-3.3	-2.7	0.9	3.0	-4.8	0.6	-0.5	-2.9	-1.8	-2.1	4.2
2009	-6.0	-3.0	-1.7	-14.4	-15.4	-11.1	-7.5	-5.3	-6.0	-0.7	-3.8	-5.4	-3.5	-9.3	-5.8	-7.9	-2.5

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

- 1) Data refer to the Euro 16. The concepts "revenue", "expenditure" and "deficit/surplus" are based on the ESA 95. Transactions involving the EU budget are included and consolidated. Transactions among Member States' governments are not consolidated.
- 2) The fiscal burden comprises taxes and social contributions.
- 3) Comprises total expenditure minus interest expenditure.
- 4) Corresponds to final consumption expenditure (P.3) of general government in the ESA 95.
- 5) Includes proceeds from the sale of UMTS licences and settlements under swaps and forward rate agreements.

6.2 Debt ¹⁾

(as a percentage of GDP)

1. Euro area – by financial instrument and sector of the holder

	Total	Financial instruments				Holders				
		Currency and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors ²⁾				Other creditors ³⁾
						Total	MFIs	Other financial corporations	Other sectors	
1	2	3	4	5	6	7	8	9	10	
2000	69.2	2.7	13.2	3.7	49.6	43.9	22.1	12.3	9.5	25.3
2001	68.2	2.8	12.4	4.0	48.9	42.1	20.7	11.0	10.4	26.1
2002	67.9	2.7	11.8	4.6	48.9	40.6	19.5	10.5	10.6	27.3
2003	69.1	2.1	12.4	5.0	49.6	39.8	19.7	11.0	9.1	29.2
2004	69.5	2.2	12.0	5.0	50.3	38.4	18.6	10.7	9.0	31.1
2005	70.3	2.4	12.1	4.7	51.1	36.5	17.4	11.1	8.0	33.8
2006	68.4	2.4	11.7	4.1	50.2	34.6	17.5	9.3	7.8	33.8
2007	66.1	2.2	11.1	4.2	48.7	32.7	16.9	8.6	7.3	33.4
2008	69.8	2.3	11.3	6.7	49.5	32.7	17.4	7.8	7.5	37.1
2009	79.2	2.4	12.3	8.6	55.9	36.8	20.2	8.9	7.7	42.4

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
2000	69.2	58.1	5.8	4.8	0.4	6.5	62.7	6.2	13.4	27.8	28.0	67.4	1.8
2001	68.2	57.0	6.0	4.7	0.4	7.0	61.1	5.3	13.7	26.6	27.9	66.6	1.5
2002	67.9	56.6	6.2	4.7	0.4	7.6	60.3	5.2	15.5	25.3	27.2	66.7	1.3
2003	69.1	56.9	6.5	5.1	0.6	7.8	61.3	5.0	14.9	26.0	28.2	68.1	0.9
2004	69.5	57.3	6.6	5.1	0.4	7.8	61.6	4.6	14.8	26.2	28.5	68.6	0.9
2005	70.3	57.8	6.7	5.2	0.5	7.9	62.4	4.6	14.9	25.6	29.8	69.3	1.0
2006	68.4	56.1	6.5	5.3	0.5	7.4	61.0	4.4	14.4	24.1	29.9	67.9	0.6
2007	66.1	54.1	6.2	5.2	0.5	7.4	58.7	4.4	14.6	23.5	28.0	65.6	0.5
2008	69.8	57.5	6.6	5.2	0.4	10.2	59.6	4.5	17.8	23.3	28.6	68.9	0.9
2009	79.2	65.3	7.6	5.7	0.6	12.2	66.9	4.6	19.6	27.1	32.4	78.0	1.2

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
2006	88.1	67.6	4.4	24.8	106.1	39.6	63.7	106.6	64.6	6.7	63.4	47.4	62.1	63.9	26.7	30.5	39.7
2007	84.2	64.9	3.7	25.0	105.0	36.1	63.8	103.6	58.3	6.7	61.7	45.3	59.3	62.7	23.4	29.6	35.2
2008	89.6	66.3	4.6	44.3	110.3	39.8	67.5	106.3	48.3	13.6	63.1	58.2	62.5	65.3	22.5	27.8	34.1
2009	96.2	73.4	7.2	65.5	126.8	53.2	78.1	116.0	58.0	14.5	68.6	60.8	67.5	76.1	35.4	35.4	43.8

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

- 1) Data refer to the Euro 16. Gross general government debt at nominal value and consolidated between sub-sectors of government. Holdings by non-resident governments are not consolidated. Data are partially estimated.
- 2) Holders resident in the country whose government has issued the debt.
- 3) Includes residents of euro area countries other than the country whose government has issued the debt.
- 4) Excludes debt held by general government in the country whose government has issued it.

6.3 Change in debt ¹⁾

(as a percentage of GDP)

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

	Total	Source of change			Financial instruments				Holders			Other creditors ⁶⁾
		Borrowing requirement ²⁾	Valuation effects ³⁾	Other changes in volume ⁴⁾	Currency and deposits	Loans	Short-term securities	Long-term securities	Domestic creditors ⁵⁾	MFI	Other financial corporations	
	1	2	3	4	5	6	7	8	9	10	11	12
2001	1.9	1.9	-0.1	0.1	0.2	-0.2	0.5	1.5	0.0	-0.5	-0.8	1.9
2002	2.1	2.7	-0.5	-0.1	0.0	-0.2	0.7	1.6	0.0	-0.5	-0.1	2.1
2003	3.1	3.3	-0.2	0.0	-0.6	0.9	0.6	2.1	0.4	0.8	0.8	2.7
2004	3.1	3.2	-0.1	0.0	0.2	0.1	0.1	2.7	0.1	-0.3	0.1	3.0
2005	3.3	3.0	0.2	0.0	0.3	0.5	-0.1	2.6	-0.5	-0.6	0.8	3.8
2006	1.6	1.5	0.1	0.0	0.2	0.2	-0.4	1.5	-0.1	1.0	-1.2	1.7
2007	1.1	1.1	0.0	0.0	-0.1	0.0	0.3	1.0	-0.2	0.2	-0.3	1.3
2008	5.2	5.1	0.1	0.0	0.1	0.4	2.6	2.0	0.7	0.9	-0.5	4.5
2009	7.1	7.3	-0.2	0.0	0.1	0.6	1.6	4.8	3.0	2.2	0.8	4.1

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
2001	1.9	-1.9	0.0	-0.5	-0.6	0.1	0.1	-0.1	-0.3	0.1	-0.1	0.0	0.1	0.6
2002	2.1	-2.6	-0.5	0.1	0.1	0.0	0.0	-0.1	-0.4	0.1	-0.5	-0.1	-0.1	0.0
2003	3.1	-3.1	0.0	0.1	0.1	0.0	0.0	0.1	-0.2	0.1	-0.2	-0.1	0.0	0.1
2004	3.1	-3.0	0.2	0.2	0.2	0.0	0.1	0.0	-0.5	0.2	-0.1	0.0	0.0	0.1
2005	3.3	-2.6	0.7	0.6	0.3	0.1	0.1	0.1	-0.3	0.2	0.2	0.0	0.0	-0.1
2006	1.6	-1.4	0.2	0.3	0.3	-0.1	0.3	-0.2	-0.4	0.1	0.1	0.0	0.0	-0.2
2007	1.1	-0.7	0.5	0.6	0.2	0.0	0.3	0.1	-0.2	0.2	0.0	0.0	0.0	-0.2
2008	5.2	-2.0	3.2	3.0	0.8	0.7	0.7	0.8	-0.1	0.5	0.1	0.0	0.0	0.1
2009	7.1	-6.3	0.9	1.0	0.3	0.0	0.3	0.4	-0.3	0.5	-0.2	0.0	0.0	0.0

Source: ECB.

- 1) Data refer to the Euro 16 and are partially estimated. Annual change in gross nominal consolidated debt is expressed as a percentage of GDP, i.e. $[\text{debt}(t) - \text{debt}(t-1)] \div \text{GDP}(t)$.
- 2) The borrowing requirement is by definition equal to transactions in debt.
- 3) Includes, in addition to the impact of foreign exchange movements, effects arising from measurement at nominal value (e.g. premia or discounts on securities issued).
- 4) Includes, in particular, the impact of the reclassification of units and certain types of debt assumption.
- 5) Holders resident in the country whose government has issued the debt.
- 6) Includes residents of euro area countries other than the country whose government has issued the debt.
- 7) Including proceeds from sales of UMTS licences.
- 8) The difference between the annual change in gross nominal consolidated debt and the deficit as a percentage of GDP.
- 9) Mainly composed of transactions in other assets and liabilities (trade credits, other receivables/payables and financial derivatives).
- 10) Excluding financial derivatives.

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

1. Euro area – quarterly revenue

	Total		Current revenue					Capital revenue		Memo item: Fiscal burden ²⁾
	1	2	Direct taxes	Indirect taxes	Social contributions	Sales	Property income	8	Capital taxes	
	1	2	3	4	5	6	7	8	9	10
2004 Q3	42.7	42.3	10.7	12.8	15.3	1.9	0.7	0.5	0.3	39.1
2004 Q4	48.9	48.0	12.9	14.2	16.2	2.9	0.7	1.0	0.4	43.7
2005 Q1	42.0	41.5	10.0	13.0	15.3	1.7	0.6	0.5	0.3	38.5
2005 Q2	44.3	43.7	11.5	13.2	15.1	2.0	1.1	0.6	0.3	40.1
2005 Q3	43.4	42.7	11.1	13.0	15.1	1.9	0.7	0.7	0.3	39.6
2005 Q4	49.0	48.3	13.3	14.2	16.1	3.0	0.8	0.7	0.3	43.9
2006 Q1	42.4	42.0	10.3	13.4	15.1	1.7	0.8	0.4	0.3	39.0
2006 Q2	45.3	44.9	12.2	13.5	15.1	1.9	1.3	0.5	0.3	41.0
2006 Q3	43.7	43.2	11.6	12.9	15.1	2.0	0.8	0.5	0.3	39.9
2006 Q4	49.3	48.7	14.0	14.3	15.8	2.9	0.9	0.6	0.3	44.4
2007 Q1	42.2	41.8	10.2	13.5	14.8	1.7	0.9	0.4	0.3	38.7
2007 Q2	45.5	45.1	12.7	13.5	15.0	1.8	1.4	0.4	0.3	41.4
2007 Q3	43.5	43.1	12.1	12.8	14.8	1.9	0.8	0.5	0.3	40.0
2007 Q4	49.7	49.1	14.4	14.1	15.7	3.0	0.9	0.6	0.3	44.6
2008 Q1	42.3	42.0	10.7	12.9	14.8	1.7	1.1	0.3	0.2	38.7
2008 Q2	44.9	44.6	12.6	12.8	15.0	1.9	1.5	0.4	0.3	40.7
2008 Q3	43.2	42.8	11.9	12.4	15.0	1.9	0.8	0.3	0.3	39.6
2008 Q4	49.0	48.5	13.6	13.6	16.3	3.0	1.1	0.5	0.3	43.8
2009 Q1	42.0	41.9	10.2	12.5	15.4	1.8	1.1	0.1	0.2	38.4
2009 Q2	44.4	43.8	11.5	12.6	15.5	2.0	1.4	0.6	0.5	40.2
2009 Q3	42.5	42.1	10.9	12.3	15.4	2.0	0.7	0.3	0.3	38.9
2009 Q4	48.8	48.1	12.7	13.7	16.4	3.2	1.0	0.7	0.5	43.4
2010 Q1	41.8	41.6	10.1	12.4	15.4	1.8	0.9	0.2	0.2	38.2
2010 Q2	44.2	43.8	11.5	12.7	15.3	2.0	1.3	0.5	0.3	39.8
2010 Q3	42.8	42.5	10.8	12.8	15.2	2.0	0.8	0.3	0.3	39.1

2. Euro area – quarterly expenditure and deficit/surplus

	Total		Current expenditure						Capital expenditure			Deficit (-)/surplus (+)	Primary deficit (-)/surplus (+)
	Total	Compensation of employees	Intermediate consumption	Interest	Current transfers	Social benefits	Subsidies	Investment	Capital transfers				
	1	2	3	4	5	6	7	8	9	10	11	12	13
2004 Q3	45.9	42.6	9.9	4.7	3.1	24.8	21.4	1.3	3.4	2.4	1.0	-3.2	-0.1
2004 Q4	50.9	45.6	11.0	5.7	2.9	26.1	22.6	1.4	5.2	3.1	2.1	-1.9	1.0
2005 Q1	46.8	43.1	10.2	4.7	3.1	25.1	21.4	1.2	3.7	1.9	1.8	-4.8	-1.7
2005 Q2	46.2	42.8	10.2	4.9	3.2	24.5	21.3	1.1	3.4	2.3	1.1	-1.8	1.3
2005 Q3	45.7	42.2	9.9	4.8	3.0	24.6	21.3	1.2	3.4	2.5	1.0	-2.2	0.8
2005 Q4	50.5	45.7	11.1	5.8	2.7	26.1	22.5	1.3	4.8	3.1	1.7	-1.5	1.2
2006 Q1	45.3	42.2	10.0	4.6	3.0	24.6	21.1	1.2	3.1	1.9	1.2	-2.9	0.0
2006 Q2	45.5	42.2	10.2	4.9	3.1	24.0	21.0	1.1	3.2	2.3	1.0	-0.1	2.9
2006 Q3	45.2	41.8	9.8	4.7	2.9	24.4	21.0	1.2	3.4	2.4	1.0	-1.5	1.4
2006 Q4	50.4	45.0	10.7	5.8	2.7	25.9	22.2	1.4	5.3	3.2	2.2	-1.1	1.6
2007 Q1	44.3	41.1	9.8	4.5	2.9	23.9	20.5	1.2	3.2	2.0	1.2	-2.1	0.8
2007 Q2	44.6	41.4	9.9	4.8	3.2	23.5	20.5	1.1	3.2	2.3	0.8	0.9	4.1
2007 Q3	44.4	41.0	9.5	4.7	2.9	23.8	20.6	1.2	3.4	2.5	0.9	-0.9	2.1
2007 Q4	50.3	45.2	10.7	5.8	2.8	26.0	22.2	1.5	5.1	3.4	1.7	-0.7	2.1
2008 Q1	44.7	41.5	9.8	4.6	3.0	24.2	20.5	1.2	3.2	2.0	1.2	-2.4	0.6
2008 Q2	45.3	42.0	10.1	5.0	3.2	23.7	20.7	1.1	3.3	2.3	1.0	-0.4	2.8
2008 Q3	45.5	41.9	9.6	4.8	3.1	24.4	21.2	1.2	3.5	2.5	1.0	-2.3	0.8
2008 Q4	52.0	47.0	11.0	6.1	2.8	27.1	23.1	1.4	5.1	3.4	1.6	-3.0	-0.3
2009 Q1	48.4	45.0	10.5	5.2	2.9	26.4	22.5	1.3	3.4	2.2	1.1	-6.4	-3.6
2009 Q2	50.0	46.0	10.9	5.5	3.0	26.6	23.1	1.3	4.0	2.7	1.2	-5.6	-2.6
2009 Q3	49.3	45.4	10.3	5.2	2.9	26.9	23.3	1.4	3.9	2.6	1.2	-6.8	-3.9
2009 Q4	55.2	49.8	11.5	6.5	2.6	29.2	24.9	1.5	5.4	3.4	1.9	-6.3	-3.7
2010 Q1	49.7	46.1	10.6	5.1	2.8	27.6	23.3	1.4	3.7	2.1	1.6	-8.0	-5.2
2010 Q2	49.0	45.5	10.7	5.4	3.0	26.4	22.9	1.3	3.5	2.5	1.2	-4.8	-1.8
2010 Q3	48.7	44.7	10.0	5.2	2.8	26.7	23.1	1.3	4.0	2.5	1.4	-5.9	-3.1

Sources: ECB calculations based on Eurostat and national data.

- 1) The concepts "revenue", "expenditure" and "deficit/surplus" are based on the ESA 95. Transactions between the EU budget and entities outside the government sector are not included. Otherwise, except for different data transmission deadlines, the quarterly data are consistent with the annual data. The data are not seasonally adjusted.
2) The fiscal burden comprises taxes and social contributions.

