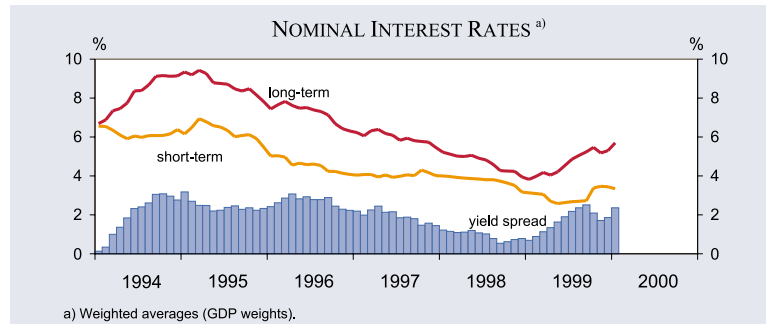
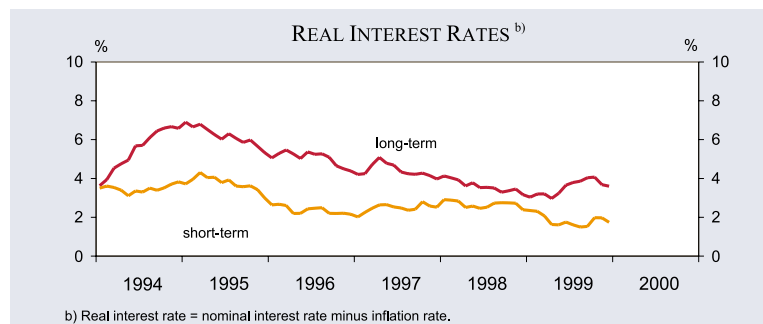


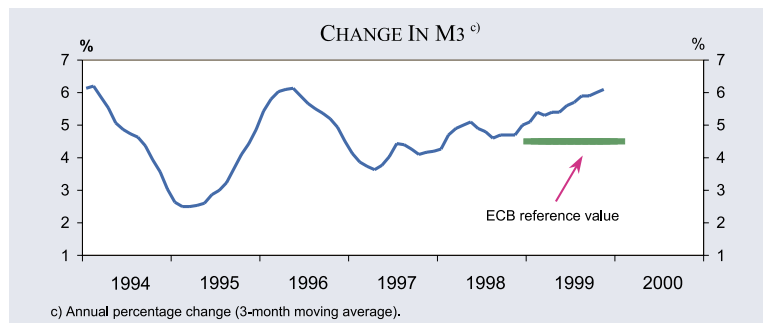
MONETARY CONDITIONS IN THE EURO-REGION



In January, the average of short-term interest rates declined slightly, although rates rose towards the end of the month in anticipation of an increase in ECB interest rates. The ECB did raise its key rates by 25 basis points on 3rd February, in a move to counter rising inflation risks. Long-term bond rates continued to rise, widening the yield spread again.



Because of an accelerating rate of inflation, real interest rates declined slightly.



Growth of the money supply M3 has stabilised around 6% since last August, still far above the reference rate of 4½%. The prolonged deviation of M3 growth from the reference value continued to signal generous liquidity conditions and remained an important factor contributing to the upside risks to price stability in the medium term.