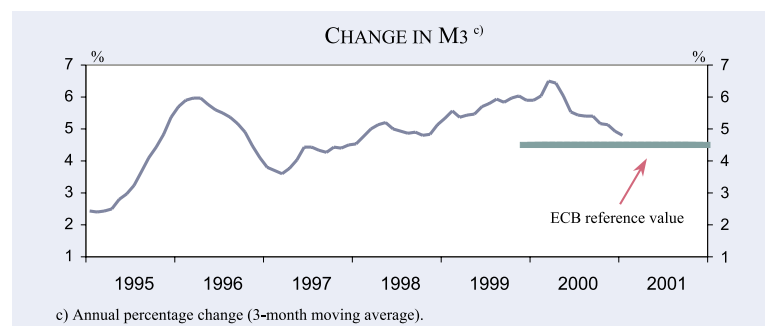
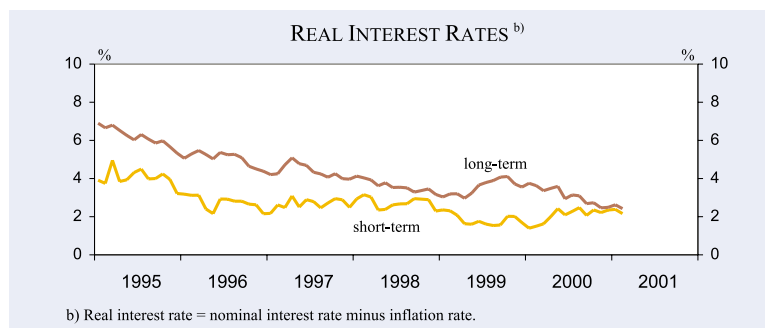
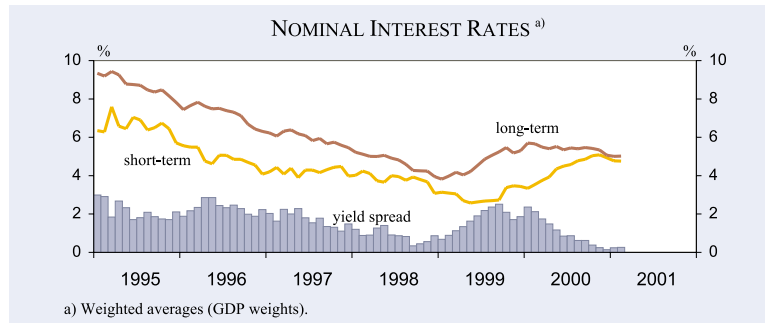


MONETARY CONDITIONS IN THE EURO-REGION



In its recent meetings, the Governing Council of the ECB decided to leave the key interest rates unchanged, reflecting the Council's assessment of the risks to price stability in the medium term based on the two pillars of monetary policy.

The first pillar, growth of the money supply, showed a continued moderation in the annual growth of M3. Its three-month moving average declined to 5.0% in the period from November 2000 to January 2001, from 5.1% recorded in the period from October to December 2000. Overall, the risks to price stability from the monetary side are viewed to have become more balanced during recent months.

As regards the second pillar, euro area real GDP growth appears to have slowed last year, but the ECB's outlook for this year is positive, as conditions on the domestic side, like long-term financing costs have remained favourable. Nominal long-term government bond yields continued to decline in the first quarter of 2001. The decline has been more pronounced in real terms since the peak in early 2000.