6.5 Quarterly debt and change in debt

(as a percentage of GDP)

1. Euro area – Maastricht debt by financial instrument ¹⁾

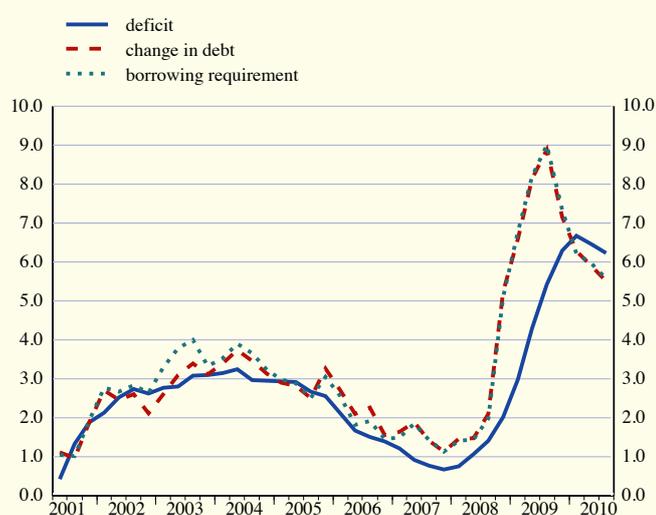
	Total 1	Financial instruments			
		Currency and deposits 2	Loans 3	Short-term securities 4	Long-term securities 5
2007 Q4	66.1	2.2	11.1	4.2	48.7
2008 Q1	67.1	2.1	11.3	5.0	48.6
Q2	67.4	2.1	11.3	4.9	49.0
Q3	67.5	2.1	11.2	5.5	48.7
Q4	69.8	2.3	11.3	6.7	49.5
2009 Q1	73.2	2.3	11.6	7.9	51.4
Q2	76.5	2.4	11.9	8.5	53.8
Q3	78.3	2.3	12.1	9.2	54.7
Q4	79.2	2.4	12.3	8.6	55.9
2010 Q1	81.0	2.4	12.5	8.4	57.7
Q2	82.5	2.4	13.2	8.1	58.8
Q3	82.7	2.3	13.2	8.2	58.9

2. Euro area – deficit-debt adjustment

	Change in debt 1	Deficit (-)/ surplus (+) 2	Deficit-debt adjustment								Memo item: Borrowing requirement 11
			Total 3	Transactions in main financial assets held by general government				Valuation effects and other changes in volume 9	Other 10		
				Total 4	Currency and deposits 5	Loans 6	Securities 7			Shares and other equity 8	
2007 Q4	-3.3	-0.7	-4.0	-2.8	-2.1	0.0	-0.6	-0.2	0.0	-1.1	-3.3
2008 Q1	6.1	-2.4	3.7	3.1	1.9	-0.1	0.9	0.3	0.0	0.6	6.1
Q2	3.7	-0.4	3.3	3.9	1.9	0.3	1.3	0.5	0.1	-0.6	3.7
Q3	2.0	-2.3	-0.3	-0.8	-1.6	0.0	0.3	0.5	0.4	0.2	1.6
Q4	9.0	-3.0	5.9	5.8	0.8	2.5	0.5	1.9	0.0	0.1	9.0
2009 Q1	11.9	-6.4	5.4	6.7	5.2	-0.1	0.9	0.7	-1.3	0.0	13.2
Q2	9.9	-5.6	4.3	3.1	2.3	-0.6	0.2	1.2	0.5	0.6	9.3
Q3	4.8	-6.8	-2.0	-2.9	-3.2	0.7	0.0	-0.4	0.2	0.7	4.6
Q4	2.3	-6.3	-4.0	-2.5	-2.7	-0.1	0.1	0.2	-0.2	-1.3	2.5
2010 Q1	8.3	-8.0	0.3	0.8	0.8	-0.1	-0.3	0.3	-0.3	-0.2	8.6
Q2	8.3	-4.8	3.5	4.4	2.3	1.9	-0.2	0.5	0.0	-1.0	8.3
Q3	3.3	-5.9	-2.6	-2.5	-2.3	-0.3	0.0	0.1	0.2	-0.3	3.1

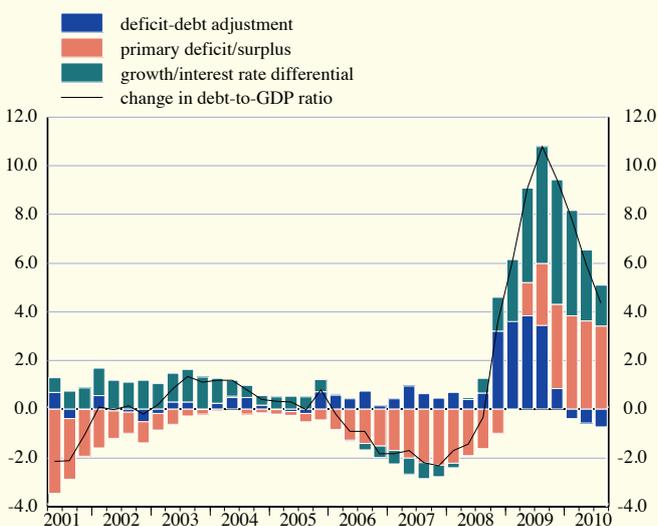
C30 Deficit, borrowing requirement and change in debt

(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) 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

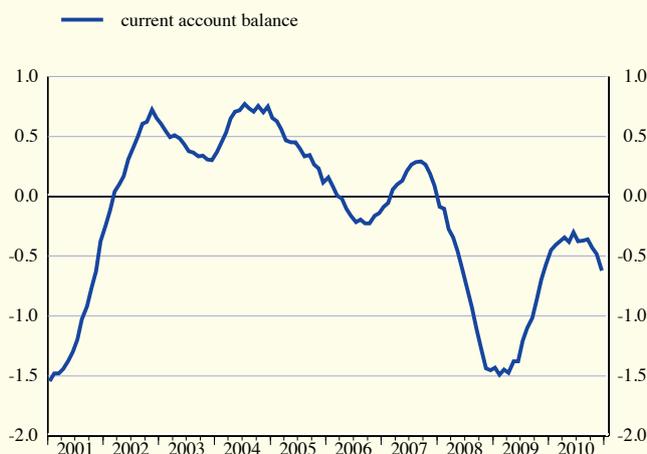
7.1 Summary balance of payments ¹⁾

(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
2008	-133.9	-18.3	42.1	-58.3	-99.4	9.8	-124.2	116.8	-240.3	303.8	-75.0	131.7	-3.4	7.3
2009	-49.8	39.4	32.2	-28.7	-92.6	6.1	-43.7	31.0	-74.5	264.8	51.5	-215.4	4.6	12.6
2010	-58.1	24.2	32.8	-9.9	-105.2	9.0	-49.1	67.8	-85.9	197.1	1.9	-35.2	-10.1	-18.7
2009 Q4	11.7	19.9	9.1	2.3	-19.6	1.0	12.7	-12.0	11.6	30.7	8.6	-62.9	0.0	-0.7
2010 Q1	-21.8	2.7	3.7	7.1	-35.3	2.5	-19.3	22.1	-40.3	16.6	3.9	46.5	-4.6	-2.8
Q2	-20.4	3.4	11.8	-16.5	-19.0	1.6	-18.8	27.4	-38.4	110.7	1.9	-47.8	1.0	-8.6
Q3	-8.3	8.3	13.9	0.6	-31.1	1.5	-6.8	-7.9	-37.4	-13.9	0.3	48.2	-4.9	14.7
Q4	-7.6	9.8	3.4	-1.1	-19.7	3.4	-4.2	26.1	30.3	83.7	-4.2	-82.1	-1.5	-21.9
2009 Dec.	11.8	6.2	5.0	1.2	-0.5	0.4	12.2	-22.3	9.1	24.9	6.1	-61.6	-0.8	10.2
2010 Jan.	-13.6	-7.6	0.7	2.0	-8.6	1.5	-12.1	22.2	-5.0	26.9	3.9	-5.2	1.5	-10.1
Feb.	-7.2	4.3	1.2	3.6	-16.3	0.8	-6.4	-0.5	-3.3	-6.6	0.3	12.8	-3.6	6.9
Mar.	-1.0	6.0	1.8	1.5	-10.4	0.2	-0.8	0.4	-32.0	-3.6	-0.3	38.9	-2.5	0.4
Apr.	-4.6	1.4	3.1	-1.7	-7.5	-0.6	-5.2	6.5	-17.7	53.1	-4.4	-24.3	-0.1	-1.3
May	-17.1	-1.5	3.5	-13.5	-5.6	1.8	-15.3	20.6	-6.6	63.4	0.0	-36.1	-0.1	-5.3
June	1.3	3.4	5.2	-1.3	-6.0	0.5	1.7	0.3	-14.1	-5.8	6.4	12.7	1.1	-2.0
July	4.5	7.2	5.2	1.8	-9.7	1.6	6.1	-4.2	-3.2	-28.4	-1.5	30.0	-1.2	-1.8
Aug.	-7.5	-3.8	3.9	2.3	-10.0	0.4	-7.1	-8.9	-28.4	6.7	2.5	12.6	-2.4	16.1
Sep.	-5.2	4.9	4.7	-3.5	-11.4	-0.5	-5.8	5.3	-5.8	7.7	-0.8	5.5	-1.4	0.5
Oct.	-2.1	6.2	1.7	1.1	-11.1	0.0	-2.1	5.6	-12.0	20.6	-7.3	4.6	-0.2	-3.5
Nov.	-5.4	0.8	2.8	-2.1	-7.0	0.9	-4.5	11.3	23.4	25.6	0.5	-38.2	0.0	-6.7
Dec.	-0.1	2.8	-1.0	-0.2	-1.7	2.5	2.4	9.3	19.0	37.5	2.7	-48.5	-1.3	-11.8
<i>12-month cumulated transactions</i>														
2010 Dec.	-58.1	24.2	32.8	-9.9	-105.2	9.0	-49.1	67.8	-85.9	197.1	1.9	-35.2	-10.1	-18.7
<i>12-month cumulated transactions as a percentage of GDP</i>														
2010 Dec.	-0.6	0.3	0.4	-0.1	-1.2	0.1	-0.5	0.7	-0.9	2.2	0.0	-0.4	-0.1	-0.2

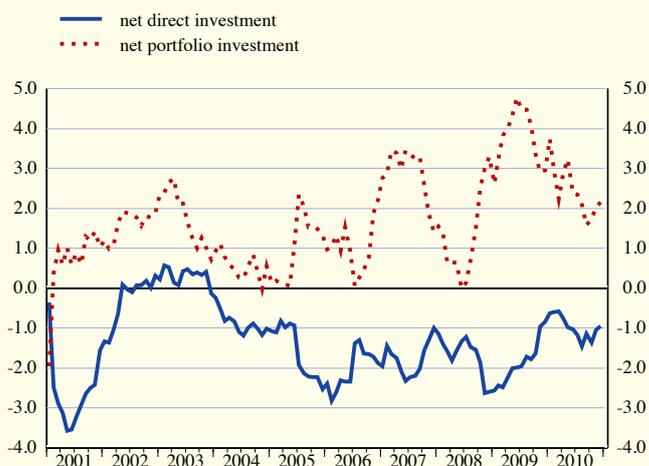
C32 Euro area b.o.p.: current account

(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

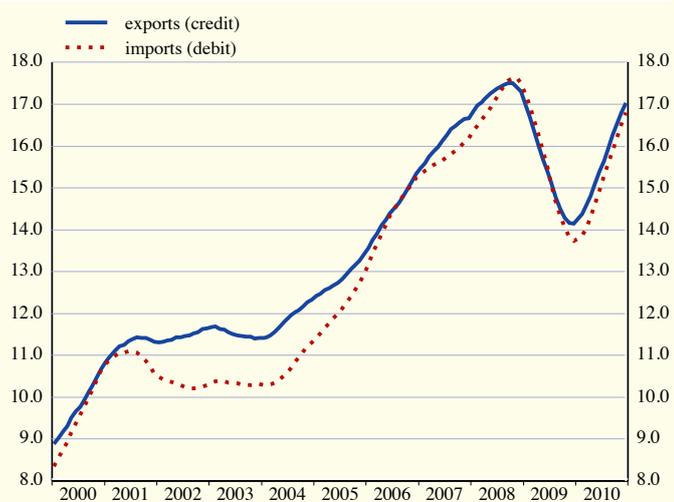
(EUR billions; transactions)

1. Summary current and capital accounts

	Current account													Capital account	
	Total			Goods		Services		Income		Current transfers				Credit	Debit
	Credit	Debit	Net	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Workers' remittances		Credit			Debit
											11	12		13	
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
2008	2,728.6	2,862.5	-133.9	1,580.9	1,599.2	513.0	470.9	546.0	604.3	88.6	6.8	188.1	21.6	24.4	14.7
2009	2,259.1	2,308.9	-49.8	1,291.3	1,251.9	469.0	436.8	405.8	434.6	93.0	6.0	185.6	22.4	19.6	13.5
2010	2,561.2	2,619.3	-58.1	1,560.7	1,536.5	508.1	475.3	411.0	420.9	81.4	.	186.6	.	22.1	13.0
2009 Q4	599.2	587.5	11.7	348.6	328.7	120.8	111.7	97.8	95.5	32.0	1.5	51.6	5.8	6.0	5.0
2010 Q1	580.0	601.8	-21.8	348.6	345.9	111.0	107.3	99.2	92.0	21.3	1.4	56.6	5.2	5.3	2.8
Q2	642.5	662.9	-20.4	387.3	383.9	128.3	116.6	108.5	125.1	18.3	1.6	37.3	5.2	4.7	3.1
Q3	659.0	667.3	-8.3	402.8	394.5	138.5	124.6	102.6	102.0	15.2	1.6	46.2	5.6	4.8	3.3
Q4	679.7	687.3	-7.6	422.0	412.2	130.2	126.8	100.8	101.9	26.7	.	46.4	.	7.3	3.8
2010 Oct.	220.9	223.0	-2.1	142.4	136.2	42.2	40.6	31.6	30.5	4.7	.	15.8	.	1.1	1.1
Nov.	224.6	230.1	-5.4	142.9	142.1	42.9	40.1	31.9	34.0	6.8	.	13.8	.	1.7	0.8
Dec.	234.1	234.2	-0.1	136.6	133.9	45.1	46.1	37.2	37.4	15.2	.	16.8	.	4.5	2.0
	<i>Seasonally adjusted</i>														
2010 Q2	641.7	648.4	-6.7	388.4	382.3	128.6	118.7	103.7	103.3	21.0	.	44.2	.	.	.
Q3	652.6	667.0	-14.4	393.7	388.2	128.7	119.1	107.2	108.7	23.1	.	50.9	.	.	.
Q4	652.8	686.2	-33.4	404.2	410.3	127.5	122.6	98.2	108.7	22.9	.	44.6	.	.	.
2010 Oct.	216.0	225.6	-9.6	133.5	135.8	41.5	39.8	33.1	35.1	7.9	.	14.8	.	.	.
Nov.	221.5	232.1	-10.5	136.3	140.4	44.9	40.5	33.0	37.3	7.3	.	13.8	.	.	.
Dec.	215.3	228.6	-13.3	134.5	134.1	41.1	42.2	32.0	36.4	7.7	.	15.9	.	.	.
	<i>12-month cumulated transactions</i>														
2010 Dec.	2,555.2	2,611.7	-56.4	1,551.3	1,530.5	506.7	473.8	411.5	420.9	85.7	.	186.4	.	.	.
	<i>12-month cumulated transactions as a percentage of GDP</i>														
2010 Dec.	28.0	28.7	-0.6	17.0	16.8	5.6	5.2	4.5	4.6	0.9	.	2.0	.	.	.

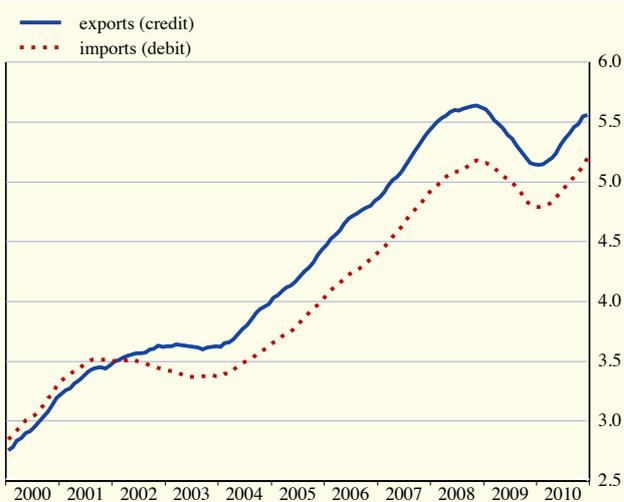
C34 Euro area b.o.p.: goods

(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			Reinv. earnings	Reinv. earnings	Credit	Debit	Credit	Debit	Credit	Debit	Credit	Debit		
			1	2											3	4	5	6	7	8	9	10	11	12	13	14	15	16
2007	18.8	11.2	585.2	586.4	212.4	71.3	137.2	42.8	28.6	26.8	45.3	113.8	118.7	110.6	180.3	197.9
2008	19.1	11.8	526.9	592.5	155.5	12.6	127.1	27.0	30.7	25.9	43.2	120.5	125.0	123.7	172.5	195.2
2009	19.2	12.9	386.7	421.7	133.9	8.5	100.5	17.4	20.3	22.3	27.3	76.7	102.3	129.0	102.9	93.2
2009 Q3	4.7	3.8	88.6	92.9	30.1	6.2	24.2	5.7	4.4	4.6	6.4	13.3	25.7	32.1	21.9	18.7
Q4	5.1	3.9	92.8	91.7	35.4	0.0	24.5	0.6	5.3	5.1	6.0	13.9	24.5	30.0	21.6	18.2
2010 Q1	4.9	2.2	94.3	89.8	39.0	-1.4	25.0	3.4	4.5	4.3	6.0	12.0	25.0	32.3	19.8	16.2
Q2	5.4	3.1	103.2	122.0	42.4	-9.8	28.9	-3.0	5.1	5.2	9.8	38.4	26.1	32.9	19.8	16.5
Q3	5.4	3.9	97.1	98.1	39.5	8.4	28.6	7.8	4.6	4.8	7.6	16.4	26.5	32.6	19.0	15.7

3. Geographical breakdown

(cumulated transactions)

	Total	EU Member States outside the euro area						Brazil	Canada	China	India	Japan	Russia	Switzerland	United States	Other
		Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions									
2009 Q4 to 2010 Q3	1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16
Credits																
Current account	2,480.7	833.7	46.3	74.8	398.3	256.3	58.0	44.6	32.3	108.7	35.2	51.8	84.0	186.5	333.4	770.5
Goods	1,487.3	478.1	29.0	48.5	200.0	200.4	0.2	25.5	17.5	89.2	26.0	33.2	61.5	94.2	176.3	485.8
Services	498.7	161.1	10.6	13.3	103.3	27.9	5.9	7.9	7.3	13.9	7.2	11.5	15.0	53.5	74.0	147.3
Income	408.1	134.0	6.0	11.7	84.3	24.6	7.5	10.8	6.6	5.2	1.8	6.6	7.1	31.1	77.7	127.1
Investment income	387.4	127.5	5.9	11.5	82.7	23.9	3.5	10.8	6.5	5.2	1.8	6.5	7.0	22.3	75.9	123.8
Current transfers	86.7	60.4	0.7	1.3	10.8	3.4	44.3	0.4	0.9	0.3	0.2	0.6	0.4	7.8	5.3	10.3
Capital account	20.8	17.7	0.0	0.0	1.0	0.4	16.1	0.1	0.0	0.0	0.0	0.1	0.4	0.4	2.1	
Debits																
Current account	2,519.5	788.7	40.7	70.0	341.5	233.2	103.5	-	27.6	-	-	89.7	-	167.8	324.2	-
Goods	1,453.0	407.8	26.6	42.6	153.6	184.9	0.0	24.0	11.8	187.9	21.7	47.7	99.4	79.9	125.5	447.4
Services	460.2	134.5	7.4	10.4	83.3	33.2	0.2	5.6	6.2	11.8	4.8	8.9	9.4	44.2	95.4	139.4
Income	414.5	129.6	6.0	15.7	91.8	10.7	5.3	-	7.5	-	-	32.7	-	36.4	96.4	-
Investment income	401.4	122.1	5.9	15.6	90.3	5.0	5.3	-	7.4	-	-	32.6	-	35.9	95.4	-
Current transfers	191.8	116.8	0.7	1.2	12.6	4.4	98.0	1.4	2.0	2.8	0.7	0.4	0.6	7.2	6.8	52.8
Capital account	14.2	2.3	0.1	0.1	0.9	0.2	0.9	0.2	0.1	0.1	0.2	0.1	0.1	0.5	1.2	9.5
Net																
Current account	-38.8	45.0	5.6	4.9	56.9	23.1	-45.5	-	4.7	-	-	-37.8	-	18.7	9.2	-
Goods	34.3	70.4	2.4	5.9	46.3	15.5	0.2	1.5	5.6	-98.7	4.3	-14.5	-37.8	14.3	50.8	38.4
Services	38.5	26.5	3.2	2.9	20.0	-5.3	5.7	2.4	1.1	2.1	2.3	2.6	5.6	9.2	-21.4	7.9
Income	-6.4	4.5	0.0	-4.1	-7.5	13.9	2.2	-	-0.9	-	-	-26.1	-	-5.4	-18.7	-
Investment income	-14.1	5.4	-0.1	-4.1	-7.6	19.0	-1.8	-	-0.8	-	-	-26.0	-	-13.6	-19.6	-
Current transfers	-105.1	-56.4	0.0	0.1	-1.9	-1.0	-53.6	-1.0	-1.1	-2.5	-0.5	0.2	-0.2	0.5	-1.5	-42.6
Capital account	6.6	15.4	0.0	0.0	0.1	0.2	15.2	-0.1	-0.1	-0.1	-0.1	-0.1	0.0	-0.1	-0.8	-7.4

Source: ECB.

7.3 Financial account

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

1. Summary financial account

	Total ¹⁾			Total as a % of GDP			Direct investment		Portfolio investment		Net financial derivatives	Other investment		Reserve assets
	Assets	Liabilities	Net	Assets	Liabilities	Net	Assets	Liabilities	Assets	Liabilities		Assets	Liabilities	
	1	2	3	4	5	6	7	8	9	10	11	12	13	14
Outstanding amounts (international investment position)														
2006	12,384.3	13,399.8	-1,015.5	144.7	156.5	-11.9	3,153.4	2,729.4	4,372.1	5,950.0	-20.8	4,553.8	4,720.4	325.8
2007	13,994.5	15,268.8	-1,274.3	155.2	169.3	-14.1	3,725.2	3,215.5	4,630.1	6,541.2	-28.9	5,321.0	5,512.2	347.2
2008	13,344.9	14,985.6	-1,640.7	144.3	162.1	-17.7	3,888.0	3,313.4	3,727.4	5,941.5	-29.8	5,385.1	5,730.6	374.2
2009	13,760.1	15,208.0	-1,447.8	153.6	169.8	-16.2	4,261.0	3,472.5	4,225.8	6,741.2	-45.4	4,856.4	4,994.2	462.4
2010 Q2	14,965.4	16,002.8	-1,037.4	165.3	176.8	-11.5	4,540.4	3,541.2	4,621.6	7,083.1	-45.0	5,265.2	5,378.4	583.3
Q3	14,777.0	15,961.1	-1,184.1	162.0	175.0	-13.0	4,506.6	3,509.1	4,628.6	7,207.4	-52.6	5,142.2	5,244.6	552.2
Changes to outstanding amounts														
2006	1,545.8	1,845.7	-299.9	18.0	21.5	-3.5	362.6	285.1	484.6	892.2	0.6	692.3	668.4	5.7
2007	1,610.2	1,869.0	-258.8	17.8	20.7	-2.9	571.8	486.1	258.0	591.2	-8.2	767.2	791.8	21.4
2008	-649.6	-283.2	-366.4	-7.0	-3.1	-4.0	162.9	98.0	-902.7	-599.6	-0.9	64.1	218.5	27.0
2009	415.2	222.3	192.9	4.6	2.5	2.2	372.9	159.1	498.4	799.6	-15.6	-528.7	-736.4	88.2
2010 Q2	552.3	265.1	287.2	24.0	11.5	12.5	164.5	54.7	128.2	34.8	-6.0	181.1	175.5	84.6
Q3	-188.4	-41.7	-146.8	-8.2	-1.8	-6.4	-33.8	-32.1	7.0	124.3	-7.6	-123.0	-133.9	-31.0
Transactions														
2006	1,728.6	1,719.1	9.4	20.2	20.1	0.1	417.6	257.4	519.8	708.5	0.6	789.3	753.2	1.3
2007	1,942.6	1,940.0	2.6	21.5	21.5	0.0	511.5	421.4	438.9	566.1	66.9	920.2	952.6	5.1
2008	407.8	524.7	-116.8	4.4	5.7	-1.3	333.7	93.4	-15.0	288.9	75.0	10.8	142.4	3.4
2009	-213.4	-182.3	-31.0	-2.4	-2.0	-0.3	288.3	213.8	78.6	343.4	-51.5	-524.2	-739.6	-4.6
2010 Q2	87.2	114.6	-27.4	3.8	5.0	-1.2	63.6	25.2	-18.3	92.4	-1.9	44.8	-3.0	-1.0
Q3	78.5	70.6	7.9	3.4	3.1	0.3	22.8	-14.6	51.4	37.4	-0.3	-0.4	47.8	4.9
Q4	-16.6	9.6	-26.1	.	.	.	-39.3	-9.0	22.1	105.8	4.2	-5.1	-87.2	1.5
2010 Aug.	96.3	87.3	8.9	.	.	.	5.8	-22.6	19.3	26.1	-2.5	71.2	83.8	2.4
Sep.	-7.9	-2.6	-5.3	.	.	.	5.8	0.1	14.9	22.5	0.8	-30.8	-25.2	1.4
Oct.	67.5	73.0	-5.6	.	.	.	-17.3	-29.3	45.6	66.2	7.3	31.6	36.2	0.2
Nov.	41.1	52.3	-11.3	.	.	.	-3.4	19.9	-5.2	20.4	-0.5	50.2	12.1	0.0
Dec.	-125.1	-115.8	-9.3	.	.	.	-18.6	0.4	-18.3	19.3	-2.7	-86.9	-135.4	1.3
Other changes														
2006	-182.7	126.6	-309.3	-2.1	1.5	-3.6	-55.0	27.7	-35.2	183.7	0.0	-97.0	-84.8	4.4
2007	-332.4	-71.0	-261.4	-3.7	-0.8	-2.9	60.3	64.7	-180.9	25.1	-75.1	-153.0	-160.8	16.3
2008	-1,057.4	-807.8	-249.6	-11.4	-8.7	-2.7	-170.8	4.6	-887.8	-888.5	-75.8	53.3	76.0	23.7
2009	628.6	404.7	223.9	7.0	4.5	2.5	84.7	-54.7	419.8	456.2	35.9	-4.5	3.2	92.7
Other changes due to exchange rate changes														
2006	-343.3	-228.5	-114.8	-4.0	-2.7	-1.3	-72.1	-4.2	-151.6	-101.1	.	-105.7	-123.2	-13.9
2007	-521.9	-339.5	-182.4	-5.8	-3.8	-2.0	-104.1	-17.1	-217.4	-146.9	.	-186.7	-175.5	-13.7
2008	-39.4	55.1	-94.5	-0.4	0.6	-1.0	-20.1	-9.6	6.8	47.4	.	-35.4	17.3	9.2
2009	-45.8	-49.7	3.9	-0.5	-0.6	0.0	-4.8	1.7	-28.4	-27.5	.	-10.1	-23.9	-2.5
Other changes due to price changes														
2006	288.6	298.4	-9.8	3.4	3.5	-0.1	45.4	33.5	226.0	264.9	0.0	.	.	17.1
2007	78.7	113.4	-34.7	0.9	1.3	-0.4	45.2	5.8	77.3	107.6	-75.1	.	.	31.3
2008	-1,021.5	-1,018.4	-3.1	-11.0	-11.0	0.0	-154.5	-94.8	-812.8	-923.6	-75.8	.	.	21.5
2009	622.1	494.0	128.1	6.9	5.5	1.4	137.9	44.5	402.2	449.5	35.9	.	.	46.1
Other changes due to other adjustments														
2006	-128.1	56.7	-184.7	-1.5	0.7	-2.2	-28.3	-1.6	-109.6	19.8	.	8.7	38.4	1.2
2007	110.8	155.1	-44.3	1.2	1.7	-0.5	119.2	76.0	-40.8	64.4	.	33.7	14.7	-1.3
2008	3.5	155.5	-152.0	0.0	1.7	-1.6	3.8	109.0	-81.8	-12.3	.	88.7	58.8	-7.1
2009	52.3	-39.6	91.9	0.6	-0.4	1.0	-48.5	-100.9	46.0	34.3	.	5.6	27.0	49.2
Growth rates of outstanding amounts														
2006	16.1	14.8	-	.	.	.	15.0	10.5	13.6	13.7	.	20.5	18.7	0.3
2007	15.6	14.3	-	.	.	.	15.8	15.1	10.0	9.4	.	20.3	20.2	1.6
2008	2.9	3.4	-	.	.	.	9.1	2.9	-0.6	4.6	.	0.2	2.7	1.0
2009	-1.6	-1.2	-	.	.	.	7.4	6.6	2.0	5.8	.	-9.7	-12.8	-1.2
2010 Q2	2.4	2.2	-	.	.	.	5.2	3.7	3.4	5.4	.	-0.2	-2.4	0.7
Q3	2.8	2.7	-	.	.	.	4.1	2.0	3.0	4.0	.	1.9	1.5	1.7
Q4	2.4	2.6	-	.	.	.	2.0	0.0	2.6	4.5	.	2.5	1.7	1.9

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)														
2008	3,888.0	3,015.7	213.1	2,802.6	872.3	13.0	859.4	3,313.4	2,354.7	64.5	2,290.1	958.8	18.3	940.4
2009	4,261.0	3,290.8	227.5	3,063.3	970.2	14.4	955.8	3,472.5	2,526.0	76.3	2,449.7	946.6	17.8	928.8
2010 Q2	4,540.4	3,494.5	255.1	3,239.4	1,045.9	16.5	1,029.4	3,541.2	2,629.8	80.3	2,549.4	911.5	16.1	895.4
Q3	4,506.6	3,473.4	246.7	3,226.8	1,033.1	15.8	1,017.3	3,509.1	2,641.0	80.5	2,560.5	868.1	15.8	852.3
Transactions														
2008	333.7	214.3	20.4	193.9	119.4	-0.3	119.7	93.4	70.0	-1.2	71.2	23.4	1.6	21.8
2009	288.3	215.7	15.4	200.3	72.6	3.4	69.2	213.8	214.9	7.4	207.5	-1.1	-0.6	-0.5
2010	85.9	-9.6	8.9	-18.5	95.4	1.3	94.1	0.0	65.2	7.5	57.8	-65.2	-5.7	-59.5
2010 Q2	63.6	16.1	-0.5	16.6	47.5	0.5	47.0	25.2	13.8	2.0	11.8	11.4	-2.4	13.8
Q3	22.8	25.3	1.2	24.0	-2.5	0.3	-2.7	-14.6	21.5	2.2	19.3	-36.2	0.1	-36.3
Q4	-39.3	-59.8	2.1	-61.9	20.4	0.3	20.1	-9.0	-30.8	1.8	-32.6	21.7	-3.3	25.0
2010 Aug.	5.8	16.1	0.4	15.7	-10.3	-0.1	-10.2	-22.6	15.8	0.2	15.6	-38.3	0.6	-39.0
Sep.	5.8	0.3	0.3	-0.1	5.6	0.1	5.5	0.1	-8.1	1.0	-9.1	8.1	-0.1	8.2
Oct.	-17.3	-35.6	-1.6	-34.0	18.3	0.1	18.2	-29.3	-35.9	0.2	-36.2	6.6	0.3	6.3
Nov.	-3.4	-9.2	2.9	-12.1	5.7	0.1	5.6	19.9	1.1	0.9	0.2	18.8	0.1	18.7
Dec.	-18.6	-15.0	0.8	-15.8	-3.6	0.1	-3.7	0.4	4.0	0.7	3.3	-3.7	-3.6	-0.1
Growth rates														
2008	9.1	7.3	9.1	7.2	15.9	-1.0	16.2	2.9	2.9	-1.7	3.1	2.9	9.2	2.8
2009	7.4	7.1	7.3	7.1	8.3	26.3	8.1	6.6	9.3	11.3	9.2	-0.1	-3.2	-0.1
2010 Q2	5.2	3.9	1.9	4.1	9.7	19.0	9.6	3.7	7.4	12.3	7.3	-5.8	-19.3	-5.5
Q3	4.1	3.2	2.9	3.2	7.0	18.9	6.8	2.0	6.8	11.7	6.6	-10.1	-14.0	-10.0
Q4	2.0	-0.3	3.8	-0.6	9.9	8.7	9.9	0.0	2.6	9.7	2.4	-6.8	-31.5	-6.3

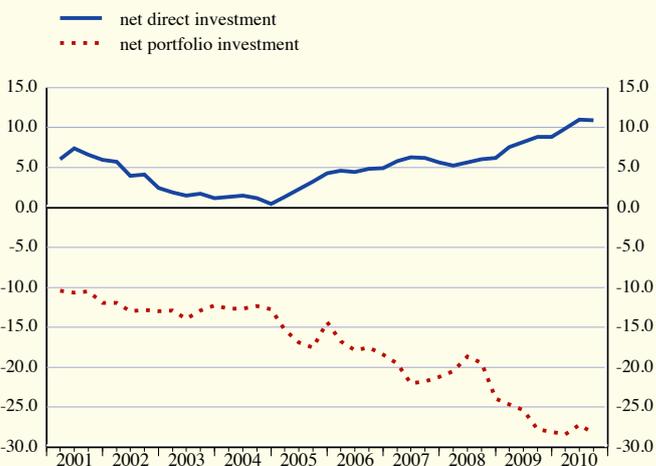
C36 Euro area international investment position

(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

	3. Portfolio investment assets															
	Total	Equity					Debt instruments									
		Total	MFIs		Non-MFIs		Bonds and notes					Money market instruments				
				Euro-system	General government		General government	Total	MFIs	Non-MFIs		MFIs	Non-MFIs	Total	MFIs	Non-MFIs
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	16	
	Outstanding amounts (international investment position)															
2008	3,727.4	1,128.6	68.4	3.0	1,060.1	27.1	2,164.2	965.0	20.0	1,199.2	18.4	434.6	358.0	61.6	76.6	1.3
2009	4,225.8	1,488.5	76.2	3.4	1,412.3	34.4	2,339.3	917.5	17.0	1,421.8	36.4	398.0	327.2	44.9	70.8	2.0
2010 Q2	4,621.6	1,654.1	82.8	3.5	1,571.3	43.6	2,541.4	931.3	16.9	1,610.1	43.2	426.0	336.2	43.6	89.9	0.3
Q3	4,628.6	1,695.2	89.1	3.4	1,606.2	42.0	2,542.8	892.4	17.0	1,650.4	40.5	390.5	316.6	49.0	73.9	0.6
	Transactions															
2008	-15.0	-106.5	-36.0	0.6	-70.5	-0.2	81.2	40.9	3.2	40.3	2.6	10.3	35.1	15.1	-24.8	0.4
2009	78.6	45.5	-3.6	-0.2	49.1	1.5	24.7	-99.9	-3.4	124.7	17.6	8.4	11.7	-12.7	-3.3	1.0
2010	116.1	74.3	7.9	-0.2	66.4	.	93.4	-119.9	-7.3	213.3	.	-51.5	-63.4	-4.6	11.8	.
2010 Q2	-18.3	-8.0	-5.9	-0.2	-2.1	2.7	-4.4	-36.0	-0.7	31.6	0.0	-5.9	-17.1	-2.6	11.2	-0.3
Q3	51.4	7.7	2.0	0.0	5.7	-1.3	60.7	6.2	0.0	54.5	-1.9	-17.0	-7.6	7.3	-9.4	0.3
Q4	22.1	38.2	2.2	0.0	36.0	.	-9.3	-93.2	-6.6	83.8	.	-6.8	-19.6	-3.2	12.8	.
2010 Aug.	19.3	0.5	-1.3	0.0	1.9	.	23.0	3.7	0.1	19.2	.	-4.1	15.5	5.8	-19.6	.
Sep.	14.9	14.2	6.5	0.0	7.7	.	1.7	-16.9	0.0	18.6	.	-1.0	0.9	5.1	-1.9	.
Oct.	45.6	13.4	0.8	0.0	12.6	.	24.4	-46.2	-0.5	70.5	.	7.9	1.6	-3.0	6.3	.
Nov.	-5.2	14.4	3.4	0.0	11.0	.	-17.0	-31.6	1.2	14.6	.	-2.6	-7.2	0.1	4.6	.
Dec.	-18.3	10.5	-2.0	0.1	12.4	.	-16.7	-15.4	-7.3	-1.3	.	-12.0	-13.9	-0.3	1.9	.
	Growth rates															
2008	-0.6	-6.4	-27.8	24.6	-4.8	-0.4	3.6	4.2	20.3	3.1	15.7	2.8	12.0	41.9	-27.7	71.1
2009	2.0	3.3	-5.6	-7.2	3.8	5.4	1.0	-10.2	-17.1	10.2	95.3	1.4	2.6	-22.0	-4.5	73.1
2010 Q2	3.4	8.2	11.3	-11.0	8.1	12.3	4.2	-6.0	-10.0	11.4	-10.1	-14.8	-17.5	-34.3	-2.2	-81.4
Q3	3.0	5.0	7.6	-12.0	4.9	8.3	5.1	-4.8	-6.2	11.8	-11.7	-14.9	-17.4	-2.7	-2.0	-58.6
Q4	2.6	4.7	10.5	-5.1	4.4	.	3.9	-13.0	-41.4	14.3	.	-12.1	-18.0	-11.6	17.0	.

4. Portfolio investment liabilities

	4. Portfolio investment liabilities														
	Total	Equity			Debt instruments										
		Total	MFIs		Non-MFIs		Bonds and notes					Money market instruments			
					General government		General government	Total	MFIs	Non-MFIs		MFIs	Non-MFIs	Total	MFIs	Non-MFIs
1	2	3	4	5	6	7	8	9	10	11	12	13	14	15	
	Outstanding amounts (international investment position)														
2008	5,941.5	2,186.0	616.9	1,569.1	3,373.3	1,198.2	2,175.1	1,428.2	382.3	62.0	320.3	271.7			
2009	6,741.2	2,752.2	686.6	2,065.6	3,461.6	1,132.1	2,329.5	1,478.0	527.3	67.8	459.5	425.0			
2010 Q2	7,083.1	2,753.0	675.6	2,077.4	3,832.4	1,180.2	2,652.3	1,737.0	497.6	80.8	416.9	377.3			
Q3	7,207.4	2,857.7	666.3	2,191.4	3,824.0	1,171.1	2,652.8	1,743.5	525.7	98.8	426.9	383.7			
	Transactions														
2008	288.9	-101.1	84.4	-185.6	209.2	7.3	202.0	185.6	180.7	-33.4	214.1	191.4			
2009	343.4	82.7	3.6	79.0	141.8	6.0	135.8	98.0	119.0	-14.9	133.8	157.5			
2010	313.2	116.5	0.0	116.5	175.2	31.1	144.1	.	21.5	46.8	-25.3	.			
2010 Q2	92.4	11.0	2.1	8.9	89.2	-6.0	95.2	101.5	-7.8	-9.1	1.3	-6.0			
Q3	37.4	47.7	15.1	32.6	-39.2	8.2	-47.4	-26.7	28.9	20.9	8.0	10.6			
Q4	105.8	57.5	-0.5	57.9	54.8	14.2	40.6	.	-6.5	-2.0	-4.5	.			
2010 Aug.	26.1	41.3	16.8	24.5	-20.6	5.4	-26.0	.	5.4	-0.4	5.8	.			
Sep.	22.5	3.1	-6.5	9.7	15.4	5.6	9.8	.	4.0	12.9	-8.9	.			
Oct.	66.2	50.3	6.9	43.4	12.3	4.3	8.0	.	3.5	0.1	3.4	.			
Nov.	20.4	5.2	3.8	1.4	11.1	-6.4	17.5	.	4.0	3.6	0.4	.			
Dec.	19.3	2.0	-11.1	13.0	31.3	16.3	15.0	.	-14.0	-5.7	-8.4	.			
	Growth rates														
2008	4.6	-4.2	14.9	-8.6	7.0	0.7	11.0	16.8	75.6	-24.9	207.5	255.5			
2009	5.8	3.6	0.6	4.7	4.2	0.5	6.2	6.9	31.2	-32.0	41.6	58.2			
2010 Q2	5.4	4.7	-2.1	7.3	5.0	2.0	6.4	12.3	13.7	73.6	4.8	9.3			
Q3	4.0	3.4	-1.0	4.9	3.9	1.7	4.8	11.0	9.6	148.4	-4.0	-3.1			
Q4	4.5	4.2	0.0	5.5	4.9	2.7	6.0	.	4.3	73.1	-5.5	.			

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	Eurosysteem			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)															
2008	5,385.1	28.8	27.7	1.0	3,273.5	3,214.3	59.2	90.7	12.3	42.6	8.8	1,992.1	188.5	1,610.1	432.1
2009	4,856.4	29.7	29.4	0.3	2,837.3	2,806.8	30.5	109.0	8.4	63.6	11.3	1,880.4	192.0	1,504.1	398.5
2010 Q2	5,265.2	24.3	24.0	0.3	3,082.0	3,047.7	34.3	114.5	8.6	65.7	13.0	2,044.3	213.4	1,626.9	436.2
Q3	5,142.2	24.5	24.3	0.2	2,964.8	2,932.3	32.5	116.1	8.3	69.5	11.1	2,036.8	216.8	1,625.3	434.3
Transactions															
2008	10.8	-9.3	-9.3	0.0	-42.1	-58.7	16.6	-5.7	-1.1	-6.0	-4.8	67.9	0.2	62.1	-61.7
2009	-524.2	-0.3	-0.3	0.0	-421.6	-401.2	-20.5	10.9	-0.4	9.5	1.3	-113.2	-1.4	-115.6	-55.7
2010	121.7	-5.1	.	.	20.6	.	.	39.1	.	.	4.6	67.1	.	.	13.4
2010 Q2	44.8	-3.4	-3.4	0.0	2.3	-5.1	7.4	6.4	0.0	6.1	5.8	39.4	9.6	33.0	13.1
Q3	-0.4	1.5	1.5	-0.1	-17.5	-16.3	-1.2	4.8	-0.1	4.7	-2.3	11.0	4.0	10.9	3.3
Q4	-5.1	3.8	.	.	-19.9	.	.	34.8	.	.	4.8	-23.8	.	.	-4.3
2010 Aug.	71.2	-0.8	.	.	73.8	.	.	0.5	.	.	0.9	-2.3	.	.	7.4
Sep.	-30.8	0.4	.	.	-38.8	.	.	-1.9	.	.	-1.6	9.6	.	.	-3.2
Oct.	31.6	-2.1	.	.	14.5	.	.	25.9	.	.	-0.6	-6.6	.	.	16.0
Nov.	50.2	-0.6	.	.	46.3	.	.	5.1	.	.	3.7	-0.6	.	.	-7.5
Dec.	-86.9	6.5	.	.	-80.6	.	.	3.8	.	.	1.7	-16.6	.	.	-12.8
Growth rates															
2008	0.2	-26.0	-26.7	5.0	-1.3	-1.8	23.5	-6.1	-8.9	-12.3	-35.2	3.7	0.1	4.2	-14.0
2009	-9.7	-1.8	-2.7	0.2	-12.8	-12.4	-36.9	11.4	-3.4	19.5	12.9	-5.7	-0.8	-7.3	-13.3
2010 Q2	-0.2	-36.7	-37.0	-2.5	-1.0	-1.2	17.7	7.2	-3.9	11.4	-9.5	1.2	5.6	0.3	-6.8
Q3	1.9	-13.6	-13.6	-19.6	1.1	0.9	21.4	10.1	-3.1	15.5	6.8	2.8	7.9	2.0	-3.6
Q4	2.5	-19.6	.	.	0.8	.	.	34.4	.	.	39.0	3.5	.	.	3.3

6. Other investment liabilities

	Total	Eurosysteem			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
Outstanding amounts (international investment position)															
2008	5,730.6	497.5	497.2	0.3	3,756.8	3,702.9	53.9	62.0	0.0	58.0	4.0	1,414.3	177.8	1,058.0	178.5
2009	4,994.2	267.2	266.8	0.3	3,392.6	3,354.1	38.5	71.1	0.0	67.1	4.0	1,263.3	175.0	909.9	178.5
2010 Q2	5,378.4	260.0	259.3	0.7	3,727.3	3,677.3	50.0	88.2	0.0	82.5	5.6	1,303.0	183.8	944.3	174.9
Q3	5,244.6	249.1	247.4	1.7	3,598.9	3,554.1	44.8	91.3	0.0	86.0	5.3	1,305.3	186.1	942.1	177.1
Transactions															
2008	142.4	282.3	282.2	0.1	-174.9	-186.1	11.2	9.4	0.0	10.8	-1.4	25.6	9.5	16.1	-0.1
2009	-739.6	-232.5	-232.6	0.2	-353.5	-342.1	-11.3	11.4	0.0	11.6	-0.1	-165.1	-2.3	-147.9	-14.9
2010	86.5	8.9	.	.	0.0	.	.	63.1	.	.	.	14.5	.	.	.
2010 Q2	-3.0	-0.6	-0.6	0.0	-12.9	-15.1	2.3	8.3	0.0	7.4	0.9	2.2	5.3	-2.5	-0.7
Q3	47.8	-2.6	-3.6	1.0	1.8	6.1	-4.3	4.8	0.0	5.2	-0.4	43.9	0.9	32.2	10.8
Q4	-87.2	17.4	.	.	-93.0	.	.	45.6	.	.	.	-57.1	.	.	.
2010 Aug.	83.8	-2.1	.	.	77.1	.	.	0.2	.	.	.	8.5	.	.	.
Sep.	-25.2	1.0	.	.	-37.6	.	.	4.3	.	.	.	7.0	.	.	.
Oct.	36.2	0.5	.	.	38.7	.	.	7.0	.	.	.	-10.0	.	.	.
Nov.	12.1	4.0	.	.	18.5	.	.	15.8	.	.	.	-26.1	.	.	.
Dec.	-135.4	12.9	.	.	-150.2	.	.	22.9	.	.	.	-20.9	.	.	.
Growth rates															
2008	2.7	132.9	133.0	20.8	-4.4	-4.7	17.9	18.1	-17.8	23.0	-24.7	1.9	5.6	1.6	-0.7
2009	-12.8	-46.5	-46.6	42.3	-9.4	-9.2	-20.3	18.3	-148.2	19.7	-3.9	-11.5	-1.3	-13.8	-7.9
2010 Q2	-2.4	-19.6	-19.7	106.2	-1.9	-2.2	22.7	11.1	-140.6	11.0	11.2	-0.5	2.6	-0.7	-2.7
Q3	1.5	-7.7	-8.1	189.0	0.3	0.1	10.4	16.4	-113.6	16.5	18.6	6.2	3.9	6.1	9.1
Q4	1.7	3.6	.	.	0.1	.	.	86.0	.	.	.	1.0	.	.	.

Source: ECB.

7.3 Financial account

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

7. Reserve assets 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)																	
2007	347.2	201.0	353.688	4.6	3.6	138.0	7.2	22.0	108.5	0.4	87.8	20.3	0.3	0.0	44.3	-38.5	5.3
2008	374.2	217.0	349.207	4.7	7.3	145.1	7.6	8.1	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 Q2	583.3	351.9	347.156	56.3	16.3	158.8	9.2	13.0	136.8	0.6	110.8	25.5	-0.3	0.0	32.7	-24.2	56.7
Q3	552.2	332.3	346.994	53.3	15.3	151.3	7.9	15.7	127.2	0.5	106.9	19.8	0.4	0.0	26.2	-22.6	53.7
2010 Dec.	591.2	366.2	346.962	54.2	15.7	155.1	7.8	16.0	131.3	-	-	-	0.0	0.0	26.3	-24.4	54.5
2011 Jan.	562.3	336.3	346.987	53.5	16.8	155.7	6.8	17.4	131.3	-	-	-	0.2	0.0	24.1	-26.9	53.7
Transactions																	
2007	5.1	-3.2	-	0.3	-0.9	8.8	1.0	1.6	6.2	0.0	14.5	-8.3	0.0	0.0	-	-	-
2008	3.4	-2.7	-	-0.1	3.8	2.4	5.0	-15.7	11.8	0.1	15.8	-4.1	1.3	0.0	-	-	-
2009	-4.6	-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 Q2	-1.0	0.0	-	0.1	3.0	-4.0	-2.0	1.3	-3.2	0.0	0.0	-3.1	-0.1	0.0	-	-	-
Q3	4.9	0.0	-	0.0	-0.1	5.1	-0.5	3.9	1.6	0.0	5.6	-4.0	0.1	0.0	-	-	-
Q4	1.5	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Growth rates																	
2007	1.6	-1.7	-	7.3	-18.3	6.3	14.9	6.4	5.7	1.1	18.6	-27.6	-	-	-	-	-
2008	1.0	-1.3	-	-2.5	105.4	1.7	67.7	-68.9	10.8	28.0	17.9	-20.6	-	-	-	-	-
2009	-1.2	-0.9	-	-2.6	45.4	-4.4	41.1	-21.4	-7.3	1.0	-12.8	25.5	-	-	-	-	-
2010 Q2	0.7	-0.1	-	8.1	34.9	-0.7	-28.0	56.1	-1.7	-6.1	-3.6	8.2	-	-	-	-	-
Q3	1.7	0.0	-	1.0	27.8	3.1	-45.3	93.8	2.7	-6.1	9.0	-21.4	-	-	-	-	-
Q4	1.9	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-

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)											
2007	9,997.1	5,150.5	242.0	2,997.1	172.3	189.4	1,245.8	1,238.2	215.4	5,222.1	2,075.7
2008	10,924.1	5,316.1	382.3	3,373.3	177.8	236.7	1,437.9	1,762.0	497.5	5,017.0	2,209.7
2009	10,422.5	4,597.9	527.3	3,461.6	175.0	221.3	1,439.3	1,974.1	267.2	4,592.6	2,149.3
2010 Q1	10,808.7	4,785.3	535.8	3,683.2	177.4	240.2	1,386.9	2,091.1	267.1	4,837.4	2,226.2
Q2	11,155.8	4,963.4	497.6	3,832.4	183.8	231.3	1,447.3	2,202.4	260.0	4,988.2	2,257.9
Q3	10,981.5	4,829.5	525.7	3,824.0	186.1	229.0	1,387.3	2,218.6	249.1	4,868.8	2,257.8
Outstanding amounts as a percentage of GDP											
2007	110.8	57.1	2.7	33.2	1.9	2.1	13.8	13.7	2.4	57.9	23.0
2008	118.2	57.5	4.1	36.5	1.9	2.6	15.6	19.1	5.4	54.3	23.9
2009	116.4	51.4	5.9	38.7	2.0	2.5	16.1	22.1	3.0	51.3	24.0
2010 Q1	120.4	53.3	6.0	41.0	2.0	2.7	15.4	23.3	3.0	53.9	24.8
Q2	123.4	54.9	5.5	42.4	2.0	2.6	16.0	24.4	2.9	55.2	25.0
Q3	120.5	53.0	5.8	42.0	2.0	2.5	15.2	24.3	2.7	53.4	24.8

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
	1	Total	Denmark	Sweden	United Kingdom	Other EU countries	EU institutions	8	9	10	11	12	13	14	15
2009	Outstanding amounts (international investment position)														
Direct investment	788.4	120.6	2.5	-13.0	-125.4	256.8	-0.3	45.7	44.2	-28.9	129.8	-42.0	77.7	-0.3	441.6
Abroad	4,261.0	1,427.8	34.5	123.7	988.9	280.7	0.0	119.6	48.3	77.7	423.5	784.3	540.9	0.0	838.9
Equity/reinvested earnings	3,290.8	1,073.9	29.1	79.8	735.3	229.7	0.0	95.2	39.1	58.9	349.5	559.7	484.7	0.0	629.9
Other capital	970.2	353.9	5.3	43.9	253.6	51.0	0.0	24.4	9.1	18.8	74.1	224.6	56.2	0.0	209.1
In the euro area	3,472.5	1,307.2	32.0	136.7	1,114.3	23.9	0.3	73.9	4.1	106.6	293.7	826.3	463.2	0.4	397.3
Equity/reinvested earnings	2,526.0	1,073.2	22.6	120.9	922.4	7.1	0.3	60.9	1.1	85.5	200.9	613.2	245.2	0.2	245.8
Other capital	946.6	234.0	9.4	15.8	191.9	16.8	0.1	13.0	3.0	21.1	92.8	213.1	218.0	0.2	151.4
Portfolio investment assets	4,225.8	1,424.6	79.0	156.4	1,000.8	89.3	99.2	95.4	47.5	181.9	107.0	1,349.1	434.1	29.3	556.8
Equity	1,488.5	296.9	8.8	28.8	245.2	13.4	0.6	28.6	45.3	85.7	92.4	468.9	193.3	1.5	275.8
Debt instruments	2,737.3	1,127.7	70.2	127.6	755.5	75.9	98.5	66.8	2.2	96.2	14.6	880.1	240.8	27.8	281.1
Bonds and notes	2,339.3	979.0	62.9	108.0	635.5	74.2	98.4	63.3	1.5	38.1	10.6	739.5	225.5	27.2	254.7
Money market instruments	398.0	148.7	7.3	19.6	120.0	1.7	0.1	3.5	0.7	58.1	4.0	140.7	15.4	0.6	26.3
Other investment	-137.9	-104.4	50.0	11.4	-96.8	89.8	-159.0	0.2	-8.7	17.0	-118.6	-106.5	-3.8	14.1	172.8
Assets	4,856.4	2,247.1	108.6	84.7	1,847.0	190.5	16.3	26.8	31.5	95.0	238.7	687.1	599.3	61.3	869.6
General government	109.0	23.1	0.1	5.4	6.8	0.2	10.4	0.0	3.1	0.2	0.2	3.5	1.9	27.3	49.7
MFIs	2,867.0	1,540.4	90.9	50.5	1,240.1	156.3	2.6	15.2	9.3	64.4	125.5	352.9	329.8	20.4	409.3
Other sectors	1,880.4	683.6	17.5	28.8	600.1	34.0	3.3	11.5	19.1	30.4	113.1	330.8	267.6	13.6	410.6
Liabilities	4,994.2	2,351.5	58.6	73.3	1,943.8	100.7	175.2	26.5	40.3	78.0	357.2	793.6	603.1	47.1	696.8
General government	71.1	28.8	0.1	0.4	4.4	0.1	23.9	0.1	0.1	0.5	0.2	22.1	0.3	16.9	2.2
MFIs	3,659.8	1,746.1	47.2	39.7	1,486.2	76.5	96.6	19.4	19.1	45.6	270.3	500.1	498.5	27.6	533.1
Other sectors	1,263.3	576.5	11.2	33.2	453.2	24.1	54.8	7.1	21.2	32.0	86.7	271.3	104.3	2.6	161.6
2009 Q4 to 2010 Q3	Cumulated transactions														
Direct investment	104.5	25.0	-0.6	5.3	4.5	15.9	0.0	4.9	3.3	-2.0	7.1	34.6	11.4	-0.2	20.3
Abroad	173.4	62.6	2.3	5.9	37.3	17.0	0.0	12.3	2.6	-0.5	23.0	27.4	-4.0	0.0	50.1
Equity/reinvested earnings	105.4	36.9	1.8	3.1	18.2	13.8	0.0	10.5	0.6	0.1	4.8	38.4	-20.6	0.0	34.7
Other capital	68.0	25.7	0.5	2.8	19.2	3.3	0.0	1.8	2.0	-0.6	18.2	-11.0	16.5	0.0	15.3
In the euro area	68.8	37.5	3.0	0.6	32.9	1.1	0.0	7.4	-0.8	1.5	15.9	-7.2	-15.5	0.2	29.8
Equity/reinvested earnings	165.9	30.8	1.5	4.1	28.7	-3.6	0.0	7.4	0.3	2.2	14.5	29.8	65.2	0.2	15.5
Other capital	-97.0	6.7	1.5	-3.5	4.1	4.7	0.0	-0.1	-1.1	-0.7	1.4	-37.0	-80.7	0.0	14.3
Portfolio investment assets	127.0	13.8	-0.2	10.1	-21.1	13.7	11.4	-3.2	6.7	-3.1	3.9	3.1	-13.8	-0.7	120.4
Equity	70.9	18.4	1.5	4.9	10.6	1.4	0.2	1.2	6.7	-0.6	2.6	11.2	4.6	0.1	26.5
Debt instruments	56.1	-4.6	-1.6	5.2	-31.7	12.3	11.2	-4.5	-0.1	-2.6	1.3	-8.2	-18.5	-0.8	93.9
Bonds and notes	121.5	53.7	-1.8	8.1	24.7	11.2	11.6	-2.6	-0.2	-3.7	0.6	-0.5	-6.3	-0.7	81.2
Money market instruments	-65.4	-58.3	0.2	-2.9	-56.4	1.2	-0.4	-1.9	0.1	1.1	0.8	-7.7	-12.1	-0.1	12.7
Other investment	16.0	-42.0	-9.3	-12.4	1.4	-7.9	-13.8	-0.1	14.9	-7.0	42.9	-23.9	83.8	-7.2	-45.4
Assets	94.9	57.1	-4.7	-1.6	61.8	-1.1	2.8	-2.2	12.2	6.2	-24.1	-20.8	66.6	-4.5	4.3
General government	11.0	3.7	0.1	0.0	3.1	0.3	0.2	0.2	0.0	0.0	0.0	3.6	0.5	0.9	2.1
MFIs	27.8	35.6	-5.4	-5.3	44.7	-0.4	2.1	-1.5	9.9	6.2	-2.8	-30.6	25.9	-5.4	-9.5
Other sectors	56.1	17.9	0.6	3.7	14.0	-0.9	0.5	-0.8	2.3	0.0	-21.3	6.1	40.2	0.0	11.6
Liabilities	78.9	99.1	4.6	10.8	60.4	6.8	16.6	-2.1	-2.7	13.2	-67.0	3.1	-17.2	2.7	49.7
General government	12.9	8.4	0.0	0.0	3.1	0.0	5.4	0.1	0.0	-0.1	0.3	-3.0	0.0	7.3	-0.2
MFIs	-12.2	83.5	5.3	7.0	61.2	4.1	5.9	-1.6	-5.2	11.9	-68.8	-23.8	-21.7	-4.6	18.1
Other sectors	78.2	7.2	-0.7	3.8	-3.9	2.7	5.3	-0.6	2.4	1.4	1.5	29.9	4.6	0.1	31.8

Source: ECB.

7.4 Monetary presentation of the balance of payments ¹⁾

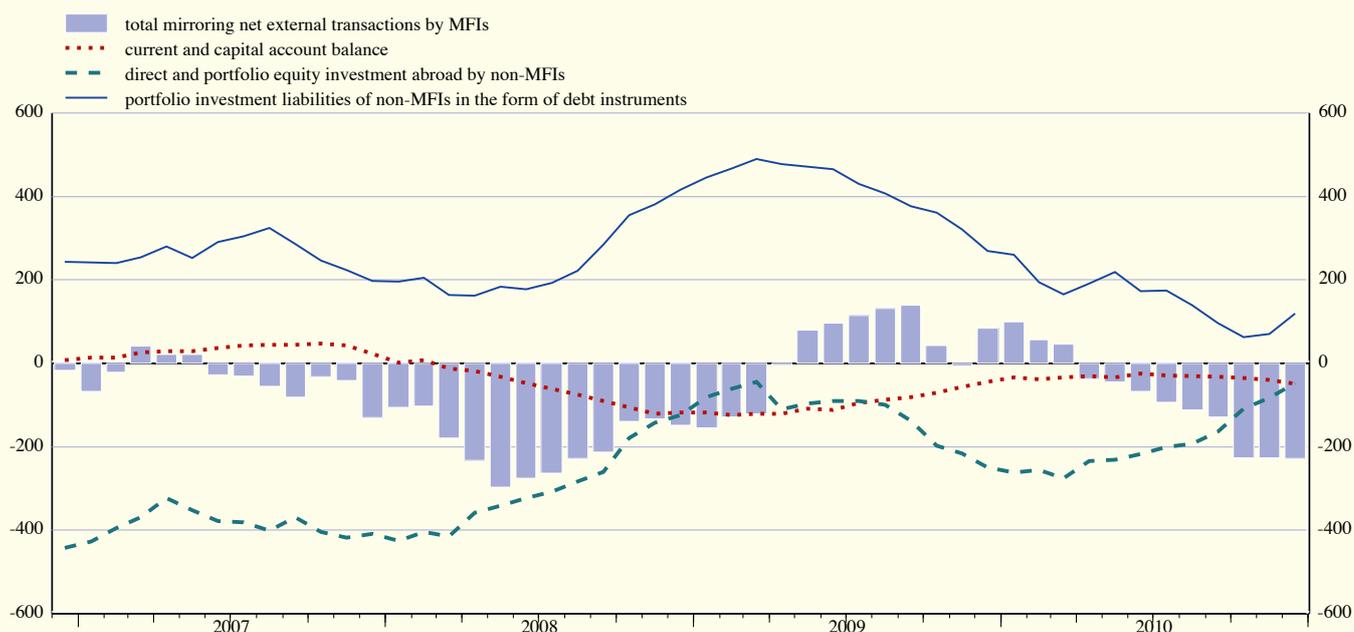
(EUR billions; transactions)

B.o.p. items mirroring net transactions by MFIs

	Total	Current and capital account balance	Transactions by non-MFIs								Financial derivatives	Errors and omissions
			Direct investment		Portfolio investment				Other investment			
			By resident units abroad	By non-resident units in euro area	Assets		Liabilities		Assets	Liabilities		
					Equity	Debt instruments	Equity	Debt instruments				
			1	2	3	4	5	6	7	8			9	10	11	12
2008	-148.2	-117.1	-314.1	92.7	70.4	-15.0	-185.8	416.7	-62.9	35.5	-74.9	6.3
2009	84.8	-43.7	-269.5	207.0	-49.1	-121.4	79.0	269.6	102.3	-153.6	51.5	12.6
2010	-228.0	-49.1	-75.6	-1.7	-66.4	-225.1	116.5	118.8	-106.1	77.6	1.9	-18.7
2009 Q4	42.1	12.7	-46.7	56.9	-34.9	-35.6	38.8	13.0	28.1	2.0	8.6	-0.7
2010 Q1	-81.8	-19.3	-32.5	-2.8	-26.8	-40.5	17.0	25.6	-33.6	30.0	3.9	-2.8
Q2	-34.1	-18.8	-63.6	25.6	2.1	-42.9	8.9	96.5	-45.8	10.5	1.9	-8.6
Q3	-54.8	-6.8	-21.3	-16.9	-5.7	-45.1	32.6	-39.4	-15.7	48.6	0.3	14.7
Q4	-57.3	-4.2	41.7	-7.6	-36.0	-96.6	57.9	36.1	-11.0	-11.5	-4.2	-21.9
2009 Dec.	39.0	12.2	-16.4	21.1	-14.1	-13.8	60.2	-41.3	50.1	-35.2	6.1	10.2
2010 Jan.	-28.3	-12.1	-6.4	3.4	-11.5	-11.1	-3.0	29.7	-9.1	-2.0	3.9	-10.1
Feb.	-11.9	-6.4	3.7	-7.3	-1.3	-5.2	17.9	-11.1	-13.9	4.5	0.3	6.9
Mar.	-41.6	-0.8	-29.8	1.2	-14.0	-24.2	2.2	6.9	-10.7	27.5	-0.3	0.4
Apr.	-43.8	-5.2	-19.7	1.2	-3.4	-14.0	0.5	45.6	-24.4	-18.6	-4.4	-1.3
May	6.3	-15.3	-27.5	20.5	11.1	-21.8	0.0	61.6	-36.2	19.1	0.0	-5.3
June	3.3	1.7	-16.5	3.9	-5.6	-7.0	8.4	-10.8	14.7	10.0	6.4	-2.0
July	-28.4	6.1	-10.4	7.3	3.9	-28.8	-1.5	-20.2	-9.9	28.5	-1.5	-1.8
Aug.	-4.0	-7.1	-5.5	-23.4	-1.9	0.4	24.5	-20.2	1.8	8.8	2.5	16.1
Sep.	-22.4	-5.8	-5.4	-0.8	-7.7	-16.7	9.7	1.0	-7.7	11.3	-0.8	0.5
Oct.	-83.8	-2.1	15.8	-29.8	-12.6	-76.8	43.4	11.5	-19.3	-3.0	-7.3	-3.5
Nov.	-11.1	-4.5	6.4	18.9	-11.0	-19.2	1.4	18.0	-4.5	-10.4	0.5	-6.7
Dec.	37.6	2.4	19.5	3.3	-12.4	-0.6	13.0	6.7	12.8	1.9	2.7	-11.8
<i>12-month cumulated transactions</i>												
2010 Dec.	-228.0	-49.1	-75.6	-1.7	-66.4	-225.1	116.5	118.8	-106.1	77.6	1.9	-18.7

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: Manufacturing	Total			Memo items:			
			Intermediate	Capital	Consumption		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)													
2009	-18.1	-21.7	1,277.0	627.4	264.2	354.8	1,062.6	1,264.3	732.8	193.6	315.6	838.9	180.1
2010	20.1	21.6	1,526.4	.	.	.	1,269.6	1,530.3	.	.	.	1,009.4	.
2010 Q1	12.9	9.1	355.1	176.5	68.9	98.7	292.9	350.8	209.7	52.2	82.0	232.7	53.1
Q2	22.3	26.8	378.0	188.2	75.8	103.8	316.1	382.3	232.6	56.8	85.1	252.5	59.8
Q3	22.8	25.8	394.4	196.4	80.1	107.7	329.2	396.0	240.5	59.5	88.1	262.4	59.4
Q4	21.8	24.9	398.9	.	.	.	331.3	401.3	.	.	.	261.8	.
2010 July	17.4	25.3	130.9	64.8	26.3	35.7	109.1	131.4	79.7	20.2	29.0	87.0	20.3
Aug.	29.9	32.2	131.5	65.7	26.5	35.7	109.5	133.8	81.6	20.1	29.7	88.6	20.6
Sep.	22.5	21.0	132.1	65.9	27.3	36.3	110.6	130.7	79.3	19.2	29.4	86.8	18.5
Oct.	21.1	21.7	133.1	66.2	28.0	36.0	111.1	130.1	79.9	19.2	29.3	86.9	19.7
Nov.	24.2	28.6	133.2	67.1	28.1	36.5	111.3	136.4	84.6	19.6	29.8	89.0	21.6
Dec.	20.2	24.3	132.6	.	.	.	108.9	134.9	.	.	.	85.9	.
Volume indices (2000 = 100; annual percentage changes for columns 1 and 2)													
2008	1.4	0.1	143.4	136.8	154.2	147.0	142.3	126.9	119.2	140.4	144.5	133.4	108.1
2009	-16.6	-14.0	119.3	115.1	119.2	127.5	115.8	109.4	100.7	114.9	136.1	110.5	100.9
2009 Q4	-6.7	-7.4	123.2	120.4	121.2	132.6	120.1	111.4	102.6	116.9	138.9	114.6	97.1
2010 Q1	11.5	4.1	130.3	126.5	124.1	138.7	126.4	116.2	107.4	122.7	140.8	121.8	95.0
Q2	16.3	13.5	135.0	130.9	134.8	141.6	133.4	119.6	110.9	129.1	140.8	126.8	95.7
Q3	15.7	11.9	139.0	134.5	142.1	144.4	136.9	120.8	111.9	131.7	141.4	128.5	95.6
2010 June	19.3	17.6	139.0	134.9	142.9	144.5	138.6	122.4	114.2	137.3	141.3	130.8	96.1
July	10.5	10.1	137.9	133.3	139.9	141.9	135.5	119.8	111.0	133.2	139.0	127.3	97.6
Aug.	22.8	18.7	139.4	134.8	141.0	145.7	137.3	122.4	113.4	134.8	143.0	130.8	99.6
Sep.	15.4	8.0	139.6	135.4	145.3	145.7	137.9	120.2	111.4	127.0	142.3	127.4	89.5
Oct.	13.4	7.1	141.0	135.9	150.2	144.8	139.3	119.8	112.1	129.4	142.4	128.8	95.0
Nov.	17.1	14.0	141.5	137.6	150.9	148.9	140.2	125.9	118.5	135.1	145.6	133.3	102.3

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	1	2	3	4	5	6	7	8	9	10	11	12	13	14
2009	102.4	-2.6	-4.0	0.5	0.5	-23.7	-2.5	100.4	-8.3	-5.0	2.6	0.9	-28.3	-2.2
2010	106.4	3.9	4.8	1.1	2.2	26.3	3.9	110.2	9.8	9.9	1.5	2.8	27.9	6.0
2010 Q2	106.7	4.3	5.4	0.9	2.4	30.9	4.3	110.8	11.0	10.9	1.6	2.3	33.1	6.7
Q3	107.1	4.6	6.7	1.6	2.8	19.6	4.4	111.4	10.8	12.0	2.9	4.1	25.9	7.3
Q4	107.5	5.0	7.1	2.0	2.9	21.5	4.9	112.8	11.6	13.5	2.3	5.4	25.6	8.0
2010 Aug.	107.1	4.2	6.5	1.6	2.7	14.4	4.1	111.6	10.1	12.0	2.7	4.2	21.5	6.9
Sep.	107.2	4.9	6.9	1.8	2.9	21.7	4.7	111.3	11.2	12.4	2.9	4.7	27.1	7.6
Oct.	106.9	4.7	6.9	1.6	2.8	18.9	4.6	110.9	10.2	12.5	1.9	4.6	21.5	7.0
Nov.	107.3	4.7	7.0	1.9	2.8	18.2	4.6	112.2	10.9	13.2	2.5	5.6	23.1	7.9
Dec.	108.3	5.7	7.5	2.3	3.1	27.4	5.6	115.4	13.6	14.8	2.6	6.0	32.0	9.1
2011 Jan.	109.1	5.7	8.6	2.4	.	21.2	5.5	.	.	.	-0.4	.	.	.

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	Switzerland	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.)															
2009	1,277.0	27.1	40.8	175.1	176.1	49.4	78.8	34.7	152.7	283.8	68.8	28.8	91.8	54.3	112.5
2010	1,526.4	.	.	.	.	63.3	92.7	47.3	180.9	353.9	94.5	34.7	104.3	73.1	.
2009 Q3	320.5	6.7	10.4	44.4	44.4	12.0	19.7	9.3	36.8	71.8	17.8	7.2	22.7	14.4	27.9
Q4	328.4	6.6	10.6	44.9	45.7	12.5	19.7	9.2	38.0	74.7	18.8	7.3	23.0	14.3	29.0
2010 Q1	355.1	7.0	11.7	46.6	48.3	13.6	21.4	10.7	41.1	81.8	22.3	8.1	24.9	16.8	31.3
Q2	378.0	7.4	13.0	47.9	51.8	15.6	22.9	11.4	45.3	88.0	23.4	8.7	25.6	18.6	30.5
Q3	394.4	7.6	13.1	50.2	54.6	17.1	23.8	12.0	47.9	91.4	23.7	8.9	26.6	18.8	31.3
Q4	398.9	.	.	.	.	17.0	24.6	13.0	46.6	92.7	25.2	9.0	27.2	18.9	.
2010 July	130.9	2.5	4.4	16.5	17.9	5.5	7.9	4.1	15.9	30.6	7.9	3.0	8.7	6.2	10.6
Aug.	131.5	2.5	4.3	16.8	18.3	5.8	7.9	3.8	16.0	29.9	7.8	3.0	8.9	6.3	10.8
Sep.	132.1	2.5	4.4	16.9	18.4	5.7	7.9	4.2	16.0	30.9	8.0	3.0	9.0	6.3	9.9
Oct.	133.1	2.5	4.5	16.8	18.6	5.7	8.2	4.3	15.6	30.9	8.3	3.0	9.0	6.2	10.9
Nov.	133.2	2.5	4.4	16.9	18.8	5.7	8.1	4.4	15.6	31.4	8.6	3.0	9.1	6.6	9.6
Dec.	132.6	.	.	.	.	5.6	8.3	4.3	15.5	30.4	8.3	3.0	9.2	6.1	.
<i>Percentage share of total exports</i>															
2010	100.0	.	.	.	.	4.1	6.1	3.1	11.8	23.2	6.2	2.3	6.8	4.8	.
Imports (c.i.f.)															
2009	1,264.3	26.9	37.5	126.8	161.9	83.2	65.2	26.3	115.5	379.2	157.9	43.8	94.6	59.5	87.6
2010	1,530.3	.	.	.	.	106.8	74.0	30.3	127.1	486.0	209.1	50.4	117.2	75.4	.
2009 Q3	314.1	6.8	9.6	31.8	41.2	22.3	16.2	6.6	25.8	93.1	38.8	10.9	22.8	14.9	23.1
Q4	322.1	6.7	9.6	32.4	42.7	24.0	16.1	6.7	27.8	94.6	39.4	10.7	24.6	15.5	21.2
2010 Q1	350.8	6.6	10.3	35.0	45.3	24.5	17.1	7.4	29.4	109.9	45.9	11.7	26.9	16.5	22.0
Q2	382.3	6.8	11.6	36.4	48.9	27.3	19.5	7.5	32.8	124.2	52.3	12.9	29.3	18.1	19.7
Q3	396.0	7.0	12.1	37.8	50.5	26.6	19.1	7.5	31.8	127.9	56.7	13.1	28.9	19.7	27.0
Q4	401.3	.	.	.	.	28.4	18.3	8.0	33.1	124.0	54.2	12.7	32.0	21.1	.
2010 July	131.4	2.3	4.1	12.6	16.5	9.1	6.6	2.5	10.5	42.6	18.6	4.4	9.5	6.5	8.8
Aug.	133.8	2.3	4.1	13.0	17.0	8.9	6.4	2.5	10.6	43.3	19.2	4.3	10.0	6.6	9.1
Sep.	130.7	2.4	3.9	12.2	17.0	8.6	6.2	2.5	10.8	42.0	18.8	4.4	9.4	6.6	9.1
Oct.	130.1	2.4	4.1	12.8	17.4	9.1	6.1	2.7	10.9	41.2	17.7	4.3	8.8	6.8	7.8
Nov.	136.4	2.2	4.2	13.2	17.5	9.4	6.1	2.6	11.2	42.1	17.7	4.5	11.5	7.0	9.3
Dec.	134.9	.	.	.	.	9.9	6.1	2.7	11.0	40.8	18.8	3.9	11.7	7.2	.
<i>Percentage share of total imports</i>															
2010	100.0	.	.	.	.	7.0	4.8	2.0	8.3	31.7	13.6	3.3	7.7	4.9	.
Balance															
2009	12.6	0.2	3.3	48.2	14.2	-33.8	13.6	8.4	37.2	-95.4	-89.0	-15.0	-2.9	-5.2	24.9
2010	-3.9	.	.	.	.	-43.4	18.7	16.9	53.8	-132.2	-114.6	-15.6	-12.9	-2.3	.
2009 Q3	6.3	0.0	0.8	12.6	3.2	-10.3	3.5	2.7	11.0	-21.3	-21.0	-3.7	-0.1	-0.5	4.8
Q4	6.3	-0.1	1.0	12.5	3.0	-11.5	3.6	2.5	10.2	-19.9	-20.7	-3.4	-1.6	-1.2	7.8
2010 Q1	4.3	0.4	1.4	11.6	3.0	-10.9	4.3	3.4	11.7	-28.2	-23.6	-3.7	-2.0	0.3	9.3
Q2	-4.3	0.6	1.3	11.5	2.9	-11.7	3.3	3.9	12.5	-36.2	-28.9	-4.2	-3.8	0.5	10.8
Q3	-1.5	0.6	1.0	12.4	4.0	-9.5	4.7	4.5	16.0	-36.5	-33.0	-4.1	-2.3	-0.8	4.3
Q4	-2.5	.	.	.	.	-11.4	6.3	5.1	13.5	-31.3	-29.1	-3.7	-4.8	-2.2	.
2010 July	-0.5	0.3	0.3	3.8	1.4	-3.5	1.4	1.6	5.5	-12.0	-10.7	-1.4	-0.8	-0.2	1.7
Aug.	-2.4	0.2	0.2	3.8	1.3	-3.1	1.6	1.3	5.4	-13.4	-11.4	-1.3	-1.1	-0.3	1.7
Sep.	1.4	0.2	0.5	4.7	1.3	-2.8	1.8	1.6	5.1	-11.1	-10.8	-1.4	-0.5	-0.3	0.8
Oct.	3.1	0.2	0.3	4.0	1.2	-3.4	2.1	1.7	4.6	-10.2	-9.4	-1.3	0.2	-0.6	3.0
Nov.	-3.2	0.3	0.3	3.8	1.3	-3.7	2.0	1.8	4.3	-10.7	-9.1	-1.5	-2.4	-0.5	0.3
Dec.	-2.3	.	.	.	.	-4.3	2.2	1.6	4.5	-10.3	-10.5	-0.9	-2.5	-1.1	.

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	
2008	110.4	109.9	107.6	105.1	114.7	104.1	117.9	107.1	
2009	111.7	110.6	104.9	106.2	120.5	106.1	120.6	108.0	
2010	104.6	103.0	98.8	.	.	.	112.3	99.3	
2009 Q4	113.7	112.1	106.5	107.6	121.3	108.2	122.6	109.0	
2010 Q1	108.7	106.9	102.2	102.5	114.2	102.6	116.9	103.5	
Q2	103.1	101.8	97.4	97.4	108.6	97.4	110.4	97.9	
Q3	102.3	100.8	96.9	96.6	106.8	96.0	109.8	97.2	
Q4	104.4	102.4	98.7	.	.	.	112.1	98.7	
2010 Feb.	108.0	106.0	101.6	-	-	-	116.3	102.7	
Mar.	107.4	105.9	101.0	-	-	-	115.2	102.2	
Apr.	106.1	104.6	100.0	-	-	-	113.5	100.7	
May	102.8	101.4	97.0	-	-	-	109.9	97.5	
June	100.6	99.4	95.2	-	-	-	107.7	95.6	
July	102.5	101.0	97.0	-	-	-	109.9	97.5	
Aug.	102.1	100.5	96.6	-	-	-	109.5	97.0	
Sep.	102.5	100.8	97.2	-	-	-	110.0	97.3	
Oct.	106.0	104.1	100.4	-	-	-	113.8	100.3	
Nov.	104.7	102.7	98.9	-	-	-	112.5	99.0	
Dec.	102.6	100.5	96.8	-	-	-	110.1	96.8	
2011 Jan.	102.4	100.2	96.3	-	-	-	110.1	96.7	
Feb.	103.4	101.2	97.3	-	-	-	111.4	97.8	
	<i>Percentage change versus previous month</i>								
2011 Feb.	1.0	0.9	1.0	-	-	-	1.2	1.1	
	<i>Percentage change versus previous year</i>								
2011 Feb.	-4.2	-4.5	-4.3	-	-	-	-4.2	-4.8	

C39 Effective exchange rates

(monthly averages; index: 1999 Q1=100)



C40 Bilateral exchange rates

(monthly averages; index: 1999 Q1=100)



Source: ECB.

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

8.2 Bilateral exchange rates

(period averages; units of national currency per euro)

	Bulgarian lev	Czech koruna	Danish krone	Latvian lats	Lithuanian litas	Hungarian forint	Polish zloty	New Romanian leu	Swedish krona	Pound sterling	Croatian kuna	New Turkish lira
	1	2	3	4	5	6	7	8	9	10	11	12
2008	1.9558	24.946	7.4560	0.7027	3.4528	251.51	3.5121	3.6826	9.6152	0.79628	7.2239	1.9064
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
2010 Q2	1.9558	25.591	7.4416	0.7078	3.4528	274.85	4.0171	4.1854	9.6313	0.85239	7.2477	1.9560
Q3	1.9558	24.928	7.4498	0.7089	3.4528	282.44	4.0087	4.2553	9.3804	0.83305	7.2532	1.9560
Q4	1.9558	24.789	7.4547	0.7095	3.4528	275.77	3.9666	4.2888	9.2139	0.85944	7.3683	1.9897
2010 Aug.	1.9558	24.806	7.4495	0.7085	3.4528	281.45	3.9899	4.2396	9.4216	0.82363	7.2525	1.9484
Sep.	1.9558	24.651	7.4476	0.7091	3.4528	282.10	3.9548	4.2655	9.2241	0.83987	7.2874	1.9528
Oct.	1.9558	24.531	7.4567	0.7094	3.4528	274.01	3.9496	4.2787	9.2794	0.87638	7.3277	1.9800
Nov.	1.9558	24.633	7.4547	0.7094	3.4528	275.51	3.9520	4.2940	9.3166	0.85510	7.3830	1.9717
Dec.	1.9558	25.174	7.4528	0.7096	3.4528	277.62	3.9962	4.2929	9.0559	0.84813	7.3913	2.0159
2011 Jan.	1.9558	24.449	7.4518	0.7034	3.4528	275.33	3.8896	4.2624	8.9122	0.84712	7.4008	2.0919
Feb.	1.9558	24.277	7.4555	0.7037	3.4528	271.15	3.9264	4.2457	8.7882	0.84635	7.4149	2.1702
<i>Percentage change versus previous month</i>												
2011 Feb.	0.0	-0.7	0.0	0.1	0.0	-1.5	0.9	-0.4	-1.4	-0.1	0.2	3.7
<i>Percentage change versus previous year</i>												
2011 Feb.	0.0	-6.6	0.2	-0.7	0.0	0.0	-2.2	3.1	-11.7	-3.4	1.5	4.6

	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
2008	1.7416	2.6737	1.5594	10.2236	11.4541	143.83	63.6143	14,165.16	5.2561	152.45	4.8893
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
2010 Q2	1.4403	2.2762	1.3054	8.6717	9.8857	-	57.9879	11,581.24	4.8110	117.15	4.1172
Q3	1.4289	2.2589	1.3416	8.7388	10.0324	-	59.9818	11,612.07	4.8978	110.68	4.0716
Q4	1.3747	2.3037	1.3757	9.0405	10.5441	-	60.9153	12,178.16	4.9154	112.10	4.2304
2010 Aug.	1.4337	2.2691	1.3411	8.7520	10.0193	-	60.0584	11,573.26	4.8906	110.04	4.0654
Sep.	1.3943	2.2476	1.3515	8.8104	10.1470	-	60.0771	11,716.16	4.8792	110.26	4.0570
Oct.	1.4164	2.3378	1.4152	9.2665	10.7835	-	61.7399	12,407.16	5.0192	113.67	4.3092
Nov.	1.3813	2.3391	1.3831	9.0895	10.5941	-	61.4539	12,224.00	4.9770	112.69	4.2588
Dec.	1.3304	2.2387	1.3327	8.7873	10.2776	-	59.6472	11,925.21	4.7618	110.11	4.1313
2011 Jan.	1.3417	2.2371	1.3277	8.8154	10.3945	-	60.7161	12,077.47	4.7909	110.38	4.0895
Feb.	1.3543	2.2765	1.3484	8.9842	10.6312	-	62.0142	12,165.92	4.9939	112.77	4.1541
<i>Percentage change versus previous month</i>											
2011 Feb.	0.9	1.8	1.6	1.9	2.3	-	2.1	0.7	4.2	2.2	1.6
<i>Percentage change versus previous year</i>											
2011 Feb.	-12.3	-9.8	-6.7	-3.9	0.0	-	-2.2	-4.9	-2.6	-8.7	-11.1

	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
2008	16.2911	2.0770	8.2237	65.172	36.4207	2.0762	12.0590	1,606.09	1.5874	48.475	1.4708
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
2010 Q2	15.9583	1.8145	7.9093	57.848	38.5027	1.7674	9.5974	1,481.01	1.4086	41.152	1.2708
Q3	16.5210	1.7979	7.9561	58.363	39.5260	1.7503	9.4593	1,526.12	1.3321	40.825	1.2910
Q4	16.8206	1.7915	8.0499	59.240	41.7192	1.7693	9.3785	1,538.70	1.3225	40.728	1.3583
2010 Aug.	16.4571	1.8059	7.9325	58.245	39.1898	1.7482	9.4192	1,522.39	1.3413	40.937	1.2894
Sep.	16.7361	1.7955	7.9156	57.772	40.2564	1.7439	9.3236	1,517.10	1.3089	40.264	1.3067
Oct.	17.2845	1.8498	8.1110	60.285	42.1471	1.8116	9.6165	1,560.30	1.3452	41.636	1.3898
Nov.	16.8386	1.7703	8.1463	59.485	42.3360	1.7739	9.5320	1,544.16	1.3442	40.826	1.3661
Dec.	16.3797	1.7587	7.9020	58.050	40.7385	1.7262	9.0143	1,513.74	1.2811	39.805	1.3220
2011 Jan.	16.1926	1.7435	7.8199	59.089	40.2557	1.7193	9.2652	1,495.50	1.2779	40.827	1.3360
Feb.	16.4727	1.7925	7.8206	59.558	39.9469	1.7421	9.8126	1,524.99	1.2974	41.918	1.3649
<i>Percentage change versus previous month</i>											
2011 Feb.	1.7	2.8	0.0	0.8	-0.8	1.3	5.9	2.0	1.5	2.7	2.2
<i>Percentage change versus previous year</i>											
2011 Feb.	-7.0	-8.6	-3.4	-5.9	-3.2	-9.9	-6.5	-3.6	-11.6	-7.6	-0.3

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										
2009	2.5	0.6	1.1	3.3	4.2	4.0	4.0	5.6	1.9	2.2
2010	3.0	1.2	2.2	-1.2	1.2	4.7	2.7	6.1	1.9	3.3
2010 Q3	3.3	1.6	2.3	-0.3	1.8	3.6	2.1	7.5	1.3	3.1
2010 Q4	4.0	2.0	2.5	1.7	2.9	4.3	2.7	7.8	1.8	3.4
2010 Nov.	4.0	1.9	2.5	1.7	2.5	4.0	2.6	7.7	1.7	3.3
2010 Dec.	4.4	2.3	2.8	2.4	3.6	4.6	2.9	7.9	2.1	3.7
2011 Jan.	4.3	1.9	2.6	3.5	2.8	4.0	3.5	7.0	1.4	4.0
General government deficit (-)/surplus (+) as a percentage of GDP										
2007	1.1	-0.7	4.8	-0.3	-1.0	-5.0	-1.9	-2.6	3.6	-2.7
2008	1.7	-2.7	3.4	-4.2	-3.3	-3.7	-3.7	-5.7	2.2	-5.0
2009	-4.7	-5.8	-2.7	-10.2	-9.2	-4.4	-7.2	-8.6	-0.9	-11.4
General government gross debt as a percentage of GDP										
2007	17.2	29.0	27.4	9.0	16.9	66.1	45.0	12.6	40.0	44.5
2008	13.7	30.0	34.2	19.7	15.6	72.3	47.1	13.4	38.2	52.1
2009	14.7	35.3	41.4	36.7	29.5	78.4	50.9	23.9	41.9	68.2
Long-term government bond yield as a percentage per annum; period average										
2010 Aug.	5.99	3.56	2.45	10.00	5.15	7.07	5.62	7.15	2.45	2.68
2010 Sep.	5.90	3.34	2.40	9.97	5.15	7.04	5.49	7.14	2.53	2.84
2010 Oct.	5.82	3.43	2.46	9.24	5.15	6.87	5.53	7.02	2.64	2.80
2010 Nov.	5.74	3.59	2.65	8.99	5.15	7.38	5.82	7.04	2.86	3.03
2010 Dec.	5.76	3.89	3.01	7.55	5.15	7.92	5.98	7.09	3.21	3.34
2011 Jan.	5.56	3.98	3.05	5.38	5.15	7.70	6.26	6.66	3.28	3.82
3-month interest rate as a percentage per annum; period average										
2010 Aug.	4.04	1.24	1.14	1.28	1.70	5.82	3.82	6.46	0.99	0.73
2010 Sep.	3.94	1.22	1.15	1.19	1.65	6.41	3.82	6.48	1.16	0.73
2010 Oct.	3.99	1.20	1.19	1.22	1.61	5.90	3.83	6.44	1.37	0.74
2010 Nov.	3.99	1.22	1.24	0.95	1.59	5.87	3.86	6.35	1.59	0.74
2010 Dec.	3.93	1.22	1.21	0.83	1.56	6.17	3.92	6.00	1.86	0.75
2011 Jan.	3.91	1.20	1.22	0.85	1.36	6.13	4.01	5.03	2.02	0.77
Real GDP										
2008	6.2	2.5	-1.1	-4.2	2.9	0.8	5.1	7.4	-0.6	-0.1
2009	-4.9	-4.1	-5.2	-18.0	-14.7	-6.7	1.7	-7.1	-5.3	-4.9
2010 Q2	-0.3	2.3	2.9	-2.6	1.2	0.8	3.7	-0.4	4.4	1.5
2010 Q3	0.5	2.8	3.6	2.5	1.6	2.2	4.6	-2.2	6.8	2.5
2010 Q4	.	.	2.7	.	4.6	2.4	3.9	-0.6	7.2	1.5
Current and capital account balance as a percentage of GDP										
2008	-22.3	0.2	2.7	-11.6	-11.3	-6.3	-3.7	-11.1	8.6	-1.3
2009	-8.6	0.1	3.5	11.0	7.7	0.8	-0.5	-3.6	7.4	-1.5
2010 Q2	-4.3	-2.4	5.1	7.3	7.8	4.0	-0.9	-7.9	6.5	-1.1
2010 Q3	14.6	-6.8	7.1	3.2	0.6	3.7	-2.7	-1.8	6.2	-2.7
2010 Q4	.	.	6.4	.	.	.	-1.9	-2.5	4.8	.
Gross external debt as a percentage of GDP										
2008	104.7	50.0	177.7	129.2	71.3	122.3	57.0	56.0	204.4	441.4
2009	107.9	50.8	189.8	156.3	87.2	141.2	59.6	69.0	205.0	416.6
2010 Q1	106.2	49.0	201.4	162.4	91.1	143.9	57.8	71.5	206.3	436.7
2010 Q2	107.3	52.7	202.1	164.9	89.8	153.8	63.2	76.6	216.6	428.2
2010 Q3	103.5	52.4	201.5	162.6	88.7	142.8	65.9	74.9	202.2	429.3
Unit labour costs										
2009	12.8	3.5	4.7	-7.0	-2.8	1.9	1.6	7.2	4.8	5.8
2010	.	.	-1.4	.	.	.	.	.	-1.6	.
2010 Q2	0.4	-0.4	-2.4	-14.5	-8.8	-2.5	5.9	.	-1.7	1.5
2010 Q3	-1.2	1.3	-2.5	-7.3	-5.5	-0.7	4.8	.	-2.6	1.3
2010 Q4	.	.	-0.7	.	.	.	.	.	-1.6	0.8
Standardised unemployment rate as a percentage of labour force (s.a.)										
2009	6.9	6.7	6.0	17.1	13.7	10.0	8.2	6.9	8.3	7.6
2010	9.9	7.4	7.4	.	17.8	11.2	9.6	.	8.4	.
2010 Q3	10.0	7.1	7.4	18.3	18.3	11.2	9.6	7.3	8.3	7.7
2010 Q4	10.1	7.4	7.7	.	17.4	11.5	9.7	.	7.9	.
2010 Nov.	10.1	7.3	7.7	.	17.4	11.5	9.7	.	7.8	7.8
2010 Dec.	10.1	7.7	7.8	.	17.4	11.8	9.7	.	7.8	.
2011 Jan.	10.2	7.5	.	.	.	12.6	9.7	.	7.9	.

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

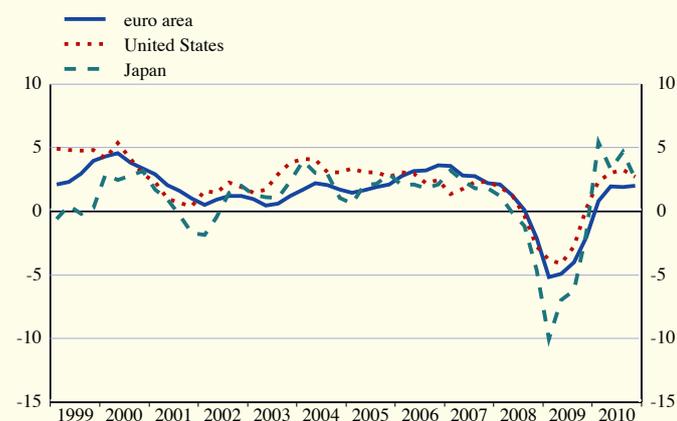
9.2 Economic and financial developments in the United States and Japan

(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 (s.a.)	Broad money ²⁾	3-month interbank deposit rate ³⁾	10-year zero coupon government bond yield; ³⁾ end of period	Exchange rate ⁴⁾ as national currency per euro	Fiscal deficit (-)/ surplus (+) as a % of GDP	Gross public debt ⁵⁾ as a % of GDP
	1	2	3	4	5	6	7	8	9	10	11
United States											
2007	2.9	2.4	1.9	3.2	4.6	6.3	5.30	4.81	1.3705	-2.9	48.4
2008	3.8	2.2	0.0	-4.4	5.8	7.1	2.93	2.70	1.4708	-6.3	56.7
2009	-0.4	-1.6	-2.6	-10.9	9.3	7.9	0.69	4.17	1.3948	-11.3	68.6
2010	1.6	-1.5	2.8	6.6	9.6	2.3	0.34	3.57	1.3257	.	.
2009 Q4	1.4	-3.4	0.2	-3.7	10.0	5.0	0.27	4.17	1.4779	-11.1	68.6
2010 Q1	2.4	-2.9	2.4	3.9	9.7	1.9	0.26	4.01	1.3829	-10.7	71.7
Q2	1.8	-1.9	3.0	8.8	9.6	1.7	0.44	3.13	1.2708	-11.1	73.3
Q3	1.2	-1.1	3.2	7.2	9.6	2.6	0.39	2.69	1.2910	-10.4	75.3
Q4	1.3	-0.2	2.7	6.5	9.6	3.2	0.29	3.57	1.3583	.	.
2010 Oct.	1.2	-	-	6.7	9.7	3.1	0.29	2.82	1.3898	-	-
Nov.	1.1	-	-	6.0	9.8	3.2	0.29	3.12	1.3661	-	-
Dec.	1.5	-	-	6.9	9.4	3.4	0.30	3.57	1.3220	-	-
2011 Jan.	1.6	-	-	6.0	9.0	4.3	0.30	3.68	1.3360	-	-
Feb.	.	-	-	.	.	.	0.31	3.73	1.3649	-	-
Japan											
2007	0.1	-2.3	2.3	2.8	3.8	1.6	0.79	1.70	161.25	-2.4	156.2
2008	1.4	1.7	-1.2	-3.4	4.0	2.1	0.93	1.21	152.45	-2.2	162.0
2009	-1.4	1.3	-6.3	-21.9	5.1	2.7	0.47	1.42	130.34	-8.7	180.4
2010	-0.7	.	4.0	16.0	5.1	2.8	0.23	1.18	116.24	.	.
2009 Q4	-2.0	-3.1	-1.8	-4.2	5.2	3.3	0.31	1.42	132.69	.	.
2010 Q1	-1.2	-4.5	5.4	27.6	4.9	2.8	0.25	1.48	125.48	.	.
Q2	-0.9	-2.1	3.3	21.0	5.2	3.0	0.24	1.18	117.15	.	.
Q3	-0.8	-3.3	4.7	13.6	5.1	2.8	0.24	1.03	110.68	.	.
Q4	0.1	.	2.6	5.0	5.0	2.6	0.19	1.18	112.10	.	.
2010 Oct.	0.2	-	-	4.3	5.1	2.8	0.20	1.01	113.67	-	-
Nov.	0.1	-	-	5.8	5.1	2.6	0.19	1.27	112.69	-	-
Dec.	0.0	-	-	4.9	4.9	2.4	0.18	1.18	110.11	-	-
2011 Jan.	0.0	-	-	4.7	.	2.3	0.19	1.29	110.38	-	-
Feb.	.	-	-	.	.	.	0.19	1.35	112.77	-	-

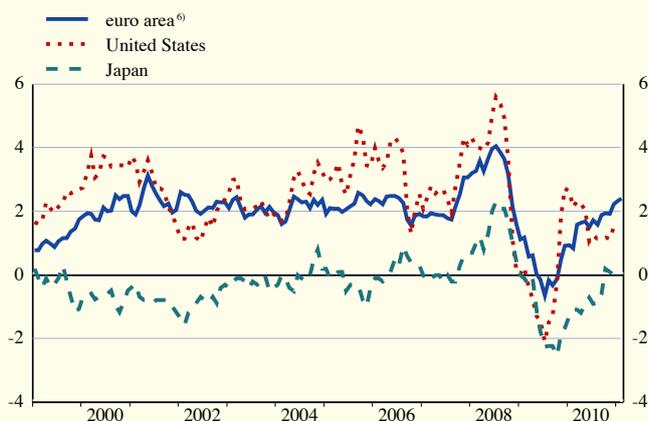
C41 Real gross domestic product

(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); Reuters (columns 7 and 8); ECB calculations (column 11).

- 1) Seasonally adjusted. The data for the United States refer to the private non-agricultural business sector.
- 2) Period averages; M2 for the United States, M2+CDs for Japan.
- 3) Percentages per annum. For further information on the three-month interbank deposit rate, see Section 4.6.
- 4) For more information, see Section 8.2.
- 5) Gross consolidated general government debt (end of period).
- 6) Data refer to the changing composition of the euro area. For further information, see the General Notes.



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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:

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

SECTIONS 2.1 TO 2.6

CALCULATION OF TRANSACTIONS

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

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

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

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

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

where L_{t-3} is the amount outstanding at the end of month $t-3$ (the end of the previous quarter)

and, for example, C_t^Q is the reclassification adjustment in the quarter ending in month t .

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

CALCULATION OF GROWTH RATES FOR MONTHLY SERIES

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

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

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

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

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

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

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 g) by dividing the index for December 2002 by the index for December 2001.

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

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

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

CALCULATION OF GROWTH RATES FOR QUARTERLY SERIES

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

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

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

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.

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.

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

2 For details, see Findley, D., Monsell, B., Bell, W., Otto, M. and Chen, B. C. (1998), “New Capabilities and Methods of the X-12-ARIMA Seasonal Adjustment Program”, *Journal of Business and Economic Statistics*, 16, 2, pp.127-152, or “X-12-ARIMA Reference Manual”, Time Series Staff, Bureau of the Census, Washington, D.C.

For internal purposes, the model-based approach of TRAMO-SEATS is also used. For details of TRAMO-SEATS, see Gomez, V. and Maravall, A. (1996), “Programs TRAMO and SEATS: Instructions for the User”, Banco de España, Working Paper No 9628, Madrid.

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

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

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

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

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

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

Changes in net 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:

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

As a base, the index is set equal to 100 in December 2001. The growth rate a_t for month t ,

corresponding to the change in the 12 months ending in month t , can be calculated using either of the following two formulae:

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

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

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:

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

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:

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

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 adjusted net issues are derived. Seasonal factors are revised at annual intervals or as required.

As in formulae k) and l), the growth rate a_t for month t , corresponding to the change in the six months ending in month t , can be calculated using either of the following two formulae:

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

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

TABLE I 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 S78). The seasonal adjustment of the overall HICP for the euro area is carried out indirectly by aggregating the seasonally adjusted euro area series for processed food, unprocessed food, industrial

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).

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:

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

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 March 2011.

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

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>).

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

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

MONEY, BANKING AND INVESTMENT FUNDS

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

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

Section 2.4 provides analysis, broken down by sector, type and original maturity, of loans granted by MFIs other than the Eurosystem

(i.e. the banking system) resident in the euro area. Section 2.5 provides analysis, broken down by sector and instrument, of deposits held with the euro area banking system. Section 2.6 shows the securities held by the euro area banking system, broken down by type of issuer.

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

Details of sector definitions are set out in the third edition of the “Monetary financial institutions and markets statistics sector manual – Guidance for the statistical classification of customers” (ECB, March 2007). The publication “Guidance Notes to the Regulation ECB/2001/13 on the MFI Balance Sheet Statistics” (ECB, November 2002) explains practices that NCBs are recommended to follow. Since 1 January 1999 statistical information has been collected and compiled on the basis of 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.

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

Section 2.9 shows outstanding amounts and transactions on the balance sheet of euro area investment funds (other than money market funds, which are included in the MFI balance sheet statistics). An investment fund is a collective investment undertaking that invests capital raised from the public in financial and/

or non-financial assets. A complete list of euro area investment funds is published on the ECB’s website. The balance sheet is aggregated, so investment funds’ assets include their holdings of shares/units issued by other investment funds. Shares/units issued by investment funds are also broken down by investment policy (i.e. into bond funds, equity funds, mixed funds, real estate funds, hedge funds and other funds) and by type (i.e. into open-end funds and closed-end funds). Section 2.10 provides further details on the main types of asset held by euro area investment funds. This Section contains a geographical breakdown of the issuers of securities held by investment funds, as well as breaking issuers down by economic sector where they are resident in the euro area.

Further information on these investment fund statistics can be found in the “Manual on investment fund statistics”. Since December 2008 harmonised statistical information has been collected and compiled on the basis of Regulation ECB/2007/8 concerning statistics on the assets and liabilities of investment funds.

EURO AREA ACCOUNTS

Section 3.1 shows quarterly integrated euro area accounts data, which provide comprehensive information on the economic activities of households (including non-profit institutions serving households), non-financial corporations, financial corporations and general government, as well as on the interaction between these sectors and both the euro area and the rest of the world. Non-seasonally adjusted data 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

² OJ L 15, 20.01.2009, p.14.

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 model³. Spreads between the ten-year rates and the three-month and two-year rates are also released. Additional yield curves (daily releases, including charts and tables) and the corresponding methodological information are available at: <http://www.ecb.europa.eu/stats/money/yc/html/index.en.html>. Daily data can also be downloaded.

Section 4.8 shows stock market indices for the euro area, the United States and Japan.

PRICES, OUTPUT, DEMAND AND LABOUR MARKETS

Most of the data described in this section are produced by the European Commission (mainly Eurostat) and national statistical authorities. Euro area results are obtained by aggregating data for individual countries. As far as possible, the data are harmonised and comparable. Statistics on labour costs indices, GDP and expenditure components, value added by economic activity, industrial production, retail sales passenger car registrations and employment in terms of hours worked are working day-adjusted.

The Harmonised Index of Consumer Prices (HICP) for the euro area (Table 1 in Section 5.1) is available from 1995 onwards. It is based on national HICPs, which follow the same methodology in all euro area countries. The breakdown into goods and services components is derived from the classification of individual consumption by purpose (Coicop/HICP). The HICP covers monetary expenditure by households on final consumption in the economic territory of the euro area. The table includes seasonally adjusted HICP data and experimental HICP-based estimates of administered prices, which are compiled by the ECB.

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

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 statistics⁴. Since January 2009 the revised classification of economic activities (NACE Revision 2), as covered by Regulation (EC) No 1893/2006 of the European Parliament and of the Council of 20 December 2006 establishing the statistical classification of economic activities NACE Revision 2 and amending Council Regulation (EEC) No 3037/90, as well as certain EC Regulations on specific statistical domains,⁵ has been applied in the production of short-term statistics. The breakdown by end-use of 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 2007⁶. 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 index⁷ and in the implementing Commission Regulation (EC) No 1216/2003 of 7 July 2003⁸. A breakdown of the labour cost indices for the euro area is available by labour cost component (wages and salaries, and employers’ social contributions plus employment-related taxes paid by the employer less subsidies received by the employer) and by economic activity. The ECB calculates the indicator of negotiated wages (memo item in Table 3 of Section 5.1) on the basis of non-harmonised, national-definition data.

Unit labour cost components (Table 4 in Section 5.1), GDP and its components (Tables 1 and 2 in Section 5.2), GDP deflators (Table 3 in Section 5.1) and employment statistics (Tables 1, 2 and 3 in Section 5.3) are derived from the ESA 95 quarterly national accounts.

Industrial new orders (Table 4 in Section 5.2) measure the orders received during the reference period and cover industries working mainly on the basis of orders – in particular the textile, pulp and paper, chemical, metal, capital goods and durable consumer goods industries. The data are calculated on the basis of current prices.

Indices for turnover in industry and for the retail trade (Table 4 in Section 5.2) measure the turnover, including all duties and taxes (with the exception of VAT), invoiced during the reference period. Retail trade turnover covers all retail trade (excluding sales of motor

4 OJ L 162, 5.6.1998, p. 1.

5 OJ L 393, 30.12.2006, p. 1.

6 OJ L 155, 15.6.2007, p. 3.

7 OJ L 69, 13.3.2003, p. 1.

8 OJ L 169, 8.7.2003, p. 37.

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 2000⁹ 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 government¹⁰. Section 6.5 presents quarterly figures on gross consolidated government debt, the deficit-debt adjustment and the government borrowing requirement. These figures are compiled using data provided by the Member States under Regulation (EC) No 501/2004 and Regulation (EC) No 222/2004 and data provided by the NCBs.

EXTERNAL TRANSACTIONS AND POSITIONS

The concepts and definitions used in balance of payments and international investment position (i.i.p.) statistics (Sections 7.1 to 7.4) are generally in line with the IMF Balance of Payments Manual (fifth edition, October 1993), the ECB Guideline of 16 July 2004 on the statistical reporting requirements of the ECB (ECB/2004/15)¹¹ and the amending ECB Guideline of 31 May 2007 (ECB/2007/3)¹². 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),

⁹ OJ L 172, 12.7.2000, p. 3.

¹⁰ OJ L 179, 9.7.2002, p. 1.

¹¹ OJ L 354, 30.11.2004, p. 34.

¹² OJ L 159, 20.6.2007, p. 48.

the Task Force on Portfolio Investment Income (August 2003) and the Task Force on Foreign Direct Investment (March 2004), all of which can be downloaded from the ECB's website. In addition, a report by the ECB/European Commission (Eurostat) Task Force on Quality looking at balance of payments and international investment position statistics (June 2004) is available on the website of the Committee on Monetary, Financial and Balance of Payments Statistics (www.cmfb.org). The annual quality report on the euro area b.o.p./i.i.p., which is based on the Task Force's recommendations and follows the basic principles of the ECB Statistics Quality Framework published in April 2008, is available on the ECB's website.

The tables in Sections 7.1 and 7.4 follow the sign convention in the IMF Balance of Payments Manual – i.e. surpluses in the current account and the capital account have a plus sign, while in the financial account a plus sign denotes an increase in liabilities or a decrease in assets. In the tables in Section 7.2, both credit and debit transactions are presented with a plus sign. Furthermore, as of the February 2008 issue of the Monthly Bulletin, the tables in Section 7.3 have been restructured in order to allow the data on the balance of payments, the international investment position and related growth rates to be presented together; in the new tables, transactions in assets and liabilities that correspond to increases in positions are shown with a plus sign.

The euro area b.o.p. is compiled by the ECB. Recent monthly figures should be regarded as provisional. Data are revised when figures for the following month and/or the detailed quarterly b.o.p. are published. Earlier data are revised periodically or as a result of methodological changes in the compilation of the source data.

Table 1 in Section 7.2 also contains seasonally adjusted data for the current account. Where appropriate, the adjustment also covers working day, leap year and/or Easter-related effects. Table 3 in Section 7.2 and Table 9 in Section 7.3 present a breakdown of the euro area b.o.p. and

i.i.p. vis-à-vis major partner countries, both individually and as a group, distinguishing between EU Member States outside the euro area and countries or areas outside the European Union. The breakdown also shows transactions and positions vis-à-vis EU institutions (which, with the exception of the ECB, are considered to be outside the euro area for statistical purposes, regardless of their physical location) and, for some purposes, offshore centres and international organisations. The breakdown does not cover transactions or positions in portfolio investment liabilities, financial derivatives or international reserves. In addition, separate data are not provided for investment income payable to Brazil, mainland China, India or Russia. The geographical breakdown is described in the article entitled “Euro area balance of payments and international investment position vis-à-vis main counterparts” in the February 2005 issue of the Monthly Bulletin.

The data on the euro area b.o.p. financial account and i.i.p. in Section 7.3 are based on transactions and positions vis-à-vis non-residents of the euro area, regarding the euro area as a single economic entity (see also Box 9 in the December 2002 issue of the Monthly Bulletin, Box 5 in the January 2007 issue of the Monthly Bulletin and Box 6 in the January 2008 issue of the Monthly Bulletin). The i.i.p. is valued at current market prices, with the exception of direct investment, where book values are used for unquoted shares, and other investments (e.g. loans and deposits). The quarterly i.i.p. is compiled on the basis of the same methodological framework as the annual i.i.p. As some data sources are not available on a quarterly basis (or are available with a delay), the quarterly i.i.p. is partly estimated on the basis of financial transactions, asset prices and foreign exchange developments.

Table 1 in Section 7.3 summarises the i.i.p. and financial transactions in the euro area b.o.p. The breakdown of the change in the annual i.i.p. is obtained by applying a statistical model to i.i.p. changes other than transactions, using information from the geographical breakdown and currency

composition of assets and liabilities, as well as price indices for different financial assets. In this table, columns 5 and 6 refer to direct investment by resident units abroad and direct investment by non-resident units in the euro area.

In Table 5 in Section 7.3, the breakdown into “loans” and “currency and deposits” is based on the sector of the non-resident counterpart – i.e. assets vis-à-vis non-resident banks are classified as deposits, whereas assets vis-à-vis other non-resident sectors are classified as loans. This breakdown follows the distinction made in other statistics, such as the MFI consolidated balance sheet, and conforms to the IMF Balance of Payments Manual.

The outstanding amounts for the Eurosystem’s international reserves and related assets and liabilities are shown in Table 7 of Section 7.3. These figures are not fully comparable with those in the Eurosystem’s weekly financial statement owing to differences in coverage and valuation. The data in Table 7 are in line with the recommendations for the template on international reserves and foreign currency liquidity. 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 and 2004-2006, and are calculated to account for third-market effects. The EER indices are obtained by chain-linking the indicators based on each of these four sets

of trade weights at the end of each three-year period. The base period of the resulting EER index is the first quarter of 1999. The EER-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 EUROSYSTEM¹



15 JANUARY 2009

The Governing Council of the ECB decides to decrease the interest rate on the main refinancing operations by 50 basis points to 2.00%, starting from the operations to be settled on 21 January 2009. In addition, it decides that the interest rates on the marginal lending and the deposit facility will be 3.00% and 1.00% respectively, with effect from 21 January 2009, in line with the decision of 18 December 2008.

5 FEBRUARY 2009

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 2.00%, 3.00% and 1.00% respectively.

5 MARCH 2009

The Governing Council of the ECB decides to decrease the interest rate on the main refinancing operations by 50 basis points to 1.50%, starting from the operations to be settled on 11 March 2009. In addition, it decides that the interest rates on the marginal lending and the deposit facility will be 2.50% and 0.50% respectively, with effect from 11 March 2009.

Moreover, the Governing Council decides to continue the fixed rate tender procedure with full allotment for all main refinancing operations, special-term refinancing operations and supplementary and regular longer-term refinancing operations for as long as needed, and in any case beyond the end of 2009. In addition, the Governing Council decides to continue with the current frequency and maturity profile of supplementary longer-term refinancing operations and special-term refinancing operations for as long as needed, and in any case beyond the end of 2009.

2 APRIL 2009

The Governing Council of the ECB decides to decrease the interest rate on the main refinancing operations by 25 basis points to 1.25%, starting from the operations to be settled on 8 April 2009. In addition, it decides that the interest rates on the marginal lending and the deposit facility will be 2.25% and 0.25% respectively, with effect from 8 April 2009.

7 MAY 2009

The Governing Council of the ECB decides to decrease the interest rate on the main refinancing operations by 25 basis points to 1.00%, starting from the operation to be settled on 13 May 2009. In addition, it decides to decrease the interest rate on the marginal lending facility by 50 basis points to 1.75% with effect from 13 May 2009, and to leave the interest rate on the deposit facility unchanged at 0.25%. In addition, the Governing Council of the ECB decides to proceed with its enhanced credit support approach. In particular, it decides that the Eurosystem will conduct liquidity-providing longer-term refinancing operations with a maturity of one year as fixed rate tender procedure with full allotment. In addition, it decides in principle that the Eurosystem will purchase euro-denominated covered bonds issued in the euro area.

4 JUNE 2009

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 1.00%, 1.75% and 0.25% respectively. In addition, the Governing Council of the ECB decides upon the technical modalities related to the purchase of euro-denominated covered bonds issued in the euro area decided on 7 May 2009.

¹ The chronology of monetary policy measures taken by the Eurosystem between 1999 and 2008 can be found in the ECB's Annual Report for the respective years.

**2 JULY, 6 AUGUST, 3 SEPTEMBER, 8 OCTOBER
AND 5 NOVEMBER 2009**

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 1.00%, 1.75% and 0.25% respectively.

3 DECEMBER 2009

The Governing Council of the ECB decides that the interest rate on the main refinancing operations and the interest rates on the marginal lending facility and the deposit facility will remain unchanged at 1.00%, 1.75% and 0.25% respectively. It also decides on the details as regards the tender procedures and modalities to be applied in its refinancing operations up to 13 April 2010.

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 11 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.

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.



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



TARGET2¹ is instrumental in promoting the integrated euro area money market, which is a prerequisite for the effective conduct of the single monetary policy. It also contributes to the integration of the euro area financial markets. More than 4,400 commercial banks, as well as 22 national central banks, use TARGET2 to initiate payments of their own or on their customers' behalf. Taking into account branches and subsidiaries, over 50,000 banks worldwide (and thus all the customers of these banks) can be addressed via TARGET2.

TARGET2 is used to make large-value and time-critical payments, including payments to facilitate settlements in other interbank fund transfer systems (e.g. Continuous Linked Settlement or EURO1), and to settle money market, foreign exchange and securities transactions. It is also used for smaller-value customer payments. TARGET2 provides intraday finality for transactions and allows the funds credited to a participant's account to become immediately available for other payments.

PAYMENT FLOWS IN TARGET2

In the fourth quarter of 2010, TARGET2 settled 22,790,133 transactions with a total value of €150,795 billion, which corresponds to a daily average of 345,305 transactions with a value of €2,285 billion. The highest level of TARGET2 traffic during this quarter was recorded on 29 October, when 467,101 payments were processed.

With a market share of 60% in terms of volume and 91% in terms of value, TARGET2 maintained its dominant position in the market for large-value payments in euro. The stability of TARGET2's market share confirms banks' strong interest in settlement in central bank money, particularly in times of market turbulence. The average proportion of interbank payments was 41% in terms of volume and 94% in terms of value. The average value of an interbank payment processed in the system was €15.1 million, while that of

a customer payment was €0.7 million. 66% of the payments had a value of below €50,000, while 11% had a value of above €1 million. On average, there were 255 payments with a value of above €1 billion per day.

INTRADAY PATTERN OF VOLUMES AND VALUES

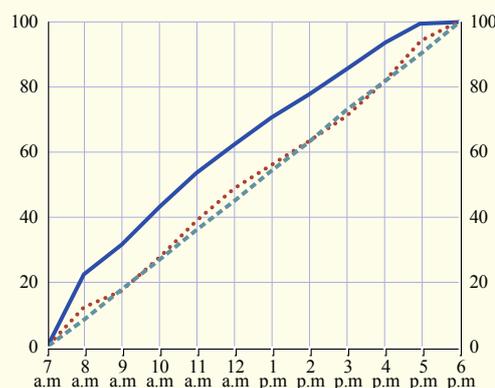
The chart shows the intraday distribution of TARGET2 traffic, i.e. the percentage of daily volumes and values processed at different times of the day, for the fourth quarter of 2010. In volume terms, the curve is well above the linear distribution, with 71% of the volume already exchanged by 1 p.m. CET and 99.6% one hour before the system closed. By 1 p.m. CET, 56% of the value exchanged in TARGET2 had already been settled, a figure that rose to 94% one hour before the system closed. In value terms, the curve is very close to the linear distribution. This indicates that turnover was evenly spread throughout the day and that liquidity circulated appropriately among participants, thereby ensuring the smooth settlement of TARGET2 transactions.

¹ TARGET2 is the second generation of TARGET and was launched in 2007.

Intraday pattern

(percentages)

— Q4 2010 volume
 Q4 2010 value
 - - - linear distribution



Source: ECB.

TARGET2 AVAILABILITY AND BUSINESS PERFORMANCE

In the fourth quarter of 2010, TARGET2 achieved 100% overall availability. Incidents considered in the calculation of TARGET2's availability are those that completely prevent

the processing of payments for ten minutes or more. However, two incidents did cause a reduction in the service without affecting the overall availability (e.g. slowdown). As a result, on average, 99.98% of all payments were processed in less than five minutes, still fully meeting the expectations set for the system.

Table 1 Payment instructions processed by TARGET2 and EURO1: volume of transactions

(number of payments)					
	2009 Q4	2010 Q1	2010 Q2	2010 Q3	2010 Q4
TARGET2					
Total volume	23,484,185	21,701,047	22,532,655	21,568,091	22,790,133
Daily average	361,295	344,461	357,661	326,789	349,305
EURO1 (EBA)					
Total volume	15,154,195	14,200,046	14,971,067	14,755,175	15,445,811
Daily average	233,141	225,398	237,636	223,563	230,124

Table 2 Payment instructions processed by TARGET2 and EURO1: value of transactions

(EUR billions)					
	2009 Q4	2010 Q1	2010 Q2	2010 Q3	2010 Q4
TARGET2					
Total value	137,942	138,751	153,299	150,349	150,795
Daily average	2,122	2,202	2,433	2,278	2,285
EURO1 (EBA)					
Total value	15,416	15,294	16,152	15,199	15,563
Daily average	237	243	256	230	241



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

- Annual Report
- Convergence Report
- Monthly Bulletin

RESEARCH PAPERS

- Legal Working Paper Series
- Occasional Paper Series
- Research Bulletin
- Working Paper Series

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.

Unless otherwise indicated, hard copies can be obtained or subscribed to free of charge, stock permitting, by contacting info@ecb.europa.eu





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.

Debt (financial accounts): loans taken out by households, as well as the loans, debt securities and pension fund reserves (resulting from employers' direct pension commitments on behalf of their employees) of non-financial corporations, valued at market prices at the end of the period.

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

Debt security: a promise on the part of the issuer (i.e. the borrower) to make one or more payment(s) to the holder (the lender) on a specified future date or dates. Such securities usually carry a specific rate of interest (the coupon) and/or are sold at a discount to the amount that will be repaid at maturity. Debt securities issued with an original maturity of more than one year are classified as long-term.

Debt-to-GDP ratio (general government): the ratio of general government debt to GDP at current market prices. It is the subject of one of the fiscal criteria laid down in Article 126(2) of the Treaty on the Functioning of the European Union to define the existence of an excessive deficit.

Deficit (general government): the general government's net borrowing, i.e. the difference between total government revenue and total government expenditure.

Deficit-debt adjustment (general government): the difference between the general government deficit and the change in general government debt.

Deficit ratio (general government): the ratio of the general government deficit to GDP at current market prices. It is the subject of one of the fiscal criteria laid down in Article 126(2) of the Treaty on the Functioning of the European Union to define the existence of an excessive deficit. It is also referred to as the budget deficit ratio or the fiscal deficit ratio.

Deflation: a generalised, persistent and self-reinforcing decline in a broad set of prices that results from a drop in aggregate demand and becomes entrenched in expectations.

Deposit facility: a standing facility of the Eurosystem 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 10 non-euro area EU Member States and 10 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. In some cases, an FVC simply holds the securitised assets and issues the securities through another entity, often an FVC itself.

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.

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: a sector defined in the ESA 95 as comprising all 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 one year were conducted, the frequency of which varied.

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

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

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

Main refinancing operation (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 the Eurosystem, resident credit institutions (as defined in Community law) and all other resident financial institutions whose business is to receive deposits and/or close substitutes for deposits from entities other than MFIs and, for their own account (at least in economic terms), to grant credit and/or invest in securities. The latter group consists predominantly of money market funds, i.e. funds that invest in short-term and low-risk instruments usually with a maturity of one year or less.

Minimum bid rate: the lower limit to the interest rates at which counterparties may submit bids in the variable tenders.

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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